Politecnico di Milano

Facolta di Architettura e Societa

Corso di Laurea in Pianificazione Urbana

e Politiche Territoriali

COMMUNITY DEVELOPMENT AND AFFORDABLE HOUSING: THE UNITED STATES AND ITALY

Marisa Novara

Matricola 749846

July 20, 2011

Relatore: Prof. Gabriele Rabaiotti

Correlatore: Dott. Gianluca Nardone

Table of Contents

I. List of Exhibits

II. Abstract

Community development corporations have played an important role in America's neighborhoods since the 1960s. Over the years, CDCs have shifted from an initial focus on job creation and economic development to include the creation of affordable housing and community organizing. This paper traces these changes over time, as well as two factors that have and continue to impact the role that a CDC plays in the community development milieu: its major rental housing funding source, the Low Income Housing Tax Credit, and its most common intermediary, the Local Initiatives Support Corporation (LISC).

This paper then examines the corollary community development context in northern Italy, exploring the historical development of philanthropy and nonprofits, the nascent and diffused network of CDCs, and the need for affordable rental housing. A new model is proposed based on Healey's three-tiered matrix of governance interactions which emphasizes the importance of creating moments and places where stakeholders can exchange and develop ideas; mobilizing bias to frame and solve an issue; and the context and constraints shaped by culture. Finally, the creation of an Italian community development intermediary is explored, using LISC as a catalyst.

III. Community Development Corporations and affordable housing in the United States

CHAPTER 1 – The Creation and Rise of Community Development Corporations in the United States

It is February 4, 1966, and New York Senator Bobby Kennedy is touring the blighted Bedford-Stuyvesant neighborhood of Brooklyn, New York. At play is the urgency of the immediate: burned out buildings, vacant lots and abandoned cars; and the frustration of the wider context as well: civil rights struggles, urban riots - - a general unrest that can no longer be ignored. After the tour Kennedy meets with local leaders, and is served a healthy dose of their frustration; concerned that he is just "another white guy that's out here for the day," leaders urge him to not simply study them, but to bring about real change (Schlesinger, 2002, p. 786). Kennedy is deeply affected, both by what he sees and the depth of the frustration that he hears from community leaders. He starts to envision Bedford-Stuyvesant as the place to try something different, and taps his wide circle of associates in foundations and business to form something non-partisan, non-political, and community-based. Together with New York's senior senator, Jacob Javits, Kennedy passes legislation that establishes the Special Impact Program, allowing for federal funding of community development projects in poor urban areas. It becomes law in November 1966, and Kennedy returns to Bed-Stuy in December to present, along with community leaders, the plan for the Bedford-Stuyvesant Development and Service Corporation. Says Kennedy, "The program for the development of Bedford Stuyvesant will combine the best of community action with the best of the private enterprise system. Neither by itself is enough, but in their combination lies our hope for the future (IBID, p. 788)."

The community development corporation (CDC)'s genesis is commonly traced from this much publicized tour of Bedford-Stuyvesant; auspicious beginnings for a movement characterized by "grotesquely underfunded organizations working in disinvested communities requiring massive capital infusion (Stoecker, 1996, p. 6)." The creation of the Bedford-Stuyvesant Development and Service Corporation was a single, place-based intervention in the face of centuries of struggle for civil rights and the particular urgency brought on by the urban riots of the 1960s (Berndt, 1977). This context out of which CDCs grew is crucial to understanding their structure. At the point of their advent in the late 1960s, there was no coordinated national community development policy (Faux, 1971); in fact, some say that it was precisely because of this absence that indigenous local efforts sprang up (Peirce and Steinbach, 1987). Urban renewal of the 1950s and early 60s had bulldozed whole neighborhoods in the name of redevelopment, and the Kennedy/Johnson War on Poverty programs had taken an individual pathology approach to eradicating poverty. Peirce and Steinbach (1977) explain that the CDC movement grew out of the idea that "…being poor is not an individual affair but rather a systematic disease that afflicts whole communities…[thus the need for] a community-based and comprehensive approach to improving the local economy rather than trying desperately somehow to rebuild each individual so she or he can leave the impoverishing conditions behind…(pp.20-21)." If the War on Poverty programs were the proverbial 'hand out,' the CDC movement was about a 'hand up.'

Definition of a CDC

Early literature on community development and CDCs places great emphasis on "maximum feasible participation": the community having control over community activities and assets. In the latter half of the 1960s, in the context of paternalistic "poverty programs," this notion of community control was considered radical (Peirce & Steinbach, 1987). Faux (1971, p. 51) argued that the call for community control was particularly relevant in the context of the analogy between the urban ghetto and underdeveloped colonies. Just as many African countries such as Ghana were pushing for independence from their colonizers in the late 1960s, urban minorities in the U.S. were at the same time pushing to gain local control over the distribution of resources. The idea was to train a cadre of dedicated residents to create bottom-up, comprehensive community redevelopment; thereby increasing indigenous capacity, keeping control and assets within the community, and benefitting the community rather than the individual (Berndt, 1977).

According to Berndt (1977), the following characteristics generally apply to urban CDCs and the areas that they serve:

- They represent a relatively small geographic area with a high-density population
- The population is largely homogeneous with a large percentage of unemployed and under-employed
- Business in the area is mainly owned by non-residents (with the exception of some small enterprises often referred to as 'Mom and Pop'-type businesses), and industry has left
- Housing is generally deteriorated, with the exception of pockets of well-maintained owner-occupied units
- Quality and quantity of city services is low
- Crime and unemployment is high, particularly among young people between 18 and 25
- Disproportionate number of elderly poor

What do CDCs actually *do* in the face of the conditions outlined above? While the areas in which CDCs work may share many of these characteristics, their work varies greatly by local conditions, the demands of a changing economy and real estate market, and their own tenure, track record, relationships with government and funding sources, and expertise (Faux, 1971). Some CDCs are struggling to simply establish a commercial or residential real estate market in a depressed area; others are fighting to carve out islands of affordability within a rapidly gentrifying zone. The CDC where I worked[1] experienced the entire spectrum over 22 years, all within the same neighborhood: initially land values were so depressed that the cost to rehab a structure often exceeded the building's worth, and the CDCs' leaders had to work out agreements with banks to provide 'appraisal gap' funds. Cut to the other extreme during the period of runaway growth from roughly 2005-2007, in which land values rose so dramatically that not only could long-time residents no longer afford to buy, the CDC itself could not afford to purchase many buildings they would have previously bought and rehabbed.

The first wave of CDCs was largely focused on "the development of community institutions, the ownership and renovation of community physical assets, and the acquisition and development of community businesses (Berndt, 1977, p. 7)." Some authors have noted additional goals that are not generally part of a contemporary discussion of the purposes that CDCs serve, such as opportunities for black/white integration through business, and the luring of the middle class to act out their social justice ideals (Hampden-Turner, 1975). It was not until a later wave of CDCs in the 1970s and into the 1980s that the focus became less on job creation and more on affordable housing development (Peirce and Steinbach, 1990; Vidal, 1992). Vidal's 1992 study of CDCs found that 87 percent of the 130 CDCs

[1] I worked at Lawndale Christian Development Corporation on Chicago's west side from 2005 – 2009. As Senior Project Manager, I directed over $30 million in affordable rental and for-sale housing development.

studied were engaged in housing development. By the turn of this century, the field seems to have shifted again to emphasize inclusion of a wide spectrum under the umbrella of community development: real estate development, business development, community organizing, and workforce development (Vidal and Keyes, 2005).

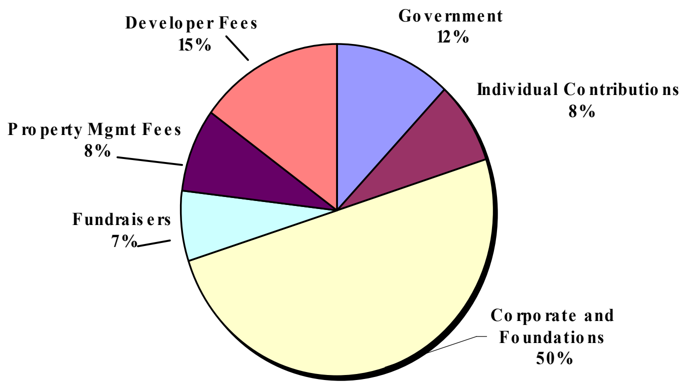
An example of this emphasis in practice is The New Communities Program (NCP), a long-term initiative launched in 2003 to support the comprehensive development of 16 Chicago neighborhoods that is sponsored by the Local Initiatives Support Corporation and the MacArthur Foundation. NCP supports a wide spectrum of actions in communities, including those related to housing, commercial and retail development, employment, health care, parks and recreation, child care, educational quality, the arts and community security. Recently, the MacArthur Foundation launched a comprehensive study of how the initiative has fared, hoping to verify what it calls "two profoundly simple assumptions" about NCP:

> first, that sustainable neighborhood improvement requires long-term investment in many issues—schools, housing, health, jobs, etc. —all of which must improve together in a virtuous cycle; and second, that the people and organizations of a neighborhood, if provided additional resources and networking help, can produce measurable improvements to their community's well-being (McCarron, 2007).

CDC Funding

CDCs are generally funded by a combination of the following: foundation grants and loans, government contracts, individual donations, fundraisers, and earned income from fees on development projects, property management, consulting, etc. An example of the funding sources of a current CDC (a $1.5 million organization) is shown below:

Figure 1. Sample CDC Funding Sources



Source: Lawndale Christian Development Corporation, 2009 Annual Report

Growth of CDCs

How then did a singular entity in one neighborhood of Brooklyn spread across the country and set the course for community development? The Kennedy-Javits legislation (the Special Impact Amendment of 1966 to the Economic Opportunity Act) helped to spread the Bed-Stuy model and create CDCs around the country. These "first generation" CDCs numbered less than 100 but the number grew quickly; some opined at the time that dissatisfaction – from government and community – with urban programs to that point was the primary stimulus to CDC growth (Faux, 1971). By 1989, the National Congress for Community Economic Development (NCCED) identified approximately 1,500 CDCs nationwide – 7 times more than national estimates in the mid-1970s. In 1993, a survey found that of cities with populations of 100,000 or more, CDCs were present in all but seven (Schwartz, 2006). A 2006 industry survey tallied 4,600 CDCs throughout the country.

The role of CDCs in the affordable housing development sector

CDCs have and continue to play a major role in the development of affordable housing in the United States. As Walker (1993, p. 388) notes, "deep-subsidy production programs of the 1970s are gone (and with them, much of the for-profit affordable housing development industry." With minimal government subsidies and thus, minimal profit realized, for-profit builders have been – at least until recently - content to largely leave this market to CDCs. Non-profits, according to Peirce and Steinbach, *are* the low-income housing industry in the United States (1987). (With the economic crisis of the past several years, however, we have seen a shift of for-profit builders to the affordable development sector, given the near collapse of the market-rate market in many cities.)

Consider two images below; the first examines actors in the field of housing development.

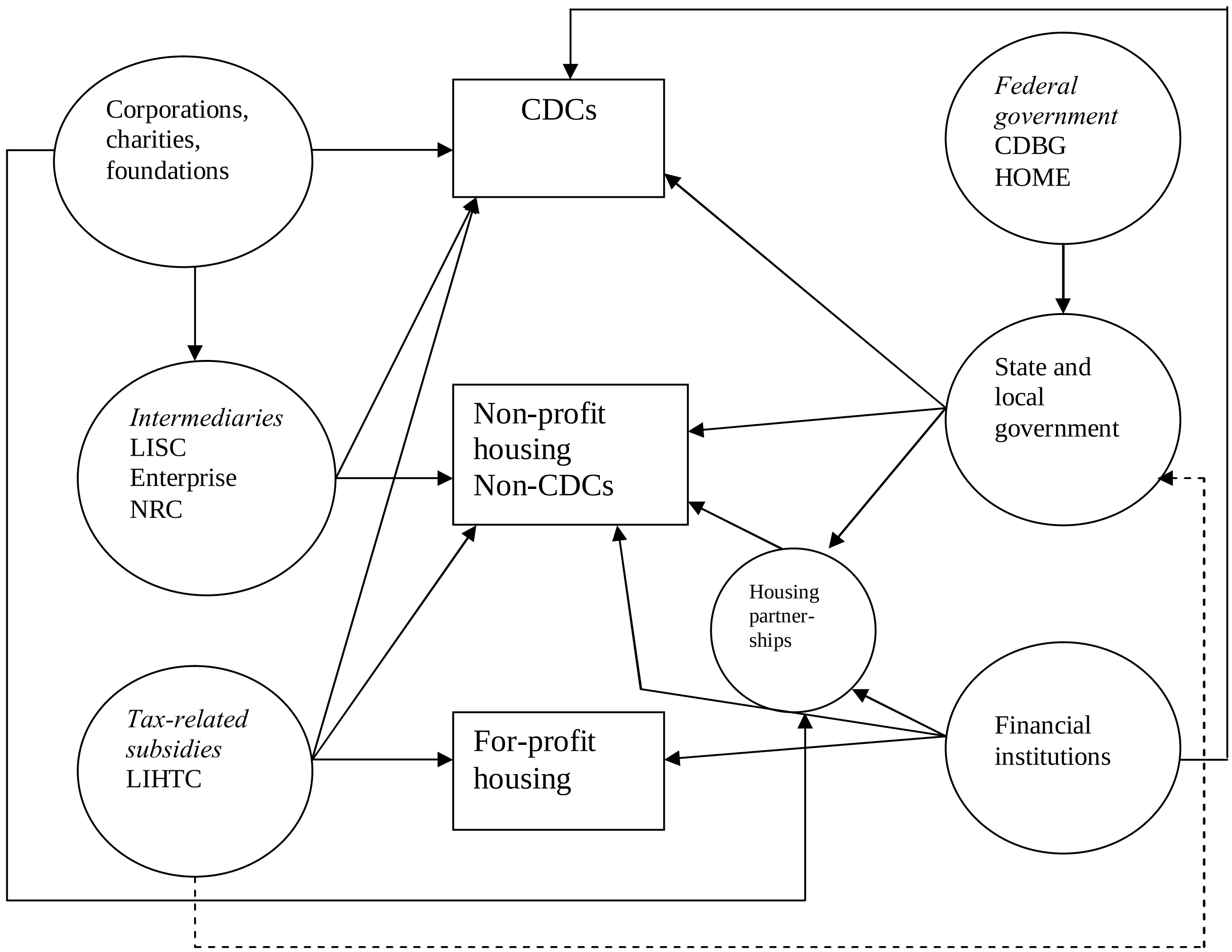
Drawing 1. U.S. Housing Context: Products, Financing, and Actors

Category	**Product**	**Financing**	**Actors**
Market-rate Housing	For-sale and rental units at cost of what the market will bear	Private debt & equity	For-profit real estate developers
Affordable Housing	For-sale and rental units at no more than 30% of income	Mix of public subsidies, Low Income Housing Tax Credits, conventional debt, developer collateral	Non-profit developers in the form of CDCs; For-profit developers including a portion of affordability in an otherwise market-rate project, or for-profits doing mixed-income public housing replacement
Public Housing	Rental units at sliding scale based on income	Mix of public subsidies	Generally large for-profits with experience in mixed-income housing

Community Development and Affordable Housing: the United States and Italy, Marisa Novara, Ralletore Gabriele Rabaiotti, 2011.

This table shows that each end of the spectrum is dominated by for-profit developers, but that the space in the middle – that of affordable housing production – has a thriving non-profit presence that has increasingly developed the expertise needed to utilize existing financing tools. Many non-profits in this “middle space” are also partnering with the for-profit sector to increase their access to capital, collateral, expertise and human capital.

Figure 2. Low-Income Housing Production System



Source: Rosen and Dienstfrey, 1999, p. 444

Rosen and Dienstfrey describe this system as “a complex financing alternative that has put together a patchwork of tax incentives, tax-exempt bonds, and state, local and philanthropic supports to try to fill the void left by the curtailment of the federal categorical subsidy programs (1999, p. 443).”

CDCs' Challenges

CDCs are operating in an inherently conflictual world. Residents generally want community control at the lowest cost. Financiers want control over projects they have financed, and they want those projects to generate maximum cash flow. As Stoecker (1996) details,

> It is this insecure and unpredictable middle location that CDCs occupy. CDCs manage capital, like capitalists, but don't invest it for a profit. They manage projects, but within the constraints set by their funders. They try to be community oriented while their purse strings are held by outsiders. They are pressured by capital to produce exchange values in the form of capitalist business spaces and rental housing. They are pressured by communities to produce use values in the form of services, home ownership and green spaces. This is more than a "double bottom-line." It is the internalization of the capital-community contradiction and it leads to trouble.

Given this backdrop, consider three complicated issues that are inherently conflictual for CDCs: **their relationship to capitalism, to community, and to community organizing**.

CDC Conflict: Capitalism

How do CDCs interact with urban capitalism? Some say this interaction has changed over time: during the 1980s federal support for neighborhood-based development and direct support to CDCs shrunk to unprecedented lows, and CDCs had to "find ways to resemble the real for-profit world," as a CDC Director stated in the mid-'80s. Another CDC Director summarized their evolving mentality as "we no longer take a 'gimme, gimme' attitude. Now we are learning to infiltrate into the system (Peirce and Steinbach, 1987, p. 30)."

While Peirce and Steinbach refer to the work of CDCs as 'corrective capitalism' (1987), given their mainly privatized funding sources, CDCs largely work within existing economic rules (Madison, 1995). As such, non-capitalist development such as limited equity co-ops and social ownership are relatively rare, regardless of what a given community's need for these types of housing might be. Further, what can the primary lens of a CDC be in a capitalistic country that has decimated affordable development subsidies? For example, the ideals of the movement might say that one of the CDC's chief roles is to provide jobs for community residents. However, without subsidies, then the CDC must look to profits to make a project sustainable. At this level, people must be employed on the basis of their skills and not on the basis of their need for employment. Some might argue that this is precisely why CDCs must also focus on community organizing that would work to shift this framework away from community versus profit – but that argument will be discussed further below.

CDCs' position vis a vis the market is complex and conflictual. According to Marquez, the CDC model originally attempted to correct three market failures: 1) the inability of investors to see opportunities for investment in the neighborhood; 2) profit maximization that prevented less-than-blockbuster investments; and 3) limitations on investments such as restrictive zoning laws. However, as direct government subsidy has increasingly waned over the years since CDCs' inception, their ability to intervene in the market has declined substantially and CDCs are increasingly "accommodating themselves to, rather than redirect[ing], the course of the free market (1993)." For example, during the economic crisis beginning roughly in 2008, CDCs all over the country watched as their projects fell apart. Why? In large part because the federal funding system for affordable rental housing is based on the machinations of a robust market; if investors don't need tax credits because they have no earnings against which to credit, then equity necessarily comes to a screeching halt.

While the Low Income Housing Tax Credit system may be neat and tidy from a (lack of) government expenditure point of view, its dependence on the real estate market belies the fact that affordable housing is the very product that the market will not bear on its own. To state the obvious, CDCs work in neighborhoods where the free market failed in the first place. Thus, according to LISC's then-president Paul Grogan: "we cannot pretend market forces are going to revive these communities. The subsidy has to come from somewhere (quoted in Peirce and Steinbach, 1987, p. 58)." Follain concurs: market failure requires production subsidies and nonprofit involvement (Stoutland, 1999, p. 212). Schwartz points out that the "lack of housing affordable to the lowest income renters reflects above all the inability of the private housing market to produce and maintain low-cost housing without public subsidy. The rents collected from housing affordable to the lowest income households are often simply too low to cover the cost of maintenance, upkeep, debt service, and taxes, to say nothing of profit (2006, p. 36)."

This, then, is the conflict that CDCs embody: they operate in a capitalistic funding system, yet their projects are, by nature, <u>not</u> what the market will bear.

CDC Conflict: Community

What does it mean to be community-based? The CDC where I worked was created in 1987 with deep roots in Chicago's West Side. In its early years, all staff and Board members were required to live in the community. As the organization grew and more staff were needed, and as funding sources became more complex and thus more specialized knowledge required, such restrictions were no longer practical. Apparently other CDCs found the same to be true much earlier: a study as early as 1973 of 13 major CDCs found that even in those early years, only 28% of CDC managers were area residents, and about 60% of non-managers were residents (Berndt, 1977). Adams (1990) notes that the very things that can make a CDC 'community-based' – its smallness and neighborhood roots – inhibit access to the capital and expertise that comprehensiveness demands. The CDC model's community-based ideology can promote amateurism and volunteerism, although I would argue that it doesn't have to. Boards of Directors can still be majority community residents, but the non-majority members must be strategically selected for their expertise in helping the organization navigate increasingly complicated funding streams and local and federal politics. It is true, though, that moving to a relatively high level of production and in-house expertise often means leaving a certain type of organization behind.

Another challenge for the 'community-based' CDC is that the priorities of the community members who do have a voice are not necessarily aligned with work that is financially rewarding or even feasible at any given point in the funding climate (Kokodoko, 2009). CDCs must thus take on the delicate challenge of managing community expectations; the best CDCs use this as an opportunity to educate residents about the realities of creating a feasible project, so that residents own the trade-offs that community developers wrestle with on a daily basis.

So who are the experts? It is popular wisdom – and politically popular - to say that community residents are the experts of their own community and what it needs. However, as development financing becomes more complex, it is businesses, federal and local government, and investors that play a stronger role in directing a CDC's path than the community (Vidal, 1992). Berndt argues that the benefits of community control in a CDC context do not exist: "the real facts appear to be that the CDCs realize that to compete with other businesses, the rationale of businesses must be accepted. Maximization of profits dictates that employees be hired on the basis of their efficiency and not on their place of residence (1977, p. 115)." My own view is that while it is certainly true that CDCs cannot be expected to be able to find all of their talent within the small pool of a city neighborhood (no matter the income or education level), this does not preclude efforts to pair an already experienced staff person with more inexperienced resident staff, interns and board members in order to deliberately develop indigenous expertise.

On a separate but related note, references to "the community" as a monolithic entity are inherently problematic. Residents can be just as divided among themselves over exchange value versus use value as CDCs are with their investors. In my experience in community development, conflicts between residents over the highest and best use of an area were much more pronounced than those we experienced with our funding sources. To further complicate things, what if a majority of the Board is community residents, but few would be classified as poor or even representing the poor? What if the split between resident renters and homeowners is not representative of community demographics? Or if few actually participate in an influential way? Is this still meeting the spirit of being community-led?

Further, Ferguson and Stoutland (1999) point out that evidence on the effectiveness of resident participation is scant.

> There is simply no information on the extent to which or the circumstances under which exploitation and lax performance by community-based organizations are reduced by various forms of resident participation. Neither does anyone know the extent to which or the certainty and circumstances under which residents develop efficacy and social capacity when they do participate. In many cases the residents who dominate are already the most efficacious so that, for example, homeowners tend to dominate renters (p. 54).

This discussion makes clear that to blithely state that CDCs should do what "the community" wants is overly simplistic.

CDC Conflict: Community Organizing

Traynor concluded in 1992 that the CDC model "has confused the building of power with the building of structures." In other words, CDCs have become accustomed to accepting whatever funds and opportunities trickle down through existing power structures, rather than mobilizing residents to realize their own power and reclaim what they've lost (Stoecker, 1996). Are CDCs ignoring important aspects of economic development and community organizing in favor of churning out more immediately tangible projects? After all, funders are known to emphasize physical production over more nebulous empowerment and capacity building work (Stoutland, 1999). Already in the 1980s, Peirce and Steinbach's report captures the concern over too many CDCs shying away from confrontation on major issues, issues that could have a much greater impact on a community than individual economic development projects (1987). A prime example of a wider gain for community development that was won through community organizing is the 1977 Community Reinvestment Act. Frustrated by the limited credit available in low-income neighborhoods, community organizers such as Gale Cincotta of National People's Action in Chicago pushed to outlaw the practice of banks refusing to lend in certain areas ("red-lining"), and raised national pressure to require banks to lend in the communities they serve. Legislation enforcing these mandates was eventually passed, and it dramatically changed the landscape of affordable housing and economic development funding, since banks had to meet CRA standards and were thus incentivized to participate in community development lending. This sea change in the funding world is widely credited to a national community organizing effort (Seidman, 2005); a macro effort that ripples down to hundreds of thousands of micro projects all over the country.

The distinction between development and organizing is critical, and true community organizing is often at odds with physical development. Given their funding constraints, Stoecker argues that CDCs are perhaps not even the best vehicle to attempt to do both, as they often experience financial and political pressure to go along with the agenda of the funding source (1996). In an example from my own experience, the CDC where I worked had long been involved with a region-wide community organizing group. However, when a high-profile campaign to push the City for more dedicated funding for affordable housing coincided with the pre-development approvals of a multi-million dollar affordable housing deal with multiple sources of funding from the City, my CDC was conflicted about its loyalties. On the one hand was the possibility of losing funds necessary to complete an important project to the CDC; on the other hand was the possibility of securing much more widespread gains across the region for years to come. The result? The campaign culminated in a highly publicized press conference at City Hall and the CDC's Executive Director received multiple worried phone calls from the City's Department of Housing, inquiring as to the extent of the CDC's role. Ultimately, the CDC opted not to participate in the action. The project financing was approved, and 54 newly rehabbed rental units became available to the community; however, the larger victory of increased funding for all projects has not yet been won.

A New Model

Instead of pretending that the CDC is able to be both developer and organizer effectively, Stoecker argues for formally recognizing that the two should be separate: "Let's reserve 'CDC' for those organizations that build buildings and 'community organizing group' for those organizations that build community power (1996)." In this view, community organizing groups would focus on power, not development, and use that power to secure broader gains for communities that CDCs serve. Working in the context of these broader gains, CDCs could then accomplish much more with their communities than had they relied on their own, perhaps more anemic version of community organizing.

A Chicago example of this model is the relationship between the Southwest Organizing Project (SWOP) and the Greater Southwest Development Corporation (GSDC). GSDC has a 30-year history of residential, industrial and commercial revitalization on the southwest side of Chicago, and is one of 28 member institutions of SWOP, a multi-issue community organizing entity with an impressive track record of victories in housing, education, anti-violence and immigration. GSDC and SWOP work closely but separately, and both say their separation allows each to meet their mission more effectively.

Many scholars dispute the efficacy of Stoecker's model, arguing that the tension between a CDC's mission to be community controlled and the reality of being dependent on external funders is inherent, and yet there is value in managing that dilemma within the same organization. Further, Bratt argues, the work should be not on splitting apart but on creating "solutions about how external funders could be helped to better understand the ways in which strings attached to their funding can result in undermining a community-based initiative (quoted in Stoutland, 1999, p. 222)."

A further strategy to maximize the impact of organizing and minimize the risks is to join with other allies. For instance, Cincotta's NPA joined together with the Chicago Reinvestment Alliance in the '80s and succeeded in forcing Chicago banks to set aside $173 million for low-income housing investment (Peirce and Steinbach, 1987).

CDCs: An Evaluation

The initial idea was for CDCs to be a partnership between the community, government, and the private business sector: the community provides the mission and goals, and is the major source of human and physical resources. The government is the major source of funding, and the private sector is supposed to provide financial grants and loans as well as lending their expertise through participation on boards and providing technical assistance.

How has each partner performed over time?

CDCs

As previously discussed, the success of CDCs has been largely uneven. Many have adapted over time to changing community needs and funding streams, grew robust budgets and diverse funding streams, and developed the sophistication to deliver complex arts, housing and economic development projects that meet many of the needs of their community.

However, Stoecker notes that successful CDCs are often clustered in areas such as Boston, New York, Chicago and San Fransisco, while wide swaths of the country show little to no CDC success or even presence (1996). Even CDC advocates cannot point to evidence that CDCs have had enough impact to reverse widespread neighborhood decline, and while their developments often would not have happened without them, they are "but a drop in an ocean of need (Twelvetrees, 1989, p. 155)." Vidal (1992) found that only 21 percent of CDCs' programs to develop housing and businesses substantially affected neighborhood problems overall, and that CDCs working in the most distressed areas were the least likely to make substantial gains against the extent of the neighborhoods' issues (p. 9).

Further, some view CDCs' shift over time from jobs production to housing development from the lens of defeat: when they couldn't create jobs, the critique goes, CDCs turned to housing development as a way to legitimize their existence. According to Berndt, CDCs turned to "physical development in a final attempt to anchor themselves as permanent community institutions. Through property ownership, they hope to create an income base that will at least support their salaries, if not provide profits for reinvestment (1977, p. 138)."

Finally, there are structural forces at play that have tested the viability of CDCs. The country's recent economic crisis has hit low-income communities particularly hard, as CDCs have seen foreclosures wipe out years of work to establish low-income homeowners. National companies like Starbucks and ICE movie theaters, which had just recently established a presence in many inner city neighborhoods, are closing their doors in a 'last hired, first fired' process that has left many low-income areas with yet more vacant retail buildings. According to Faux's 1971 argument, however, this is nothing new: "CDCs, which began operations on the assumption that the problem was one of capital scarcity, have found that it has been easier to get capital than to exploit profitable business opportunities (p. 90)."

In addition to the general drop in federal funding that will be covered next, a specific source of federal funding for CDCs has changed direction of late. The Community Development Block Grant (CDBG) program once went directly to CDCs, but has now become less project-specific and is dispersed to state and local governments instead. Like other federal funds, the amount itself has dropped dramatically as well: a 59% decrease since 1981 (Kokodoko, 2009).

In their defense, CDCs' advocates respond that they are working in areas where established, experienced business and industry could no longer make it. It is already a challenge to attract retail and industry to the city (due to multiple factors such as higher insurance rates, higher land cost, and less available land); when these factors are coupled with the fact that many CDC neighborhoods have experienced dramatic population loss, the resulting combination of low incomes and low density makes the work of CDCs even harder (Berndt, 1977). In seeking to maximize community benefits rather than profit, each project is automatically harder to execute. Production may be low overall, but without CDCs, there would be no development in America's deteriorated urban neighborhoods (Stoecker, 1996). In fact, two separate studies by Vidal and the Urban Institute found that few or no other organizations would have undertaken a given CDC's major projects in their absence (Stoutland, 1999; Vidal, 1992). While their predevelopment time may be longer than that for for-profits (an Abt Associates study found that the average CDC predevelopment time frame was 29.3 months), advocates argue that the mandate of putting together multiple and complex funding sources to achieve affordability makes the process much more time-consuming than if they were able to simply use traditional debt financing from a bank (Rosen and Dienstfrey, 1999).

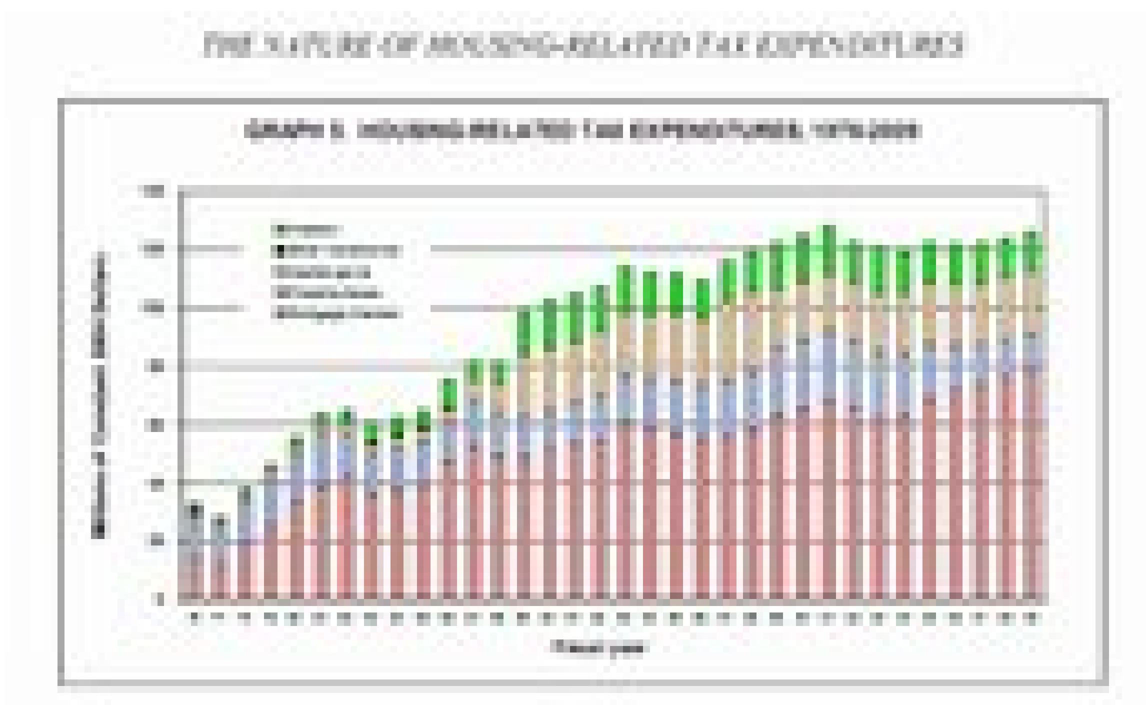
Finally, some research does show real results: a 2005 Urban Institute econometric analysis shows that CDC investments in affordable housing and commercial retail facilities have led to increases in property values - which they consider the single-best measure of neighborhood improvement - that are sometimes as great as 69 percent higher than they would have been in the absence of the investment.

Government

The federal government's high water mark for housing assistance was the mid-1970s, and funding has not come near that level since. In 1976, budget authority for the Department of Housing and Urban Development (HUD) was $86.8 billion. Budget authority for HUD for 2004 was $34.7 billion, a 60% decrease (Dolbeare, Saraf and Crowley, 2004). Meanwhile, programs supporting homeownership continue to receive strong rhetorical and financial support from federal policymakers. While these programs have helped some families that CDCs work with to move into homeownership, direct assistance for homeownership tends to serve the very upper ends of the low income scale.

Consider the graph below, showing changes in housing-related expenditures between 1976 – 2009. While the Low Income Housing Tax Credit (indicated in green for Investors) does benefit moderately low-income renters, it only constitutes 4.5% of all housing related tax expenditures. Compare that to the deductions allowed for mortgage interest for homeowners (the red-striped bars), which made up 52.5% of all housing-related tax expenditures in 2004 (Dolbeare et al., 2004).

Table 1.



Source: IBID, p. 6

Three factors are thus at work in the government's role in the success, or lack thereof, of CDCs: 1) HUD's overall budget authority has dropped precipitously since the Carter administration in the late 1970s, resulting in dramatically decreased direct housing assistance; 2) while tax expenditures for investors since 1987 have largely gone to Low Income Housing Tax Credit projects, a) the income levels mandated in these projects exclude low and very low income populations, and b) the complicated nature of tax credit projects require a level of sophistication that many CDCs do not possess; and 3) federal funding has privileged the homeowner – regardless of income – over all other groups and housing types, making less funds available for the population which CDCs find themselves most often needing to serve: low- to very low-income renters.

Private sector

According to Berndt, as of the latter half of the 1970s, corporations had not been willing to participate at a high enough level to help CDCs succeed. Why? "Participation would be contrary to their primary reason for existence – increased profits…From a business point of view, their becoming involved would be irrational (1977, p. 133)." In this view, the CDC model is flawed in that its success depends on one of its three parts acting irrationally. Berndt's negative view is based on a model of private sector involvement that is limited to joint ventures and the location of job-heavy plants in CDC neighborhoods.

Since the late 1970s, however, several factors have emerged to change that landscape. One decade later, the Low Income Housing Tax Credit program would be signed into law in order to address, among other issues, this very conundrum of how to make non-profit deals make sense to the private sector. With the advent of this program, corporations finally had an avenue to support community development that was not antithetical to their primary goals. The program does have its own challenges, which will be discussed further in Part III.

Another change that boosted the involvement of the private sector was the creation of intermediaries such as the Local Initiatives Support Corporation (LISC) and the Enterprise Foundation in the late '70s and early '80s. Seeing the need for systems of support, these intermediaries mobilized money, expertise and political support for community development in addition to investing in projects directly. LISC and Enterprise have worked closely with the private sector to channel their funds for neighborhood development, while their presence in a project helps lessen the danger of default for the risk-averse private sector (Walker, 2002). More on the evolution of intermediaries and the role of LISC in particular will be covered in Chapter 2.

As will be explored further in subsequent sections, the advent of the Low Income Housing Tax Credit and effective intermediaries together greatly improved mechanisms for private sector involvement. In comparison to CDCs' early years, in which the private sector's role was largely limited to Board involvement or plant relocation, currently there are multiple avenues by which the private sector can and does get involved with affordable housing production. Unfortunately, one of the chief avenues, the Low Income Housing Tax Credit, proves to be costly and time-consuming to CDCs, and does not help them meet the goal of housing anyone that falls below the moderately low-income.

CDCs: Conclusion

In their 45-year history, CDCs have grown tremendously in number, expertise and power. Beginning as a fledgling movement that might have died along with the Great Society programs, instead it has matured into a robust, widespread and vital part of the community development sector. In spite of very real limitations in capacity and ability to impact entrenched economic problems, along with institutionalized funding challenges, CDCs have played a fundamental role in the progress of our nation's cities.

The next two sections examine factors that feature prominently in the life of CDCs: 1) **community development intermediaries**, the major tool for bridging the funds of the private sector with the goals of the non-profit development sector, and 2) the **Low Income Housing Tax Credit**, the major tool for financing affordable rental housing.

CHAPTER 2 - Community Development Intermediaries

While community development was occurring directly through CDCs, it became apparent that a chasm existed between two poles, with the for-profit funding world and state and local government on one end and the non-profit development world on the other. In the late '60s, only private entities such as commercial banks could lend or invest, and these restrictions hampered involvement by a wide range of actors. An entity was needed to assemble resources from various public and private sources and then dispense them to CDCs, as well as provide technical assistance and political advocacy (Stoutland, 1999). Further, the funding world needed help translating whether, and to what extent, well-intentioned CDCs could deliver on complex projects, and how to best support them in reaching their goals. Simply put, the community development field needed a go-between. Accordingly, the Ford Foundation collaborated with several private corporations committed to supporting low-income communities to form the Cooperative Assistance Fund (CAF) in Washington, D.C. CAF went on to pioneer the use of the program-related investment (PRI), a low-interest loan from a revolving loan fund to CDCs (National Congress for Community Economic Development, 1991). A new aspect of the field was born: the community development intermediary.

The role of intermediaries

According to Walker (1993), intermediaries perform three main functions: mobilization of capital, technical assistance, and legitimization of CDCs.

- <u>Mobilization of capital</u>

  Project and operating support, pre-development financing, and project equity through, in the case of LISC, its subsidiary syndicator, NEF.

- <u>Technical assistance</u>

Financial packaging, project development, and local institution building.

- Legitimization of CDCs

  As a result of the two preceding actions, intermediaries raise the real and perceived professionalism and technical competence of CDCs, making collaboration with the private sector a matter of course. Having scrutinized a CDC's capacity prior to connecting them to funding resources, intermediaries induce third party investment while simultaneously lowering their risk (Weir, 1999).

In fact, risk mitigation is such an important facet of intermediaries' work that I would add a fourth category:

- Risk reduction

  Intermediaries' ability to address funders' concerns about risk has been a major factor in their success at getting these sources to boost their support. As Vidal (1992) notes, "intermediaries address risk in two basic ways: they spread risk by involving many funders, and they reduce risk by establishing expertise in the field and building capacity in CDCs (p. 118)."

History

Specialty intermediaries grew throughout the decade following the creation of CAF in 1968, each with a specific focus such as land trusts, self-help housing, low-income credit unions, and cooperative enterprises. While there were a number of functioning intermediaries by the end of the 1970s, Liou and Stroh note that "their collective impact was still limited, due to their low visibility and lack of significant local participation (1998, p. 580)." They also state that these early intermediaries "suffered from what Vidal referred to as the social experiment image (IBID, p. 581);" in other words, they didn't quite have the networks and staying power to be taken seriously by the private sector or government. That would change dramatically in the following decade.

Three national intermediaries were created in the 1980s: the Neighborhood Reinvestment Corporation, the Local Initiatives Support Corporation (LISC), and the Enterprise Foundation. With the national presence of these high-profile entities, intermediaries ceased being seen as a social experiment. In fact, Walker asserts that "the rise of national, state and local intermediaries is the single most important story of the non-profit development sector in the 1980s (1993, p. 393)." With their tremendous economies of scale, these national intermediaries began to provide local CDCs with previously unprecedented access to tax credits and corporate equity investments, secondary mortgage markets, and lender commitments (IBID, p. 394).

Each of these major intermediaries has targeted CDCs with a different niche. Enterprise is focused on CDCs that produce low and very-low income housing, while NRC is most interested in CDCs that are institutionalizing partnerships between residents, public officials and the private sector. LISC's focus, on the other hand, has been on CDCs committed to comprehensive residential and commercial development (IBID, p. 395).

The Local Initiatives Support Corporation

We will consider one of these three entities in further detail: the Local Initiatives Support Corporation. In 1979, the Ford Foundation created LISC with capitalization from Ford and six private corporations and foundations. Ford had just appointed a new President, Franklin Thomas, a Bedford-Stuyvesant native who had also been the first Executive Director of the country's first CDC, the Bedford-Stuyvesant Development and Service Corporation. Knowing intimately what CDCs needed to survive and thrive, Thomas sought to create an intermediary to function under two principles: 1) to raise corporate and foundation funds for the support of locally created, locally executed community development projects in cities across the country and 2) to work in communities where there is evidence of existing local initiative (Liou and Stroh, 1998, p. 585). The demand for this level of funding and bridging support to the private sector was clearly great: in its first 18 months, LISC received more than 600 applications for funding, of which it could only fund 80 (Weir, 1999).

LISC: The Model

LISC describes itself as a hybrid: part investment bank, part foundation - - while not a tradition version of either. Vidal et al (1986, p. 3) elaborate:

> Three alternative images of LISC illustrate different aspects of LISC's approach. As a social banker, LISC worries about the social returns on its investments, not only the economic returns. It is eager for the assisted organization and the public to receive these returns, not just itself. And it cares about the social risks of a project, as well as about the financial risk. Viewed alternatively as a hard-nosed philanthropist, LISC insists that projects be financially sound and produce economic returns, not just produce social effects. LISC hopes to get some of this return for itself, not to have it all accrue to the [CDC], so that LISC can recycle funds to other groups. Therefore, it is concerned with financial risks as well as social risks. LISC can also be viewed as a social experiment - that is, first, testing a "technology" to promote economic and social change by using [CDC]s as its instrument; and, second, encouraging a partnership between business and philanthropies, on one hand, and community organizations, on the other.

According to Vidal et al. (1986, pp. 2-3), underlying LISC's community development work is a model based on four hypotheses: (1) LISC can identify sizeable numbers of community organizations with the capacity to do neighborhood development projects and can help them complete these projects successfully. (2) The assisted projects and their sponsoring organizations will generate improvements in the quality of neighborhood life. (3) These projects will strengthen the community development organizations that implement them by giving them new skills, improving their financial circumstances, and increasing their access to sources of capital. (4) Demonstration of the success of this development approach will increase the supply of social capital available to support the neighborhood revitalization efforts of CDCs.

As evidenced by the above model, LISC's focus is far from solely raising financial capital. What LISC tries to do fundamentally is establish networks of relationships that will eventually lead to the transformation of neighborhoods. Financial relationships are just one example of this mission. Other examples LISC provides are the relationships it helps establish within local communities through its support for community organizing, or the relationships it helps foster between local leadership and government officials in City Hall. Vidal et al's 1986 evaluation of LISC notes that its program officers provided CDCs with a myriad of non-financial forms of assistance, and that this level of support, strategic advice and technical assistance rarely existed "but for" the presence of LISC (p. 8). While on the whole the authors found LISC's impact on organizational capacity to be modest, they did find that about 80% of the organizations involved in the study gained new or improved staff skills while working with LISC (p. 10).

Finally, LISC has played an important role in shaping the policies that CDCs must live by. Examples include supporting legal reforms in Boston and Cleveland that facilitated developers' access to abandoned property, being part of the design team for the Low Income Housing Tax Credits and, more recently, New Markets Tax Credits, and assisting grass-roots efforts to establish the Home Mortgage Disclosure Act and the Community Reinvestment Act (J. Bookman, personal communication, September 23, 2010).

Figure 3. LISC Chicago Model

Source: LISC Chicago website

LISC: Organizational Growth

Organizationally, LISC has grown considerably since its founding. With the advent of the Low Income Housing Tax Credit in 1987, LISC created its own subsidiary syndicator, the National Equity Fund. By 1997, it had more than 300 staff at its New York headquarters and more than 700 affiliated staff in offices across the country (LISC Annual Reports).

One of the chief factors as LISC grew was its selection of communities in which to locate. Once LISC selected its communities, it assembled a local advisory committee to help advise staff and recommend approval of grants, loans and equity to area projects. In 1982 it announced its first local "areas of concentration" in the South Bronx, Boston and Chicago, based on matching contributions from the private sector. By 1984, it was operating coast to coast. By 2010, it had 29 local offices throughout the country. In each of these local offices, funds are raised from local corporations and foundations, and the money raised is matched by LISC's national capital fund (Vidal et al, 1986). Because it lends only to communities in which local donors match resources, LISC also tends to spur local private investment in its target communities (Weir, 1999, p. 151). By 2009, LISC had invested $9.6 billion in communities across the U.S., which had in turn leveraged $29.5 billion in total development.

LISC: The role of funders

Foundations have been instrumental in the rise and spread of intermediary activity in the U.S., in part through increased funding in general for CDCs and development, but specifically also in funneling program-related investments through intermediaries. This redirection of foundation funds speaks volumes of the elevation of intermediaries' status and the community development field in general. Why would funders be so quick to redirect funds to a third party? The reasons seem to fall under two categories: expertise and network building, and what I will call the buffering factor.

<u>Expertise and Network Building</u>

Vidal et al.'s mid-80s report on LISC points to the advantages of economies of scale and access to expertise that funders gained by working through intermediaries. Staff from the Boston Foundation stated, "We didn't have the specific expertise to analyze these kinds of projects on staff…LISC allowed us to get into community development at a level of funding and in a way that we otherwise would not have been able to support." An official from the Gund Foundation noted, "We didn't feel that we could provide the level of resources that [the groups] needed as they moved into development…the LISC opportunity provided a way of doing this and getting a number of other people involved in it with us (quoted in Ferguson and Stoutland, 1999, p. 62)." These comments point to two important factors: one is that community development – and project financing in particular – has a steep learning curve and just as many CDCs benefitted from LISC's expertise, so too did funders as they considered how best to contribute to the field. The other salient point is the comment about intermediaries getting a number of other people involved. As Ferguson and Stoutland point out,

> LISC and other intermediaries have produced systems of change. The alliances that come together around intermediaries…create new divisions of labor that represent major changes in the roles that organizations take on in local systems. Sometimes funders who know little about a particular sector participate to learn more, and on the basis of what they learn they change their funding priorities. Through these alliances, participants chart joint strategies (1999, p. 63).

Intermediaries such as LISC have thus played a crucial role in not only expanding CDCs' funding world, but also in creating systems and networks of supportive parties, finding roles for those who are committed but lacking expertise, and helping to craft strategies across entities for a more coordinated, comprehensive effort. While CDCs have been criticized for being too micro as they focus on project production, intermediaries have brought a more macro view, seeking instead to emphasize changing the context in which CDCs operate (Weir, 1999).

Providing a buffer

Intermediaries also play a protective role for funders, both in terms of reducing their financial risk and shielding them from direct scrutiny. In terms of financial risk reduction, funders who funnel grants or loans through intermediaries are insulated from project-specific risk because their contribution is part of a larger pool that funds several projects rather than being tied to the fortunes of a given project as it would be if they dealt directly with CDCs (Vidal, 1992). In addition, the political risks and controversies that abound with community development projects are effectively shifted away from the funder to the intermediary that directly funds a given project, which is highly attractive to often-conservative funders. This scenario is the case with LISC Chicago, where the MacArthur Foundation has funneled more than $47 million over ten years to fund wide-ranging community development activities in 16 different neighborhoods. Over the years of this initiative, various community residents have protested aspects of the program, but with a few exceptions their protests have been directed at LISC rather than MacArthur.

Intermediary Critique

Some argue that the decline of CDCs as activist organizations has been hastened by the professionalization demanded by intermediaries (Stoutland, 1999). Others cite intermediaries as chief among funders that condition their funding on less confrontational or non-existent community organizing (R. Townsell[2], personal communication, January 11, 2011), thus also adding to a loss of community organizing focus among CDCs. Further, adding another layer between CDCs and foundations can mean another level of imposed priorities and bureaucracy for CDCs, which must continually re-evaluate if funding foci meet their own priorities or if they are "chasing the money."

Finally, some argue that CDCs' narrower focus on housing was to some degree encouraged by the national intermediaries LISC and Enterprise. Each had established their own subsidiaries to distribute tax credits and assemble large amounts of equity financing for affordable housing production across the country, and the bulk of their support for CDCs came through these mechanisms.

> Even CDCs that remembered their missions were broader, and that the problems they were trying to address were highly complex, found little opportunity to work outside the housing box – especially once government support diminished for the more holistic programs launched during and after the War on Poverty (Miller and Burns, 2006, p. 8)

[2] Mr. Townsell was Executive Director of Lawndale Christian Development Corporation from 1992 to 2006.

CHAPTER 3 - Community Development Corporations and the Low Income Housing Tax Credit program

In the void left by the curtailment of federal subsidy programs, the United States instead created a hodgepodge of tax incentives, tax-exempt bonds, and state, local, and philanthropic supports (Rosen and Dienstfrey, 1999). The largest single part of this patchwork is the Low Income Housing Tax Credit (LIHTC) program, born as Section 42 of the Tax Reform Act of 1986. Qualifying individuals and corporations can claim a tax credit over a ten-year period in exchange for investing equity in affordable rental housing. Its creation was seen as a political compromise that joined Democratic desires for more affordable rental housing funding with the Republican push for a market-based, decentralized, private-sector approach. Enacted under the conservative Reagan administration, a tax credit was especially appealing since spending through the tax code is seen as a tax cut rather than as increased government spending (Burman, 1999). Its stated purpose is to spur the development of affordable rental housing for individuals and families with low incomes.

LIHTC Program Guidelines

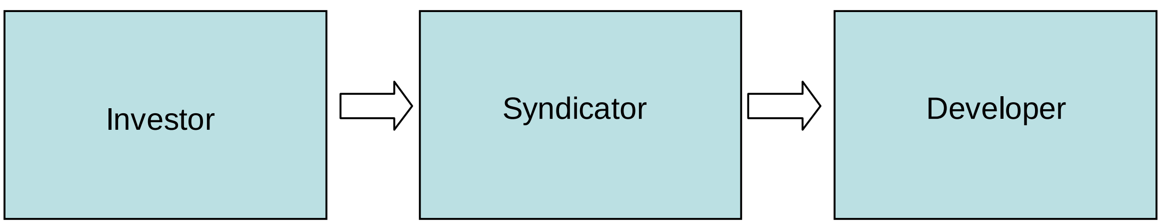
Requirements of the program are as follows:

- The project must have at least six units.
- The tax credit is only available for those units within a project that are set at low-income rents. Eligible projects must have either at least 20% of its units rented to households making 50% of the area median income, or at least 40% of units rented to households making 60% or less of area median income.
- Rent cannot constitute more than 30% of the renting household's income.

- The project must meet the above rental guidelines for at least 30 years, and owners must certify renters' income eligibility each year.

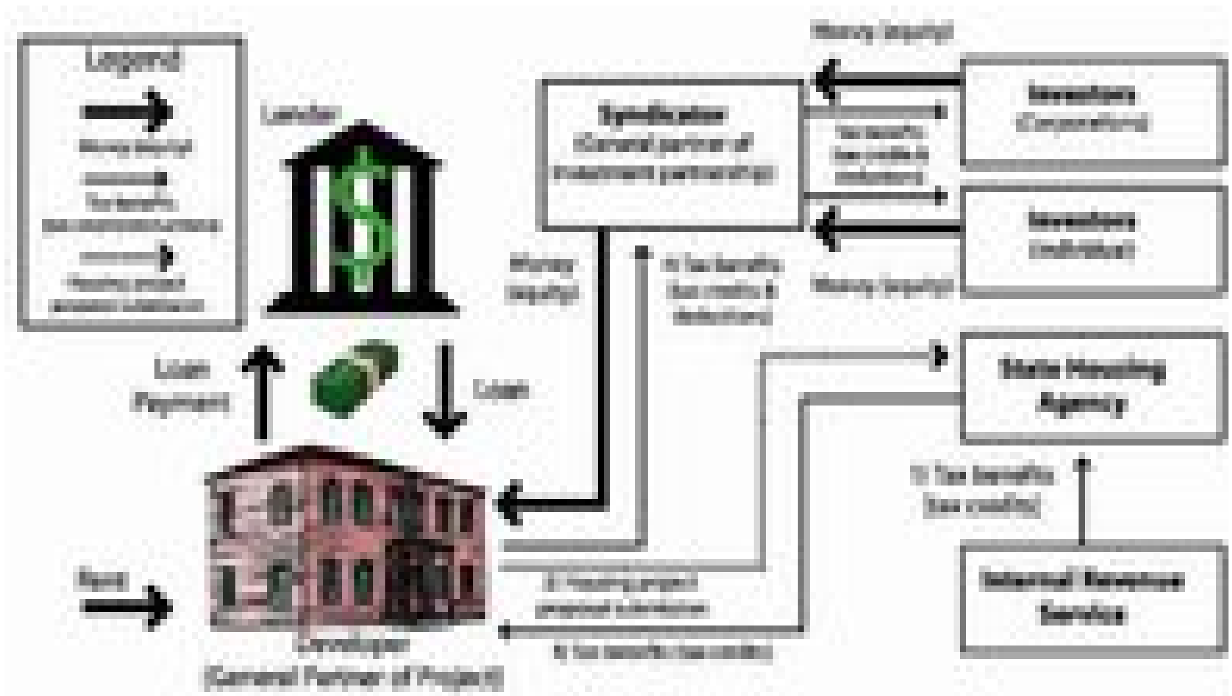
How the Program Works

The LIHTC program provides a federal tax credit to investors of up to 9% of the costs for acquisition, rehabilitation or construction of a project. Tax credits are distributed to state housing authorities based on the state's population. The state housing authority distributes them to housing developers who have projects meeting the above guidelines, but the developer needs cash for their project more than a long-term credit (or, as in the case of CDCs, if the developer is a non-profit it cannot use the credit). They in turn sell the credits to investors, who receive a dollar-for-dollar reduction on their income tax liability in exchange for providing the equity to fuel the development of affordable rental housing. The write-off is claimed by investors in even increments over 10 years.



Syndicators, which include for-profit and non-profit organizations, are intermediaries between private investors and developers. Developers receive tax credits, but need immediate equity. Thus they *syndicate* their credits (sell the rights to future credits in exchange for up-front cash). The syndicator sells interests in assemblages of tax credit developments to corporations and other investors, uses the proceeds to provide equity to the developer on the front end, and collects the tax credits for investors as they come in over ten years.

Figure 4. The Low Income Housing Tax Credit Financing System



Source: the Danter Company

Why Use Low Income Housing Tax Credits?

The quick answer is that one has to; there are very few other sources to subsidize affordable rental housing, and none that provide as much funding (see Table 3 below). Walker's 1988-90 study of an NCCED survey found that 94 percent of CDCs received funds through the LIHTC program; the next highest source of funding dropped to 55 percent (Stoutland, p. 206). It is the single most important source of equity for low-income rental housing in the United States (Schwartz, 2006). The most obvious benefit to developers using LIHTCs is the equity, because it reduces the total development debt, allows the developer to charge lower rents and, at least theoretically, translates into higher operating and replacement reserves which ensures a healthy project in the long-term.

An additional benefit comes in the form of financing the entire project: because syndicators are zealous in protecting their investors' outlay, banks are often more comfortable providing debt on the deal, knowing another party is diligently monitoring compliance. Thus the private sector presence on the tax credit side often facilitates private sector lending on the debt side.

Finally, engaging the 'discipline of the private sector' (as the original mantra went) has borne out as a positive strategy for fiscal health. The Joint Center for Housing Studies' 2009 report indicates that defaults have been low by overall multifamily rental standards, and extremely low by the standard of subsidized projects. Thus, for developers who can survive the challenges discussed below, the stringent underwriting that investors require helps to secure a project with long-term success.

Table 2. Production of Federally Assisted Urban Housing Units, 1995

Producer	**Units (thousands)**	**Percent of total units**
Public housing	5.0	7%
Section 202 (elderly)	7.3	10%
HOME program	8.3	12%
LIHTC	44.4	62%
Urban homeownership	7.0	10%

Source: Rosen and Dienstfrey, 1999, p. 445

In the face of its many problems detailed below, it is worth underlining an intrinsic positive aspect of the LIHTC program. The fact that it incentivizes investing in low-income rental housing is, in itself, noteworthy given that the vast majority of the remaining federal emphasis lies elsewhere. There is, in contrast, minimal tax incentive to invest in market-rate rental housing (Schwartz, 2006). This emphasis provides a modicum of balance against the massive amount of tax breaks for homeowners that disproportionately benefit high-income households.

LIHTC Challenges

The criticism of this complex program is myriad. Stegman argues that the system is "a highly inefficient, costly, and labor-intensive means of producing low-income housing that evolved in the 1980s as an ad hoc, emergency response to…the withdrawal of the federal government from the subsidized housing market." He goes on to decry its "high transaction costs, inappropriate targeting of benefits, and insufficient monitoring" as well as the "excessive" profits made by for-profit developers using the LIHTC program (quoted in Rosen and Dienstfrey, 1999, p. 452). These critiques are discussed in more detail below.

LIHTC Critique: Inefficient and Costly

Although heralded for bringing the discipline and efficiency of the private sector to the world of affordable housing development, the LIHTC program has in many ways proven to be quite inefficient. In fact, Stegman argues that its inefficiencies outweigh any of its advantages (Stoutland, 1999). Unlike previous federal funding sources, the LIHTC program is designed to provide for a small part of the project cost and leverage the remainder. It is not uncommon for LIHTC projects to end up with six or seven funding sources (Walker, 1993), most of which require fees, have different reporting requirements, and may even have conflicting goals. Consider that it often takes years to line up these myriad sources, as well as the heavy staff commitment that must be expended years before a project closes, and the result is CDCs spending too much time "packaging deals and too little time producing physical products (Stoutland, 1999, p. 207)." In addition, investors generally pay their investment out over several years, during which time developers often must take out a bridge loan. Finally, non-profit developers are often forced to defer a portion of their fee in order to make the deal work financially, while other parties' profits are guaranteed. This fee deferment, the interest on bridge loans, as well as the cost of legal, accounting and syndication fees make the use of LIHTC expensive and time-consuming.

The syndication of limited partnerships is costly as well; the General Accounting Office has estimated that syndication costs alone consume 27 percent of equity invested in projects using the LIHTC (Burman, 1999). Schwartz points out that

> a substantial portion of each tax-expenditure dollar goes not to bricks and mortar but to the 'transaction costs of raising investment capital and to providing a return on the capital invested' (Clancy, 1990, p. 298). In other words, when investors furnish equity for housing development, a portion of this money covers accounting and legal fees, sales charges, commissions and other expenses associated with the establishment of limited partnerships (2006, p. 77).

Legislators may prefer funding housing indirectly through tax incentives because unlike direct assistance, they do not require Congressional appropriation and don't actually count as expenditures. However, the cost of the government avoiding direct expenditures for affordable rental housing is steep. Estimates show that this preference "costs the government nearly twice what a direct capital grant to the project sponsor would cost (Burman, 1999, p. 2)."

<u>LIHTC critique: the definition of 'affordable'</u>

As the syndicator Chicago Equity Fund's CEO Bill Higginson stated in a 1998 discussion of the program, "The LIHTC is a low-income housing program, not a very low-income housing program." The distinction is important, especially since most income levels are set by the region's median income rather than the city's, which raises the level artificially high for low-income, inner city neighborhoods. Thus, eligible tenants must have relatively high income levels; for example, a full-time worker earning minimum wage would not qualify in Chicago. Schwartz (2006) notes that generally, the only way that extremely low-income families can afford to live in tax credit properties is if they have a federal housing voucher to make up the difference between the rent and what they can afford. In many neighborhoods with a low median income, so many residents are turned away that CDCs are sometimes accused of being elitist, while in reality they are only following the mandates of a federal program. Many savvy CDCs seek out additional subsidies in order to lower at least some of the rents, but a 1997 study showed that nationally, the program cost developers $3 billion that year, and netted rents that were only 10% lower than the average national rent. As Michael Stegman has argued, "it simply doesn't make sense to have a national housing policy in which the deeper the targeting and the lower the income group served, the more complicated and costly it is to arrange the financing (Stoutland, 1999, p. 206)."

This lack of affordability is especially troubling given that we know empirically that there is a shortage of housing affordable for the lowest-income renters. According to HUD, in 2001 only 42 units were affordable and available for every 100 extremely low-income renters (Schwartz, 2006). The LIHTC program does not even touch the many households in the range of 0 – 49 percent of the area median income (AMI). Consider the table below, which illustrates that the lower the income, the higher the shortage of affordable units.

*Table 3. Demand and Supply of Affordable Rental Housing by Income Group, 1999 **

Income range (as % of AMI)	**Renter households**	**Affordable and available units**	**Cumulative shortage or surplus of units per 100 renters**
0-30	**8,513**	**3,570**	**(58)**
30.1-50	6,243	7,907	(22)
50.1-60	2,787	4,916	(7)
60.1-80	4,483	6,925	6
80.1-100	3,743	4,523	8

100.1-120	2,938	3,172	8
120+	5,299	6,005	9

* Thousands

Source: Schwartz, 2006, p. 35

Another concern with affordability is that unlike public housing and federal voucher programs, the LIHTC program charges a flat rent that cannot adjust based on income. If tenants lose a job or receive even a small promotion that results in bumping them out of their income bracket, they may be forced to move due to income ineligibility.

So far, we have a costly program that does not deliver significantly reduced rents and excludes the lowest-income working poor. Unfortunately, there are still more challenges…

LIHTC Critique: the nature of being market-driven

Perhaps the biggest challenge is the fact that the LIHTC program is market-driven, which results in two specific issues:

Å 1) the location of its projects is not generally determined by need, but rather by where the market can bear it and where investors feel comfortable. A 2002 study of LIHTC projects in Chicago by the Illinois Assisted Housing Action Research Project shows that tax credit developments were clustered in a few community areas while significant portions of the city had none or very little. Interestingly, those areas with no LIHTC developments represented both ends of the spectrum: some were lower-income with poor housing conditions and others were traditionally white, middle- and working-class areas.

Å 2) a market-driven program is, by nature, subject to the whims of the market. In a late 2008 LISC publication, Roberts notes that the LIHTC program worked well for the first 20 years, but began to stall in 2008 as the broad financial and economic crisis worsened. Secondary mortgage market giants Fannie Mae and Freddie Mac could no longer use tax credits, because they were no longer profitable. Their withdrawal from the market alone resulted in a loss of 40% of the investor pool, and even more outside of major metropolitan areas. Other investors might have been interested, but the long claim period for credits caused them to back away due to their uncertainty about remaining profitable for the entire ten-year compliance period. In short, demand for LIHTCs plummeted and equity for affordable rental projects came to a screeching halt in most parts of the country. According to Harvard's Joint Center for Housing Studies' 2009 report on the disruption of the LIHTC, "thousands of projects and tens of thousands of units that would otherwise have been bought or rehabilitated stalled."

The little market that was left was geographically uneven: The Harvard study points out that once Fannie Mae and Freddie Mac withdrew from the market, large banks were the main investor source left, and these banks focused on large metropolitan areas where they were competing for Community Reinvestment Act credit. Anyone trying to complete a tax credit project outside of those areas had virtually no hope in securing investors. Those projects that were funded in relatively stronger markets such as New York and Chicago were at a much reduced amount on the dollar. For example, a project I managed in Chicago in 2007 closed at 95 cents on the dollar, while a late 2009 project in the same area closed at 69 cents on the dollar. Such a dramatic drop in value on the dollar creates even bigger funding gaps than usual.

How did the newly elected Obama administration address this collapse? While Roberts (2008) suggested making the LIHTC refundable (investors receiving a check from the IRS instead of a credit, thus removing their risk that they may not have future earnings against which to credit), the early 2009 economic recovery bill instead allowed states to trade in 40 percent of their 2009 LIHTC allocation and 100 percent of their unused 2008 allocation for cash (Roberts, 2009). Harvard's Joint Center for Housing Studies 2009 report notes that while these measures did help to address the immediate backlog of unfunded projects, they were not intended to stimulate demand or raise the low price of credits. As such, the strength of the program remains dependent on the strength of the market.

LIHTC: Conclusion

For better or worse, the Low Income Housing Tax Credit program remains the dominant means by which low-income rental housing is financed in the United States. While private sector involvement has resulted in low default rates and helped to attract debt financing, the equity provided comes at quite a cost. This cost includes both the literal fees for syndication and attorneys, as well as staff time and deferred CDC developer fees. Most importantly, the LIHTC program does not serve the very low-income and, as recently evidenced, serves very few people at all during hard economic times, when affordable housing is needed most.

Community Development in the United States: Conclusion

The past 43 years have seen a massive change in the United States' community development landscape. Community development corporations went from numbering one in 1967 to 4,600 in 2006. Financing mechanisms morphed from an ad hoc, central government-based system to sophisticated intermediaries and a complex method of private sector funding. We turn now to examining the world of community development in an entirely different context: that of northern Italy, where the nonprofits and foundations are young and community development corporations diffused, but with a similar process underway of decentralization of government funding and an even more acute need for affordable rental housing.

IV. Community Development and Affordable Housing in Northern Italy

The remainder of this paper covers community development in the industrialized north of Italy. The history of nonprofits, banking and foundations are discussed, as well as how culture continues to shape the framing of issues today. The need for affordable rental housing is detailed, and possibilities examined for an Italian community development intermediary. Finally, a new model is proposed based on Healey's three-tiered matrix of governance interactions which emphasizes the importance of creating moments and places where stakeholders can exchange and develop ideas; mobilizing bias to frame and solve an issue; and the context and constraints shaped by culture.

CHAPTER 4 – The Italian Context: its third sector, state of philanthropy, and growth of nonprofits

Italy's Third Sector

The past several decades in Italy have seen the rise of the third sector from almost nonexistent and unknown to a sector with growing power and public attention, and an increasingly independent role. Several factors have contributed to this change, chief among them Italy's changing age structure (increased life expectancy coupled with a declining birth rate) and women's increased participation in the labor market (especially in the north). These shifts introduced increased needs in the areas of elder care and childcare to such a degree that the traditional provider of these services, the public welfare system, has not been able to keep up (Barbetta, 2000). At the same time, the system of welfare provision has shifted to a more decentralized one, in which local public authorities are increasingly responsible for services and, as a result, have been turning more and more to nonprofits as a cost-effective delivery system (IBID).

Aiding in the process of legitimizing the third sector was the 1997 law that defined this "new" entity as *ONLUS* or *Organizzazione Non Lucrativa di Utilita' Sociale* (nonprofit organization pursuing goals of social utility). As late as 1997, this law was the first attempt to actually legally define a nonprofit organization, to allow these entities tax exemptions and to allow donors tax deductions (IBID). This brief background sets the stage for the discussion that follows: first the role of Italian foundations and the changes they have also undergone, and a more detailed look at the rise of nonprofits in Italy.

Italy's Shifting Role of Philanthropy

To discuss the state of philanthropic giving in Italy, it is helpful to return to the United States briefly for a bit of context and comparison. At the turn of the last century in the U.S., after a period of intense industrialization, immense wealth became concentrated in the hands of a few magnates. Many of these magnates – Carnegie, Rockefeller, Ford - established the norm of giving a large part of their fortune away in the form of an endowment in a foundation. There existed yet the vestiges of a 'Puritan' mindset with the ideal of returning to society, as industry tycoon Andrew Carnegie wrote in his 1889 essay "The Gospel of Wealth" that the best thing to do with any wealth that exceeds one's needs is not to give it to children to inherit but to give it to the public good for the reduction of economic and social inequality (Carnegie, 1889). The U.S. now has over 50,000 such foundations, representing a fundamental dynamic of American society: it favors pluralistic approaches to collective problems and supports institutions independent of the public administration that are focused on the common good (Barbetta and Maggio, 2002).

Italy, in contrast, has a much different history of philanthropy. The majority of Italian charities are rooted in the Catholic church, and as a result of conflict between a unitary state and the church, the Italian state assumed the responsibility of satisfying the collective needs of citizens and improving their well-being. Given this, according to Barbetta and Maggio, it has become almost automatic in the minds of many Italians to equate 'collective need' to 'public intervention.' The historical trend of Italian social protection has been to limit the role of private organizations, including those that are nonprofit, and instead to attempt to integrate them into the public administration (2002). This context helps to underline how the 1997 ONLUS law represents such a dramatic shift toward recognizing, rather than limiting, the role of nonprofit organizations.

The entire sector – from nonprofits to funders – is much newer than in the United States. According to the 1999 Census, 80% of Italian non-profits were created after 1980. Even more recently, grant-making foundations largely came about through legislation restructuring banks in 1990. It is important to note the distinction in Italy between a grant-making foundation versus an operating foundation. Grant-making foundations are more uncommon in Italy; as of 1996, only about 5 to 25% of foundation made any sort of grant (Barbetta, 2000). The vast majority are operating foundations; that is, foundations that carry out operating functions directly, such as research institutes, museums, and hospitals. The few grant-making foundations that did exist prior to 1991 were quite modest compared to their large counterparts in America, England and Germany (Barbetta and Maggio, 2002).

However, a 1991 law that dramatically changed the Italian banking system paved the way for the creation of more grant-making foundations that originate from banks. They came about through the process of transforming and privatizing public banks in the law known as "Legge Amato." Up until this point, many savings banks and credit unions had operated with the legal structure of a foundation or association. This custom goes back to the 800s and can be explained remembering that the original principal objective of the bank was to stimulate savings among the middle and working classes, thus providing individual security and advancing the collective good. So they had a dual role: both a bank and an entity that distributed profits to the common good. Over time, especially after World War II, the credit role took precedence over that of philanthropy. Given that this role in credit provision had great public relevance, there began to be interest during the 1980s in converting these savings banks to public control. In the process, their two functions were separated and the philanthropic arm of the former banks had to find a new identity. As a result, about ninety foundations were created with a 47 billion euro endowment (Barbetta and Maggio, 2002, p. 53).[3] Their location reflects the highly regionalized nature of Italy as they are heavily concentrated in the north and central areas of the country, despite the great needs in the south.

Table 4. Geographical Concentration of Foundations and Assets

Area	**% of total foundations**	**% of total assets**
North-West	21.0	46.8
North-East	32.5	19.2
Center	33.7	20.7
South & Islands	12.8	13.3

Source: Ranci and Barbetta, 1996, p. 100, as quoted in Barbetta, 2000

[3] In a May 14, 2010 interview with Dar Casa Board Member Adalberto Castagna, he provided these thoughts on Italian foundations: "Neither in Italy nor in continental Europe is there a concept of a public company as there is in the U.S. and Great Britain. Usually power rests in the hands of a few chosen powerful stakeholders, rather than the American/British concept of diffused power among many stakeholders. Given this, when banks were taken from state control, they did not become public entities like in the U.S. These bank foundations were born to control the banks, not for social causes. Fondazione Cariplo, for instance, controls Banca Intesa.* [Italian] foundations that support social housing are bank foundations, not like in the U.S. The Foundation is not a democratic instrument like a co-op; a small number of people run it."
* When a bank becomes two entities, the foundation becomes the majority shareholder of the new bank (Barbetta, 2000).

However uneven, this rapid growth of grant-making foundations is a very important development for Italy because it provides a potential vehicle for more pluralistic approaches to issues through the growth of private organizations, especially including nonprofits.

Based on employment statistics, growth in this sector is needed: non-profit employment makes up only 3% of non-agricultural employment overall in Italy. This is significantly lower than Holland (12.4%), Ireland (11.5%), Belgium (10.4%), and the United States (7.8%), but is also lower than otherwise more similar European countries: Great Britain (6.2%), France (4.9%) and Germany and Spain (4.5%). Barbetta and Maggio explain this disparity in several ways: the previously discussed political tradition of confusing public service with public administration, the elevated role of the family in provision of services, and a consumption mode that is not service-oriented (2002, pp. 66-67). Non-profit employment may also be low because so much of the sector depends on volunteers instead of paid staff. A 2001 study of over 235,000 Italian nonprofits found that over 83% of them were staffed exclusively by volunteers (IBID, p. 63). This high level of volunteerism has negative implications for the growth of the sector, as will be discussed later.

Non-profit fundraising in Italy

Nonprofit fundraising is challenging everywhere, but seems particularly so in Italy, where the grant-making foundation sector is young and private donations total just a little over 3% of total nonprofit revenue. For comparison, major European countries usually bring in at least twice that much (as high as 19% in Spain and in the U.S., 13%) (IBID, p. 85). In another comparison, Italian nonprofits raise approximately 6 billion euro per year in fundraising, compared to 295 billion dollars in the U.S. where the tradition of "mega-donations" continue as in the recent 30 billion dollar donation by Warren Buffett to the Bill and Melinda Gates Foundation. Even when controlling for the difference in size between the two countries, a large disparity exists. Finally, individual giving via donations is only about 5% of total nonprofit revenues, compared to 19.9% in the United States (Barbetta, 2000; National Philanthropic Trust, "Philanthropy Statistics," n.d.).

Why such a difference in giving trends? Barbetta and Maggio point to *una scarsa cultura della donazione da parte dei cittadini* (a lack of a "donation culture" among citizens); the elevated presence of the Catholic church which has traditionally been the recipient of most individual giving; limited professionalism on the part of nonprofit employees with fundraising; little transparency about where the donation will go; and little legislative incentive (2002, p. 95).

Two laws enacted in 2005 were intended to counteract this last point, by establishing the legal incentive for individuals to donate that other countries have long had. The first is known as *piu' dai, meno versi* (the more you give, the less you owe), which allows one to deduct donations from taxable income up to 10% of income or 70,000 euro. The second, *cinque per mille* (five per thousand), allows anyone to earmark five euro per every thousand of income tax for a given non-profit (IBID, p. 95). These are important steps, but with only five years of incentivized giving as a country, it will take some time for Italy to change its *cultura della donazione.*

At the foundation level, could an expanded role for funders with bank origins evolve as they continue to grow in experience? With a high level of freedom to fund innovative projects that is not enjoyed by the state, foundations have been urged to move past their traditionally conservative approach of "giv[ing] many small grants to country parish priests for restoring church bells (Barbetta, 2000, p. 11)." Also given the paucity of opportunities elsewhere, Barbetta and Maggio urge grant-making foundations to actively fund projects that the market and the State can't or won't, that have little to no or deferred profitability but are rich in elevated social utility (2002, p. 100). These are the kinds of funds that go beyond keeping one's door open to a focus on raising the bar for non-profit performance, such as acquiring the capacity for strategic planning, participatory planning, and evaluation.

CHAPTER 5 - Housing Needs

A Culture of Homeownership

As of 2007, Istat data indicated that almost 82% of Italians were homeowners. Carlini and Carra (2007, p. 15) call this a curious phenomenon of excessive importation. The slogan "everyone a homeowner" came from the United States, where homeownership was widely championed by then-President Ronald Reagan in the '80s and during this same period the rhetoric was matched in England. They note that the "student has surpassed the model," given that rental rates in Great Britain and the U.S. are both at 31%, while Italy comes in at only 18%. In countries with a strong welfare tradition like France and Germany, the rate is notably higher: 44% in France and 57% in Germany. Only Spain has a lower rental rate than Italy.

While the homeownership rate grew substantially in the second half of the last century, it was matched by a corresponding decrease in rental housing. The current rental rate of 18% seems even lower when considering that it stood at more than 50% after the second world war (Longo, 2006).

Why is this? While any number of sociological theories abound, there is consensus that Italy's high homeownership rate is due to a mixture of culture and policy influencing one another. For instance, the Fondazione Casa Amica's Director, Gianni Chiesa, opined that Italy's housing went in two different directions after World War II: homeownership and public housing – and very little else. He demonstrated that the importance of homeownership is culturally rooted through this anecdote: in the 1950s in rural Italy, *contadini* (peasant farmers) were expected to ask permission from their parish priest to work on Sunday. By the 1960s, priests gave permission to anyone to work on Sunday as long as the work they were doing was the construction of a home which they would then own. In a

Catholic country, Chiesa explained, this was absolute sanction (personal communication, May 20, 2010). Other accounts of this time confirm that in post World War II northern Italy, especially Lombardy, the strength of Catholic associationism became an all-embracing sub-culture (Ginsborg, 2003). People came together to help each other build their own homes, and it very much became the cultural norm.

More formal policies have shaped the landscape as well; Carlini and Carra describe Italy's fiscal system as one of carrots and sticks, a system that has at the same time incentivized and exploited the spread of homeownership (2007, p. 16). As noted by economist Maria Cecilia Guerra, Italy has an asymmetrical taxation that is balanced in favor of ownership. Since 1992, homeowners have had to pay a tax to their city called ICI (*Imposta Comunale Immobili*/city building taxes). The law has recently changed, however, such that homeowners are now exempt from paying tax on their first home, and only have to pay on any in addition to that. Further, just as in the United States, the interest on homeowners' mortgages can be deducted from their taxable income; thus, the homeowner holds a substantially privileged position in Italian society (IBID).

Renters, in contrast, have no opportunity to reduce their taxable income, and would-be landlords are discouraged from renting out their properties via a tax on rental income that is higher than their earned income tax. Homeowners who rent out their property are thus financially penalized for doing so; in fact, taxes on renting in Italy are the highest in Europe (IBID, p.17).

Finally, tenants' rights are so strong in Italy that it can take years to evict a tenant for non-payment of rent or property damage. The resulting high risk of financial loss and a lack of protection from the courts prompts many would-be landlords to sell an available unit rather than rent it (G. Nardone, personal communication, December 29, 2010).

There is circular logic at work here, as policy informs culture and culture shapes policy. In fact, as public spending on rental housing has declined sharply, some argue that the lack of alternatives in the rental sector is one of the main reasons that the homeownership rate is so high (Del Boca and Lusardi, 2003). For a further example of co-evolution, consider the Italian institutions of family and homeownership: the first enables the second, and the second increases the need for the first (Aalbers, 2006). Cliché as it may be, the importance of family in Italy is hard to overstate. In keeping with Italy's generally low levels of de-familization, the high cost of real estate (especially in the north) and the challenge of obtaining credit (especially until recently), the family becomes the paramount resource for housing. Because intergenerational transfers of funds for downpayment, monthly payments, or the outright gift of a home play such a significant role in the attainment of homeownership, "housing also deepens and structures existing social and economic inequalities (Bernardi and Poggio, 2002)."

The need in context: Milan and Lombardy

To delve further into the Italian context, some statistics about affordable housing in Italy and, in particular, in Milan in the northern region of Lombardy are examined next. * A note about translation: at each ends of the housing spectrum, Italy functions much like the U.S.: On one side there is the private market, in which housing is bought and sold at the highest price that the market will bear. On the other end of the spectrum is *edilizia residenziale pubblica*, previously known as *case popolari* (public housing), in which housing is made available not at the cost of what the market will bear, but at the cost of what the user can afford. This housing is set aside for the very low-income. In the middle between these two poles is housing that is at varying levels below the market, and referred to in Italian in various ways: *canone moderato, canone concordato,* and *canone convenzionato*. While there are nuances between these terms in Italian, I will refer to all of them with the blanket term of "affordable housing," since they are all "affordable" to varying degrees and all occupy the space between the two ends of the spectrum. The blanket term in Italian would be *canoni calmierati*, or below market rents. A related but separate term is that of *housing sociale*, which means below-market housing coupled with social services.

The city of Milan is located in northern Italy with a population of 1.3 million inhabitants, located at the center of a metropolitan area of about 4 million people. The city's population was augmented by economic booms at the start and middle of the 20th century which brought migrants from the south of the country, and in the past twenty years, an influx of immigrants from China, northern Africa, Latin America, India, Eastern Europe and the Middle East. Milan is Italy's fashion and finance capital, its biggest industrial city and, as will be detailed below, one of its most expensive places to live. In fact, according to a 2010 study by the Economist Intelligence Unit, the city is the 12th most expensive place to live in the world. The superlatives apply to its production as well; Milan's provincial Gross Domestic Product per capita is the highest of any Italian province (*Il Sole 24 Ore* website). Historically one third of the 'Industrial Triangle' also made up of Genoa and Torino, Milan is known for Fiera Milano, the largest trade fair complex in the world, and its many industrial sectors such as textiles, garments, iron, steel and car manufacturing. With recent deindustrialization, however, some argue that the Industrial Triangle has been supplanted in relevance by the "mega city region" of Brescia, Bergamo and Milan, one of the most dynamic economic districts in Europe (Rabaiotti, Arduini, Bossi, Epinati, Nardone, Plebani, Santaniello, Santoro, and Speroni, 2010).

The housing landscape in Milan is dominated by the public housing entity ALER (*Azienda Lombardia per l'Edilizia Residenziale Pubblica*/Lombardy Agency for Residential Public

Housing), which is the only entity like it in Lombardy; it has developed over 50,000 public housing units in Milan alone and about 80,000 in the province. It is the biggest public housing operator in Europe (Rabaiotti, 2007, p. 16). Rabaiotti goes on to describe the public housing situation in Milan as a monopoly, with housing that suffers from weak management that is poorly organized due to ALER's "excessive weight (IBID, p. 86)." Typically the cost of major repairs is borne by the owner, but given that the affordable rents are not sufficient to ensure a management equilibrium, the resulting gap has become an obstacle to every type of management and control activity. Meanwhile the surrounding areas with an ALER presence in Lombardy (Bergamo, Brescia, Lecco, Varese) have operated a surplus for years. Why? Beyond the management difficulties that arise with such a large body (being at a great distance from the needs of residents that must be addressed, and that such a large size results in a major bureaucracy that is slow to respond), Rabaiotti notes that there is an unclear relationship with political powers that make Milan ALER a very dependent organization that is driven by politics. The other ALERs in Lombardy are smaller and able to be more agile and flexible from an operational standpoint and also more politically autonomous. This benefits residents because ALER operators are thus more focused on their management role.

The city of Milan has lost one third of its population over the past 30 years; according to Milan's register of inhabitants, from 1995 to 2004, 442,394 residents left the city (88,000 in 2003 alone) (Offeddu and Sansa, 2007). The population loss has been mitigated somewhat by the arrival of immigrants over the past several decades, who now officially make up 10% of Milan's population (and the number of undocumented residents undoubtedly raises the number much higher). Those who are finding Milan economically out of reach are not solely the low-income; middle income residents are finding it increasingly challenging to live comfortably and raise a family in Milan.

These ex-Milanese have relocated in the province and other neighboring areas where the cost of living is cheaper. In fact, Offeddu and Sansa (2007, p. 334) point out that in 2003 when home sales in Milan dropped by 2.2%, there was a corresponding rise of 20% in the surrounding provinces. The dynamism of Milan's economy is "slipping away from its urban core to the surrounding areas and municipalities (Healey, 2004, p. 51)." This trend has resulted in an Italian version of that American-perfected phenomenon: urban sprawl.

As the skyrocketing cost of living pushes young people out of the central city, it leaves behind an aging population; at least 50% of those leaving each year between 1995 and 2004 were between the age of 24 and 44 (Offeddu and Sansa, 2007), and in 2001 25% of Milan's population was elderly (one of the highest in Europe) (Rabaiotti, 2007, p. 28). Using data from the City of Milan, the Universita' Bicocca and the Tenants' Union, Offeddu and Sansa (2007) present a vision of Milan in the year 2016, in which people without gray hair will be practically a "protected species." The disappearance of young Milanese is due in equal part to the low birth rate and the high cost of both renting and buying. This will mean less schools and more pollution as more and more former Milanese become commuters. The authors present a paradox: tens, hundreds and thousands of young people commuting into the city of Milan to keep a city of elderly people alive (p. 338).

Offeddu and Sansa examine the 24- to 44-year-olds who left Milan in droves, and note that most of these were not able to find work in their new area; thus they are likely commuting back to the central city. The resulting traffic congestion is already significant and will only worsen. This seems, however, to be only a symptom of the problem – and the cause must be further examined.

The authors contend that this cause is that the cost of living in Milan is increasingly out of reach, not only for the poor but for the middle income as well. Furthermore, the chief factor in the rise of cost of living is the steep increase in housing costs (2007, p. 339).

A sampling of statistics in the area:

- 7-8% of families in Lombardy are in poverty (Rabaiotti, 2007, p. 69)
- In the city of Milan alone, as of 2007 there were more than 16,000 people on the public housing waiting list, while the available housing each year is about 1,000 (IBID, p. 13). From July to December 2010, that number increased further from 18,000 to 20,000 (Senesi, 2011).
- The construction of subsidized public housing is diminishing: in Lombardy between 1978 and 1988, ALER and cities produced a median of 2,000 units per year. Between 1989 and 1995, the median fell to 750 units, and between 1996 and 2001 only 450 units were created in the regional territory - less than 100 per year. Rabaoitti describes the results as "unnoticeable (IBID, p. 35)."
- 7.5 Italian families in 10 are homeowners, but the debt incurred to buy a home has risen 130% in the last five years. For many, a mortgage is not a choice but a necessity. Many are forced to take on a mortgage due to the steep rise in rents: from 1998 to 2004 the median rent growth in Italy was 49%. However, in Milan it was almost double: 92% (Offeddu and Sansa, 2007, p. 330).
- In 2006 the city of Milan had a waiting list of 35,000 for affordable housing, while the units available were only 600. This is one unit available per 58 people who need one (IBID, p. 333). In the Lombardy region it improves slightly, to 2 units for every 50 that need them (Rabaiotti, 2007, p. 35).

The Need for Rental Housing

Rental housing is the modality that most needs public intervention in the Lombardy region and in particular, in the expensive city of Milan. The region of Lombardy in fact states the same in its 2002 program goals, even while its policies continue to incentivize home ownership and penalize rental housing.

While the Region has introduced some incentives to create more supply of affordable rental housing, private actors have not appeared to be enticed. Even with the incentives, they have not found it economically feasible to build affordable housing, and would rather build private than take the economic incentives from the region to build affordable units (IBID, p.40). (There are some indications that this may be changing with the recent extreme downturn in the economy, as formerly private actors have found turning to affordable housing to be a way to stay alive as the private market has virtually shut down – such as the group *Costruire Abitare Futuro* in Bergamo).

Not only has the private sector shown little interest, the public sector has had limited financial involvement in housing as well. The result is "extensive recourse…made to socially regulative measures, particularly in the rental market (Longo, 2006, p. 4)." In a process that mirrors U.S. trends, Italy has experienced a precipitous decline in public investment in housing since the mid-1980s, to the point that it is now nearing zero (IBID, p. 5).

Proposals vary for addressing this lack of economic draw; The National Association of Building Contractors proposes a zero interest public loan for 30% of the cost of only rental units, with 40% of those units mandated rental at below-market rents for 15 years, with the rest allowed to be for-sale at a below-market price (Fondazione Housing Sociale, 2005). Another avenue is the inclusion of the financier in a housing initiative, as in the case of Banca prossima which is part of a platform with three well-established non-profits in Milan (Biella, 2010).

While little traction seems to have been gained in mainstreaming private sector investment in affordable housing, meanwhile a macro transformation of Milan is taking place. In a short period manifesting largely over the past decade, there are 20 big projects at various stages throughout the city. Milan's 1999 *Piani Integrati di Intervento* (Integrated Plans of Intervention) makes specific reference to the need for inclusionary housing. According to the document, because of the great need for social housing, two problems arise: the first being how to provide the housing and the second being where, in order to "avoid the ghettoization phenomena. For this reason it is indispensable that in each project of a certain size, a portion of social housing, even small, would be provided, and that subsidies to help its implementation be established (Comune di Milano, 2001, p. 85)." The more recent *Piano di Governo del Territorio* (Territorial Governance Plan) enacted incentives by allowing more building rights on a landplot if some of the units to be included will be affordable. Further, more recent notices on the Comune's website and countless newspaper articles trumpet the "arrival of social housing in Milan" ("*La 'casa popolare' cambia volto. Arriva l'housing sociale*," 2008), "3,300 new units of social housing" ("*3,300 nuovi alloggi in housing sociale*," 2008), "Housing at low prices" (Gallione, 2008), and "City seeks private sector to construct 3,380 low-rent units" ("*Comune cerca privati per costruire 3380 case a basso affitto*," 2008).

However, despite a rash of press (ten articles in seven different newspapers on July 31 and August 1, 2008 alone, as well as the more recent coverage of the aforementioned 45,000-unit promise) insisting that Milan values and is funding *housing sociale*, there is little to no evidence of this emphasis being actualized in recent projects. Rabaiotti bemoans that with all the opportunity that the 20 large projects bring, they all share the fact of having neglected to include affordable housing (aside from some allotments in cooperatives for slightly below-market, but still for-sale units). There are no rental units and thus no possibility of rental affordability – results that, he argues, could have been obtained using non-traditional models (2007, p. 90).

Why rental housing matters

There are weighty issues at stake here in terms of justice, equity, rights, and human dignity. Setting aside for the moment the social importance of all of these issues that fall under the umbrella of *affordable* rental housing, Carlini and Carra (2007) state that marginalizing rental housing harms the economy as well. They note that the same countries that top the list with the highest percentage of homeowners (Italy, Portugal, Greece, Spain) are also grouped together in the rankings of Gross Domestic Product per capita, and they all produce less in relation to their population.

Homeowners are inherently less mobile than renters, which results in an unsurprising correlation between levels of homeownership and movement of people: the higher the percentage of homeowners, the lower the labor mobility. Van Ommeren (2008) notes the empirical phenomenon that economic growth and residential mobility are strongly, and positively, correlated. At the macro-economic level, several studies suggest a positive relationship between the share of owned houses and unemployment (Oswald, 1999; Green and Hendershot, 2001), while micro-economic studies tend to find that home-ownership reduces job mobility, but does not increase unemployment (Battu et al., 2008). In countries with more mobility, people change their region of residence much more frequently; in the year 2003, 0.6 Italians in 100 moved, while for Germans the figure is 1.4 in 100, for France 2.1, for Great Britain 2.3, and for America 3 (Carlini and Cara, 2007) .

This is a major problem for an economy based on the speed of movement of people and goods, and for a country that has strong territorial imbalances; some areas of Italy have full employment while in others, one in two people are unemployed (IBID). Similarly, the table below shows that the percentage of rental housing available in small towns in the province of Milan is nearly half the percentage in the city of Milan.

Table 5. Housing Tenure in the Province of Milan, 2001

	For-sale	**Rental**	**Other**
Large cities	66.8	22.6	10.6
Medium cities	64.5	25.8	9.7
Small cities	69.8	13.3	16.8
City of Milan	62.1	25.8	12.1
Milan periphery	68.6	18.6	12.8

Source: IReR (2001), as quoted in Rabaiotti, 2007, p. 52

When a person cannot move in order to optimize his or her employment, the country's economy suffers because human capital is not being deployed efficiently. The development of professional paths requires a degree of 'liberty of movement' that is difficult to achieve when so little rental housing is available (Rabaiotti, 2007, p. 51).

In addition, when rental housing is so hard to come by, it can have deep effects on the culture and demographics of a country. Take, for example, that so many Italian couples wait to marry until they have saved enough to buy a home, which is in turn so expensive that marriage and child-bearing is often significantly delayed. (In 2006, the average age of marriage in Italy was 33.3 for men and 30.0 for women, compared to 26.8 for men and 25.1 for women in the United States (World Marriage Data, 2008)).

Available rental housing for these groups would help to reduce the socio-economic 'distortions' that result when people are forced to buy a home due to lack of other options, resulting in the phenomenon of the poor homeowner (Rabaiotti, 2007; Longo, 2006;), known in English as "house rich, cash poor." In particular young people, university students, immigrants who may be planning to return to their country of origin after a limited stay, temporary workers, those subject to frequent transfers and new families need multiple forms of access to housing, not only homeownership. Carlini and Carra refer to it as the freedom of people to move and change; to leave one's family origin, to move for a new job, to, in short, experiment with other places and ways of life. They conclude with a play on the word *immobile*, which in Italian has two meanings, one of which is buildings or housing, and should not, they emphasize, be confused with the other meaning that signifies one is unable to move (2007).

The need for affordable rental housing

It is useful to consider where Italy stands in relation to other European countries in terms of both the percentage of rental housing to homeownership, and within the rental housing sector, the proportion of which is affordable. In Balchin's 1996 study of housing in Europe, he created four groups of countries by the nature of their policies, which are:

- Countries where the dominant tendency has been to promote private-rented housing (including Germany and Switzerland);
- Countries that have strongly promoted social housing (including the Netherlands, Sweden, Austria and France);
- Countries where the housing system is in transition (including Hungary, Czech Republic, Poland, Slovenia, Croatia);

And finally

- Countries dominated by owner-occupation (including the U.K., Ireland, Spain and **Italy**).

See the figure below, which illustrates the level (albeit only quantitatively) at which the social housing sector is developed across many European countries.

Table 6. The Housing Sector in Europe

Country	**Number of available units**	**Ownership (%)**	**Rental (%)**	**% rental that is affordable ("sociale")**
Austria	3,670,000	51.2	21.5	23.4
Belgium	3,750,000	71.4	23.0	5.4
Denmark	2,480,000	56.2	18.1	24.7
France	28,700,000	54.7	22.0	18.0
Germany	29,680,000	41.0	49.0	10.0
Italy	**25,030,000**	**72.2**	**15.9**	**3.7**
Ireland	1,250,000	74.5	11.4	14.1
Holland	6,520,000	50.8	12.8	36.4
Portugal	4,740,000	66.2	29.4	3.4
United Kingdom	20,400,000	67.0	10.0	21.0
Spain	19,180,000	82.0	16.7	1.6
Switzerland	4,270,000	58.6	20.7	20.7

Source: 2005 Anci-Cresme research for the January 20, 2006 conference *Costruiamo insieme il futuro delle politiche abitative in Puglia* (Together Constructing the Future of Housing Policies in Puglia); *La politica per la casa*, Minelli R, Il Mulino, 2004, as quoted in Fondazione Housing Sociale's newsletter, *Trends nell'Housing Sociale*, December 15, 2006, http://www.fhs.it/oggetti/143.pdf.

Bearing in mind that the countries shown above have varying definitions of what merits inclusion in the *housing sociale* sector and thus direct comparisons are challenging, there are still enough broad patterns to support Balchin's groupings. The rental housing that does exist in Italy is largely private; ISTAT figures for 2000 indicate that 69.2% of families that rent have a private landlord, and only 23.1% rent from a public body (Longo, 2006, p. 4). Further, the percentage of affordable units within its rental housing is among the lowest in Europe, along with Spain and Greece.

Italy's Terzo Settore Abitativo

The initial interventions by non-profits in the Italian housing field can be traced to the early 1990s, in response to the first substantial flows of immigrants into the country. Many credit the growing interest in affordable rental housing to the over fifteen years of innovative work by the third sector in Milan (Tosi and Santaniello, 2006; Rabaiotti, 2007).

The work of the third sector has helped to build consensus around the necessity of creating rental housing, but also regarding the importance of this movement being part of a "new social housing" – that which is no longer identified with public housing, utilizes different resources and involves a plurality of actors. It has also helped to build consensus on the necessity of integrating housing policy with other policies regarding income, job placement, health, youth, urban policies etc. (Rabaiotti, 2007, p. 23).

Some feel, however, that the sector's level of activism has not sufficiently addressed the need for affordable rental housing. As the Fondazione Casa Amica's Director Gianni Chiesa opined, Italy's *terzo settore* is well developed when it comes to cooperative homeownership and social services offered through social cooperatives. However, for rental housing *quasi non esiste* – it basically does not exist (personal communication, May 20, 2010).

> A critical point is certainly the lack of construction of a 'third sector.' Initiatives of the voluntary sector have played a fundamental role in innovating the philosophy of social housing, but the sector has not yet been able to consolidate itself to a degree comparable to other sectors of social policy (Longo, 2006, p. 7).

Opportunities are rich for the third sector to play a more active role in the world of affordable housing; contributions could include promotion of public/private partnerships, championing integrated approaches that merge physical and social needs, and stimulating public policy innovations (Tosi and Santaniello, 2006). In addition, given the underdeveloped state of Italy's property and facility management field, a move in the third sector to develop management expertise and professionalize its provision could be both lucrative for the provider and help to advance the field, as a lack of viable management options is often cited as a reason for avoiding the development of rental housing.

Foundations in the third sector certainly also play a part in raising and lowering the profile of any given issue; take, for instance, that in 1996 Development and Housing garnered only 5% of banking foundation grants, compared to 35% for Art, Culture and Recreation (Barbetta, 2000, p. 11). Partly for this reason, the Fondazione Housing Sociale was birthed in 2004 by the Fondazione Cariplo in Milan with the goal of strengthening the third sector in housing. There is great potential for both foundations to play a strong role in the work outlined later in this paper.

CHAPTER 6 - Case Studies

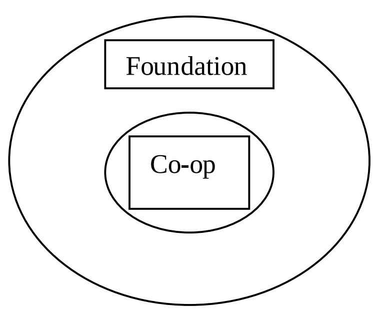
Before turning to ideas for strengthening the community development sector, two case studies are offered to help ground the later analysis in the realities of this work.

Case Study 1 – Dar Casa, Milan

Dar Casa (Dar) is a 10-staff, 10-volunteer organization established in 1991 with the objective of providing dignified, low-cost rental housing to anyone, Italian or foreign, who cannot afford the high rents of the free market. With turnover, Dar's 213 units have served 320 families. 80% of their renters are immigrants, largely from Africa, S. America, and Eastern Europe.

While traditionally a housing cooperative, currently there are two elements to the organization:

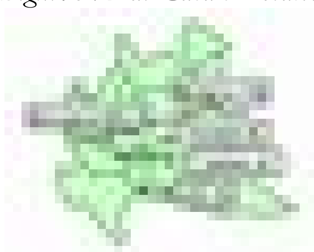
- The Dar cooperative, which works as a private company for its members. The co-op's units are always for rent and always below-market;
- The Dar foundation, which was just recently launched and its product is open to everyone, not only the members. The foundation now encompasses the co-op, and in a May 14, 2010 interview with co-operative Board member and Foundation president Adalberto Castagna, he explained that this new arrangement allows for more freedom to, for instance, provide housing to non-members.



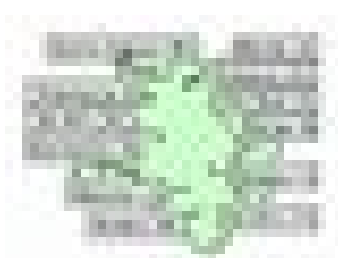
How does a non-profit co-operative function? In Dar's case, the members of the co-op put their savings into the co-op, like a bank, but they receive interest at a slightly higher rate than banks typically provide. This incentivizes members to save and allows them to loan their money to the co-op for future projects. The co-op then uses the member funds along with low-interest bank loans to finance their work. A typical scenario would be 60% financed by banks and 40% by a shareholder loan from the co-op. Dar only works with banks that provide loans with long amortization at low interest. They describe this as a *circolo virtuoso* (a virtuous circle) as the low interest and long payback period results in lower rents for their members. Speaking of rents, Dar's are generally about half of market rent or even less (70 euro per meter square versus 150-180 euro per meter square at market rate). With the rental fees earned from their projects, Dar pays back loans, investors and pays employees' salaries (Castagna, personal communication, May 14, 2010).

Dar's 213 units are scattered throughout the region

Figure 5. Dar Casa's Locations



and around the circumference of the central city of Milan.



Source: *Trends nell'Housing Sociale*, 2006, p. 14

D'Agostini notes how inadequate this supply is in the face of their demand, estimating that Dar provides about ten units per year (between turnover and new units) compared to the demand of 700-800 applicants on the waiting list.

Villaggio Grazioli is a recent example of a larger cooperative with which Dar partnered. Located in the Affori neighborhood on the north side of Milan near an upcoming new yellow line subway stop, Grazioli is a "cooperative village" made up of multiple smaller cooperatives for a total of 248 units. Of these, 120 are rental – of which Dar owns 21. While it is promising that such a large proportion of the units are rental, the website for Coop Ca'Granda, which created Grazioli, does not specify whether any of the other remaining 99 rental units are affordable. Regardless, a cooperative project that is 48% rental is noteworthy in and of itself in a country where 90% of co-op units are for-sale.

In terms of Dar's portfolio, it does not own all of its units; 30% are owned by the City of Milan or ALER and loaned for 15 years for free use. (Dar is hopeful that at the end of that period the 15 years will be renewed, otherwise their investment in the rehab will be lost). The relationship with ALER has at times been contentious, as Dar's President Sergio D'Agostini explains:

> We would expect that the public authority would recognize and enhance us as a resource, as it relates to potential housing policy. But it does not. The public body has the idea that the private social sector can do everything everywhere, even without the minimum and necessary facilities. Often what we get are the 'mission impossible' areas with unsolvable problems. For example, ALER, with which we are working to intervene on their unused buildings, asks us to take on impossible conditions such as the relocation of squatters. But it is clear that our structure cannot accommodate tenants who do not intend to pay rent (*Trends nell'Housing Sociale*, 2006, p. 16).

What follows is a real example of how Dar has been able to partner with a nearby city to the benefit of them both. The city of Cormano (located 20 minutes from Milan) had many people who needed housing and many who were occupying city-owned land illegally. The City took undeveloped land and issued a Request for Proposals for 80 units, 55-60 of which would become city-owned and very low rent (*canone sociale*). The remaining units could be owned by the winner of the RFP. Dar entered in partnership with a consortium and won the right to develop the units. The City of Cormano will pay the cost of construction for the public section only with funds from the Region, along with providing the land for free and financing 40% of costs as a grant. Dar must develop the remaining units as well. Based on Dar's reputation as one of the best property managers of low-income housing in Lombardy, the City wants Dar to manage all of the units, not just theirs. Dar will receive a small fee for its property management services, likely 5% of costs.

<u>Dar Casa Areas for Improvement</u>

In discussion with Castagna and a Dar staff member, the following were identified as areas to strengthen:

- Rehab existing units instead of building so much on vacant land
- Better market the Dar model
- *Ricambio generazionale* – in other words, there are too many old people on staff, and new ideas are needed.
- Better convince public administrations to provide more properties for development. ALER and the City of Milan have over 3,000 vacant lots/buildings, and Dar has been trying to convince them to grant some of these units or land for free use as they have in the past. ALER initially promised 200, but that number has been whittled down to only 15. Castagna notes that Dar needs to form solid alliances with churches, industries, and other strong entities to make it impossible to be said no to. Some of the work involved in forming

these alliances might include, for instance, proving to industry that their workers need affordable housing in the vicinity for optimal efficiency.

In an interview in the Fondazione Housing Sociale's 2006 newsletter, Dar President D'Agostini suggested additional areas for improvement:

- Increase Dar's capital base and credit
- Having long worked with other cooperatives such as in the case of Villagio Grazioli, further develop mutual relationships with cooperatives and increase the involvement of member renters. (Currently, 33 of Dar's 213 units are part of a larger cooperative project).

Case Study 2: Fondazione Casa Amica, Bergamo

Fondazione Casa Amica (FCA) of Bergamo was formed in 1993 under the auspices of the Provincial Consultative body for Immigration to respond to the housing needs of immigrant citizens (Associazione Casa Amica, 2001). It was started by 14 founding partners, including the province and town of Bergamo, contractors' associations and associations of immigrants from Senegal, Burkina Faso and the Ivory Coast. Over the years FCA has extended its intervention to include Italian citizens in conditions of need and hardship, and offers both rented and ownership housing solutions. It owns 260 units throughout the province, and also provides counseling for first-time homebuyers, rent guarantee to private landlords, and property management. Similarly to Dar Casa, FCA employs an "integrated property management" model, which combines attention to the physical property and rent collection with attention to residents' social welfare. Both Dar and FCA, in fact, emphasized that this relationship building aspect of their work was one of the most important, not only for meeting residents' needs while they are tenants but also for determining if and when they are ready to exit into non- or less-subsidized housing and make room for those more needy (Tosi and Santaniello, 2006).

Distinctive to FCA is its track record of viewing its work as more than the creation of affordable housing; it has been a leader in advocacy and advancing the field for other providers as well. For instance, regional funding was offered for affordable housing in the Bergamo region for the period of 2002-2004, but the municipal responses throughout the region were weak, largely due to lack of information and the complexity of the public competition for funds. FCA decided to offer its services as advisor to promote a more robust response, and in so doing helped to construct several public-private partnerships. The partnerships were required but none had existed previously; FCA used its network of relationships to help create them, and in the end more than half the municipalities in the province of Bergamo participated and all received regional funding (IBID, p. 20). In another instance of FCA's successful advocacy role, the organization worked closely with the City of Bergamo to mandate 10% social housing in new developments of a certain size (also known as inclusionary zoning). In this way, FCA itself acts as an intermediary of sorts, but in an especially challenging situation as it does not have a cadre of locally rooted CDCs with which to partner.

FCA has five full-time staff, one part-time, and two consultants. Similar to Dar Casa, in order to fund their projects FCA uses its own funds, contributions from cooperative members, foundations, and banks, and bank loans. When available they also use funds from the region, such as now-defunct support for constructing housing for immigrants (mandated by immigration law).

FCA's Director Gianni Chiesa notes that one of FCA's biggest strengths is its diffused networks of collaboration. Having spent two years to form the association, by the time it was officially created it was deeply rooted with diverse partnerships. Chiesa identified the following areas for improvement:

- Professional training of employees and volunteers
- Working with and not just for immigrants and vulnerable populations
- Establishing a closer collaboration with public entities. Chiesa noted that most if not all of the Region's projects used to go to ALER. Now the Region has diversified and is doing small projects with other groups like FCA and Dar Casa. Chiesa would like to see the Region and ALER build less and less of the housing itself, and instead partner with groups like FCA to receive funding and build or rehab the final product (personal communication, May 20, 2010).

Case Studies Discussion

D'Agostini's statement that "As a company we must balance the need to keep down the fees with the need to make ends meet" perhaps best encapsulates one of the biggest challenges of the field (*Trends nell'Housing Sociale*, 2006). This struggle to balance the need to bring in revenue with meeting one's mission to keep rents as low as possible is one that every non-profit affordable housing developer faces, but it seems especially vexing in Italy. To be an Italian non-profit appears to mean that it is unseemly to earn a fee; pushing to receive a certain fee (such as 10% of costs as in the U.S.) or even one at all seems as if one is betraying the mission. For instance, in talking with Castagna about Dar taking on third party property management, he was asked if, given Dar's reputation as the most competent affordable property manager in the area, they could develop third-party management as a money-making venture for the organization. His response? "We're not interested in a big fee, we're a non-profit."

Similarly with FCA, when Chiesa was asked specifically if they earn a fee through their construction projects, he seemed taken aback and replied, "the best we can do is set up our proformas so that they cash flow (break even)." He later emphasized, "our goal is to stay sustainable, not to make a lot of money." Bear in mind that Chiesa felt this strongly even as FCA was petitioning banks for grants to make up for their high late and missed rent payments, which, given their heavy reliance on fees, directly threatened their ability to pay their employees. Further, FCA is heavily reliant on volunteers for what would otherwise be considered typical in-house functions; for instance, all finance controls are performed by the Board, and a pro bono architect completes the final construction inspections. While many healthy non-profits benefit from pro bono services, it is generally considered unwise to depend on volunteers for vital functions of the organization, given that by the nature of volunteers' unpaid status they provide less guaranteed reliability and it lessens the building of in-house capacity.[4]

Is there a cultural basis for this fee aversion, and what affect does it have on the advancement of the sector? Politecnico di Milano professor Luca Gaeta explains that at least some of the aversion to fees is historical, tracing back to the origin of affordable cooperatives which were created in protest of the perceived greed of the private market. The goal and the political objective was to simply balance the books with no extra. The philosophy was thus inherently somewhat anti-profit (personal communication, June 8, 2010). Further, as detailed in the non-profit section, the *terzo settore* in Italy has traditionally

[4] It is worth noting that the financial precariousness of these two organizations seems mainly due to the unsustainable nature of the model. In KCity's Strategic Plan for FCA, the authors note that in case studies of two similar institutions, Fondazione La Casa and Fondazione Cassoni, neither was able to fully cover their operating costs with revenue from rents alone either. A balanced budget, the authors note, would be obtainable only through the addition of public or private contributions, a property portfolio large enough to provide economies of scale, and maximizing the efficiencies of the property management process (Rabaiotti et al., 2010, p. 46).

been made up of the church and the state, neither of which is geared toward or particularly proficient in earning money (F. Santaniello, personal communication, May 21, 2010). Finally, there may be a cultural undertone that helps to explain Chiesa and Castagna's viewpoints on sustaining their patrimony rather than growing it. A recent *New York Times* article exploring the question "Is Italy Too Italian?" notes the presence in Italy's business culture of a pervasive aversion to risk and growth, and a fear of competition.

> The suspicion of Italians when it comes to extra-familial institutions explains why many here care more about protecting what they have than enhancing their wealth…For a company to really expand, it needs capital, but that means giving up at least some control. So thousands of companies here remain stubbornly small (Segal, 2010).

The effect on advancing the sector is potentially profound, as over-reliance on fees from rent means a high level of vulnerability to downturns in the economy (take again the example of Fondazione Casa Amica seeking bank contributions to help make up their *morosita'* - late or missed rent payments). This vulnerable position leads to a self-perpetuating cycle, as organizations' perceived vulnerability leads them to become overly dependent on volunteers and/or hesitant to staff up, and then this lack of staff capacity renders them increasingly unable to advance into more stable, productive territory.

Upon extensive review of FCA for its 2010-2015 strategic plan, KCity consultants note that in the face of dwindling public resources that are only intermittently available, it is essential that the organization seek other resources, including private funding, to build their financial sustainability. In particular, they suggest building alternatives in the credit system and banking strategies that are more decisively targeted to social housing.

Vidal sounds a similar note in her 1992 national study of CDCs:

> The relationship between financial support and the level of CDC activity is reciprocal…The single most important constraint on the growth of CDC activity is the need for additional capital. Three types of funding in short supply are financial subsidies for CDC projects

and programs, pre-development funds, and general operating support for CDCs (p. 12).

Case Studies: A Comparison

As two strong examples of Italian affordable housing development work, how do Dar=Casa and Fondazione Casa Amica compare to U.S. CDCs? I would place them in level 2 of a 3-level categorization of U.S. CDCs.

Drawing 2. CDC Competency Spectrum

Level 1: CDC is fledgling	**Level 2: CDC is growing**	**Level 3: CDC is flourishing**
Funding base is limited to 1 or 2 sources	Funding base is expanding (of which net income from rent is one of many sources)	Diverse funding base with approximate distribution of 25% government, 25% foundations, 25% earned income, 25% private donations
Limited in-house expertise and heavy reliance on outsourcing	Developing in-house expertise and deciding strategically which tasks to outsource	Has strong in-house expertise & able to retain competent staff
Dependent on volunteers for basic functions	Decreasing dependence on volunteers for essential functions, beginning to develop strategic roles for volunteers	Volunteers used to supplement programming & attract potential supporters rather than provide essential services
Few relationships with other CDCs, project financiers, or city/state departments	Joining networks with other CDCs, developing a relationship with an intermediary, establishing relationships with city/state departments	Tied into a network of and has symbiotic relationships with other CDCs, strong history with city/state departments and intermediaries
Learning curve to complete tangible projects is high, with little to no time left to think strategically about larger community benefits (local hiring, utilizing local businesses) or less tangible issues (education, crime, etc.). Scope of work is geographically small.	As mastery of project mechanics grows, beginning to explore potential alliances with local contractors and other businesses. Scope of work is growing to include more of the community both in terms of geography and issues.	Projects strategically nurture and promote local businesses, such as subs and general contractors during construction and reduced-rent retail space for business owners, has developed a variety of powerful partnerships and successful enterprises, i.e. property management and general contracting services. Scope of work addresses a range of quality of life issues, not solely housing or commercial units.
Passive receiver of community development policies	Beginning to serve in policy-making roles but largely responding to policies rather	Influence policy formation and implementation

	than helping to shape them	
Board of Directors is often strong in one area (local leadership, technical expertise) & lacking in others	Developing and honing a strong Board of Directors with a range of expertise	Board of Directors is well-rounded, takes ownership of the organization, takes fundraising seriously, and expertise and community leadership are not mutually exclusive
One of many voices in the community, without a strong constituency	Beginning to develop leaders in the community and within the organization, beginning to establish a public voice on issues that impact the area	Seen as a powerful leader in the community, able to mobilize significant numbers, remains committed to organizing as part of its larger strategy for community change

Community Development and Affordable Housing: the United States and Italy, Marisa Novara, Ralletore Gabriele Rabaiotti, 2011.

A caveat about the above figure: not everyone agrees, of course, on what constitutes a successful CDC. Some CDCs may, for example, purposely not expand their scope to include larger quality of life issues, believing that they can be more effective by focusing more narrowly on one or two areas. Others may feel (as discussed in Chapter 1) that a non-CDC could much more effectively do community organizing than they can. These are legitimate decisions that are heavily based on context.

Also important to keep in mind when using this figure to analyze CDCs in northern Italy is that much of what accounts for advancement across these levels has to do with involvement with entities external to the CDC: networks of other CDCs, intermediaries, funding sources, etc. As will be examined further in the next section, these external sources of support either do not exist or have not yet been substantially developed in Italy; thus advancement as defined in this figure may not yet be fully possible. The development of an Italian intermediary as an initial step in that direction will now be explored, with LISC acting as a spark to its development.

V. Toward an Italian Community Development Intermediary

An Italian community development intermediary could play a unique role in transforming the execution of community development, the relationships between funders and CDCs, and raising the overall profile of the field in northern Italy. Chapter 9 will detail the catalytic role that LISC could play in its establishment and initial development, and Chapter 10 goes into great detail on the various functions that an Italian intermediary could perform. First, though, Chapters 7 and 8 provide a grounding in the institutions, culture, and governance currently at play in northern Italy.

CHAPTER 7 – Transformation via Social Rule System Theory, New Institutionalism, and Worldviews

To my western eyes, when considering the current state of the Italian community development sector the immediate points that jump out are in regards to improving organizational financing: increasing earned income and decreasing dependence on volunteers, widening the funding base, changing the mentality towards fees, etc. These issues do matter…eventually. But perhaps the first question is instead, **what might institutional change look like in the context of northern Italy? A larger cultural and political shift that embraces and encourages community development with social cohesion?**

In fact, this last point supersedes all those before it. The push for more coordinated and sophisticated funding is undoubtedly an American bias, one that assumes a pre-existing political and institutional culture that values neighborhood-level, community-driven, organizationally-networked development. In short, a situation that we know does not currently exist in Italy. So to step back, what is the role of culture and institutions in shaping this field, and what could or should be done to lay the groundwork for a shift to a new paradigm?

Role of culture and institutions

Foundations have been instrumental in the rise and spread of intermediary activity in the U.S., in part through increased funding in general for CDCs and development, but specifically also in funneling program-related investments through intermediaries. This redirection of foundation funds speaks volumes of the elevation of intermediaries' status and the community development field in general.

In the Italian context, however, grant makers more often support social welfare issues that provide a more immediate "feel good" return than does a grant for pre-development funds on social housing, the returns on which take much longer to be felt. Center-right governments at the municipal and provincial level have tended to play a more reactive than proactive role, jumping in to try to ease problems that have already occurred rather than helping to create a higher level of institutional support (F. Santaniello, personal communication, November 15, 2010).

The politics surrounding and the culture of the Italian third sector has been marked by fragmentation, dependence on the church and government, and (perhaps a consequent) lack of innovation or entrepreneurship. Social rule system theory helps provide a framework for examining this context, as it stresses that particular institutions and the organizations that operate within them are deeply embedded in cultural, social, and political environments and that particular structures and practices are often reflections of as well as responses to rules, laws, conventions, and paradigms built into the wider environment (Powell, 2007).

Thus, Santaniello points out that while a community development intermediary is an intriguing and potentially highly effective idea, it poses first not a financial issue but a cultural and political problem: the third sector finds embracing innovation to be a challenge (personal communication, November 15, 2010). Not only does a culture of coordinated capacity building not yet appear to exist, the dominant culture that does exist acts in opposition to this concept. The present modus operandi might best be described as the "crabs in a bucket" syndrome; that is, if you put several crabs in a bucket and one tries to climb out, the others will pull it back down. Santaniello describes it this way:

> The third sector (in particular cooperatives, which are the more professional types of entities within the sector) meets in consortia. One in ten [consortia] is embracing the challenge [of working in coordination], others prefer to work in the traditional way. [These entities] cannot propose an investment in a center for capacity building because nine out of ten of the associated entities would see it as a problem or as a preferential investment to the few cooperatives and groups who are able to grasp the challenge. The approach is: "No matter if I don't know what I'm doing, up until now it's gone well." Often the entities, as strange as it may be, do not pursue the objective of effectiveness but rather of organizational survival (personal communication, November 15, 2010).

New institutionalism and worldviews

It may be useful to consider this way of thinking through the lenses of <u>new institutionalism</u> and <u>worldviews</u>. First, what exactly are institutions? They are the "framework of norms, rules and practices which structure action in social contexts. They are expressed in formal rules and structures, but also in the informal norms and practices, in the rhythms and routines of daily collective life (Healey, 2007, p. 64)." The idea behind new institutionalism is that institutions have a pervasive influence on human behavior through rules, norms, and other frameworks. The cognitive element of new institutionalism states that "compliance occurs in many circumstances because other types of behavior are inconceivable; routines are followed because they are taken for granted as 'the way we do these things (Scott, 2001, p. 57).'" In other words, individuals acting within the confines of their culture's institutions make certain choices because they cannot conceive of any other alternative.

On a related note, thinkers such as Karl Mannheim and Pierre Bourdieu have explored the concept of worldviews of social groups – meaning their shared attitudes, unconscious thoughts and assumptions, and structures of belief. In short, worldviews reflect our conditioned thinking (Krznaric, 2007). For our purposes, what is perhaps of most interest is that scholars have identified three main ways that worldviews can change: through new experiences, through new conversations, and through long-term changes in education systems.

Reframing dominant paradigms, attitudes and beliefs is a long-term strategy. Krznaric (2007) suggests a series of questions to consider in applying this strategy: How will state, social, economic, global, and systemic contexts affect our development strategy? Which worldviews are the greatest obstacle to its success and how could we change them? If theories of new institutionalism and worldviews suggest that individuals and institutions function as they do often because there is no concept of a viable alternative, perhaps the most pertinent question becomes how can the nascent Italian community development field provide a forum for new experiences and new conversations, thereby creating the space for a new reality?

CHAPTER 8 - Laying the Groundwork for Change: Asset Based Community Development and Governance Interactions

Starting with assets

An effective means of creating what Healey (2007) calls a "transformative torrent" would be to employ the basic tenets of Asset-Based Community Development (ABCD): start where there is already strength and build from there. ABCD rests on the principle that sustainable development emerges from within a community, not from outside, by mobilizing and building on local resources rather than interventions that try to address deficiencies (Kretzmann and McKnight, 1993; Bergdall, 2003). A further iteration of this concept has been developed specifically for building sustainable organizations as well (Puntenney, 2000). Upending what Russell calls the "social services model" that has dominated European social policies, ABCD has also been emerging of late in parts of northern Europe, particularly Ireland, the Netherlands, Sweden, Denmark, and the UK – as evidenced by the recent ABCD European Summit in Liverpool (2009).

How could the ideals of ABCD and asset-based organizational development be applied in the context of northern Italy? In terms of existing strengths, the fact that there is such a strong presence of consortia and *centraline*[5] bodes well for the future; once a shift in thinking occurs, the institutions for collective representation are already in place. Further, the high level of "group think" already described can be used as part of the strategy: "once [a community development] way of thinking is more mainstream, consortia, *centraline* and foundations will feel more comfortable making an investment [in the work of intermediaries] because it will involve a majority of the groups." Once at least one entity demonstrates the

[5] *Centraline* are groups of social and market-rate cooperatives that follow different political orientations.

power of coordinated action, Santaniello predicts that the demand generated will allow for the building of “a permanent center of expertise (personal communication, November 15, 2010).”

Building on existing strengths

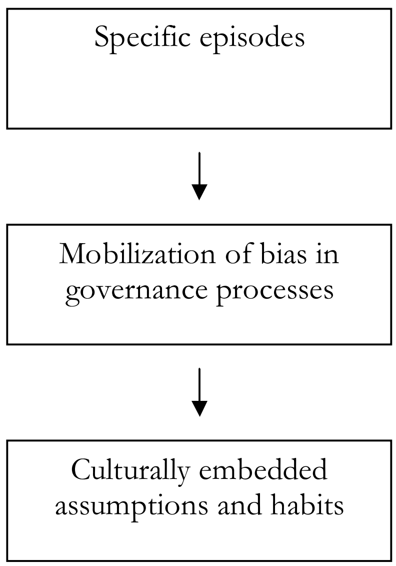
> Until the culture of urban regeneration is more diffused, any investment "from above" (top down) is likely to be lost. It is best to work from the bottom up. Working from the bottom up would mean to take some situations that are already mature and work on them to make them efficacious. The others will watch to see what happens and if they determine that the results are positive, they will begin to think that they can also do the same (F. Santaniello, personal communication, November 15, 2010).

The case of the Fondazione Casa Amica stands out, largely because the organization has already been acting as a fledgling intermediary of sorts, even without significant public or private support. Through its actions, FCA has demonstrated an inherent understanding of the intermediary concept and its potential; it has, in addition to its own more micro work in affordable housing provision and management, provided information and trained organizations to respond to an RFP that would have improved the supply of affordable housing across the region, and has lobbied for and won the right to a percentage of affordable housing within every development in the region over a certain size. It is clear that at a basic level, even without a strong financial or institutional foundation, FCA embraces the importance of a more networked, connected, regional outlook on community development. It has, in short, what Healey calls “transformative potential (2007, p. 63).” It remains, then, to determine how to best strengthen, develop and expand the role of this organization and others like it, and to use this process to transform the culture and institutions of the community development sector.

Governance Transformation Processes

It may be most productive to examine this question in the context of Healey's three-tiered matrix of governance interactions:

Figure 6. Dimensions of Governance Interactions



Source: Healey, 2007, p. 71.

At the level of *specific episodes*, people interact in institutional arenas where ideas are expressed, decisions made and strategies are formulated. Actors involved may try to challenge and change the existing practices and values through participation in innovative forms of governing such as community-based initiatives. This level is about actors and arenas and their interactive practices.

> Those seeking to transform trajectories should look at the way these infrastructures currently shape policy and action and where opportunities for change are situated. Rather than designing trajectories too precisely, planning attention would do better to identify 'moments' and 'arenas' where stakeholders encounter each other to exchange and develop ideas (Healey, 2007, p. 80).

Below these specific moments and arenas is a layer of underpinning structures, which goes beyond surface interactions to the way *bias is mobilized in governance processes*. This analysis focuses on strategic projects for mobilizing actors and change movements, and on the networks that these actors have access to. The focus at this level is not on individual actors but on coalitions and systems, and how issues are framed and solved.

Finally, at the deepest level is the question of how and why particular modes of governance exist and persist; their *cultural determinants*. While initially analyzed through the lens of national culture, the more recent studies of social capital have led to increased attention on cultural embeddedness in specific places (which is useful for Italy's highly geographically fragmented culture). This level tries to answer questions such as what cultural views foster some dialogue over others? What are the culturally influenced modes of governance that buttress practices?

Without using Healey's nomenclature, we have already touched on the Italian context as it relates to these three levels, but further work is needed to tie these dimensions to the known factors of its community development milieu. The actors and arenas that make up northern Italy's *specific episodes* of interaction are perhaps best understood, and it is at this level that the initial proposal for intermediary build-up would be enacted. How, though, to influence governance practices?

Healey's work on this middle level is based on Schattschneider's (1960) analysis of the importance of mobilizing bias. This concept warrants further exploration, especially since the term 'bias' is typically applied in a pejorative sense. In his own words:

> All forms of political organization have a bias in favor of the exploitation of some kinds of conflict and the suppression of others because *organization is the mobilization of bias*. Some issues are organized into politics while others are organized out (IBID, p. 71).

It follows that if we accept that organization is mobilized bias, we must also expect that policy agendas will be affected by the institutions that make up political systems. What else is a political campaign, after all, but an attempt to mobilize bias in favor of one's position? If a coordinated community development sector is our goal, and institutions mobilize participation through some form of bias indoctrination, the question becomes how might we best shape inevitable conflict so that people and institutions are mobilized in support of our goal? Keeping the mobilization of bias in mind when considering the concepts of power and change in a community is essential because, for Schattschneider, whomever controls the agenda controls the outcome. This brings to mind the Dar Casa board member who stated that the organization needs to do a better job of organizing with others to demand more from the city and the region. That is the crux of this point: organized power means having the control to set the agenda.

At this second level of Healey's matrix, we have taken the initial focus on the role of an organization and widened it to include an analysis of the institutions and politics that undergird the organization's existence. This is just as the author intends, given the importance of "shift[ing] the attention of the planning imagination from a focus on specific material projects and material outcomes to a focus on interventions in the design of the institutional infrastructure which frame what project ideas come forward (Healey, 2007, p. 63)."

In the third level, the place-specific culture comes to the forefront in determining the arc of change, if change occurs at all. Thus the scope is again widened further, to examine not only the potential of an organization and its surrounding institutions and politics, but also the culture that determines the range of what is feasible to even consider, what gets discussed and debated, and which forms of governance are acceptable.

For instance, in our own case in northern Italy the initial critical issues in establishing a stronger community development culture are not so much financial but political and cultural, given the third sector's long-time dependence on church and government and its decidedly non-entrepreneurial ethos. In a different case - the study of change in the City Council of the British town of Newcastle - Healey describes that after a long revamping process, a "bubbling up of transformative energy" occurred with the aim of shifting real and perceived governance practices of the Council. In this case the question remained, though, how much of the resultant pressure for change would "sediment down" into deeper, institutionalized levels of cultural change (Healey, 2007, p. 76). This, too, is among our questions: What are the modes of community development governance that are currently acceptable? What are the cultural values and structures embedded in these modes? To consider the whole three-part spectrum, what specific episodes and governance practices might best create momentum toward a culture shift in Italy's third sector?

CHAPTER 9 – LISC as Catalyst

Role of a catalyst

It may help to begin by clarifying what the catalyst role is *not*. This is not about an entity conducting a deficit-based needs assessment and making the typical conclusion that outside, "professional" intervention is necessary to fix the problems (thereby likely securing for itself the role of paid problem solver for the foreseeable future). Instead, the catalyst is simply as the term implies: a spur. While we might like to think of community development occurring organically 'from the inside out,' research on asset-based community development shows that typically, some kind of external stimulus initiates the process (Bergdall, 2003). This is a careful line though, as initiating a process is much different than driving it and owning it. Effective catalysts

> enable a community to look realistically at itself. They hold up a mirror so residents can see themselves as they really are. Because people have been well conditioned to focus on their problems, facilitators emphasize analytic tools and exercises that help community residents [or organizations] to identify and recognize strengths and capacities which they may have overlooked or ignored in the past…communities drive their own development; catalysts facilitate the process (Bergdall, 2003, p. 3).

Healey adds that

> The contribution of the planning enterprise to creating the future should be in helping to open up institutional spaces within which transformative energy gets released, in feeding transformative initiatives with knowledge resources, technical capacity and repertoires of practicing, in highlighting value issues at stake and in shaping emergent possibilities (2007, p. 82).

LISC as catalyst to establishment of Italian intermediary

Is LISC well-positioned to play this catalyst role? In Chicago alone, it has 'held up a mirror' for 16 different neighborhoods, facilitating the process as lead organizations and community residents identify their strengths and how they might better deploy them to meet their challenges. How, though, might this work in another country with a totally different history, politics and institutional structure?

To be successful, LISC must employ the same learning stance it has used in every one of its Areas of Concentration. When initiating a presence in each of its 29 locations across the country, LISC's philosophy has been to learn first and implement later – one evidence of which is that their first step is always to establish a local Advisory Committee to learn from residents and stakeholders what the most pressing issues are.

After first learning and helping to strategize around issues of culture, politics and institutions, eventually the work should evolve to a focus on what would make for an effective community development sector in that particular setting. For this, LISC can learn from its years of work in the U.S.:

> In each Area of Concentration, LISC's effectiveness has been shaped by the pre-existing local setting, varying particularly by the prior degree of private sector concern with neighborhood revitalization, the number and sophistication of existing community development organizations, and the extent to which government provides both technical and financial support for CDCs (Vidal, Howitt, and Foster, 1986, p. 12)

The role of the LISC catalyst in Italy would be to work with existing CDCs to determine where these three factors stand in relation to the community development sector. An Italian intermediary should seek to catalogue the number and sophistication of existing community development organizations, the degree of private sector concern with neighborhood revitalization, and to what extent the government is providing technical and financial support for community development work.

CHAPTER 10 – The Potential Roles of an Italian Community Development Intermediary

What roles could a community development intermediary eventually play in the context of northern Italy?

Risk Alleviation and Capacity Building

National and local intermediaries play a major role in addressing funders' apprehensions about risk. They address risk in two key ways: they spread risk by engaging multiple funders, and they diminish risk by establishing expertise in the field and building capacity in CDCs (Vidal, 1992, p. 15). As noted previously, often funders with little knowledge of the community development field are wary of directly funding CDCs due to their own knowledge gaps and the high risk involved in wagering on the success of any one entity. Would the presence of an intermediary lead Italian foundations to feel less risk wary? Might funders in Italy like bank foundations or corporations give more if there were a coordinated initiative involving pre-screened CDCs? What if those CDCs had been through a rigorous capacity-building program in which they had all identified their unique opportunities to establish earned income and thus lessen their dependence on these outside funders, and were implementing those plans?

Building up the Community Development Sector

Foundations are the traditional vehicle for convening – the act of bringing together perhaps previously disconnected entities that share some interests and feasibly could benefit from sharing information, collaborating on an initiative, and generally not operating in isolation. In the U.S., intermediaries have taken on this role as well and elevated it to a very deliberate strategy, particularly with a goal of building intra-sector relationships. This could be crucial to CDC equivalents in northern Italy, which are scattered geographically and thus often lack the political power that can come with density in a single district. In LISC's New Communities Program in Chicago, for instance, many of the 16 communities are tackling similar issues and have formed alliances around their shared themes. Neighborhoods have strategized together to create Farmers' Markets and community and school-based gardens to address shortages in fresh foods and utilized foreclosure data to formulate coordinated area-wide responses to the foreclosure crisis, among others.

This concept of local and even neighborhood-based development is an Anglo-Saxon construction that has been active in the U.S. and England for over fifty years. Italy's less dense, and much younger, community development sector poses some challenges to forming the same level of shared alliances; after all, Chicago's NCP initiative has 16 organizations in 228 square miles (591 km square), or one CDC every 14 miles (22 kilometers). While Chicago's neighborhoods are notorious for their high levels of racial and economic segregation, they are still more likely to experience common settings, challenges, and strategies than are Italy's widely dispersed CDCs. Italy's CDC "sprawl" is only exacerbated by its intense differentiations from one small village to another, let alone between regions. **It is at least partially because of this, however, that Italy's more dispersed community development sector may need a platform for coalition-building and strategy formulation even more.**

Could an intermediary function as an effective third party, serving to assist each CDC in analyzing its particular circumstances, challenges and assets, and then distilling the common themes among all the disparate organizations and forging some shared strategies? Could a skilled intermediary get past the inevitable initial skepticism on the part of the CDC in Venice and the one in Bergamo who cannot see what they have to gain by working together? In fact, the proficient intermediary could in this case turn Italy's extreme differences within small areas to an advantage, as small gains made in one area could be used to push the other areas to catch up. The analysis of political self-interests is critical; each CDC must know their local and regional governments well and understand how to push their competitive buttons.

Analysis and Building Up of the Institutional Environment

Cities in which financial, technical, and political resources come together in a coordinated fashion around community-based development are those in which CDCs have achieved a well-developed role in the local economic development system (Vidal, 1992, p. 105). A supportive institutional environment is critical to the growth and sustenance of a network of effective CDCs. However, it is not something that either exists or does not – where a supportive institutional environment exists, it usually has been created, shaped, fought for and maintained by the actors that need it. For instance, Vidal notes that one of the factors responsible for creating an urban environment conducive to community-based development is the willingness and ability of local political and business leaders to make neighborhood development a priority. How and why might these political and business leaders choose to prioritize community development when so many other needs are calling for their attention? According to Vidal, "Creating a fertile institutional environment for community-based development is a coalition-building process that begins by identifying both current and prospective supporters (IBID, p. 109)." In other words, support and prioritization is built, nurtured and demanded through the development of relationships and identification of scenarios in which the self-interests of all parties are at least partially met.

Intermediaries have long played the role of assisting CDCs in identifying these relationships, creating strategies to enhance them, and bringing new supporters to the table. CDCs, though, must actually **use** this network for it to work. For instance, I was on a housing advisory committee of a CDC for years, which also involved several banks, an attorney, and a for-profit real estate professional. The CDC's staff person's work in preparing for this committee's meetings took considerable time, and there is a level of vulnerability in laying out project concepts and budgets for scrutiny and being open to change based on feedback. However, the committee members took their role seriously, gave valuable (and free) advice and guidance, saw themselves as an integral part of the organization's decision-making processes, and as a result the companies they represented became more involved in funding and generally supporting the CDC, as well as advocating on their behalf to other members of the private and public sector. As underscored by Vidal,

> active support for community-based development is contingent on CDCs and their activities being visible to prospective supporters, who become actual supporters only after they become aware of the groups' activities and decide that the community-based approach to neighborhood revitalization holds promise (IBID, p. 113).

Does the Milanese business community share the same generally low awareness of community-based activities as exists in the U.S.? Could a coordinated CDC capacity-building initiative help to increase the visibility of CDCs to corporate leaders? Vidal's LISC study found that

> the relationship between visibility and the level of support was clear for virtually all potential supporters considered. This was true not only for local governments, foundations, and corporations, but also for state governments, religious institutions, and the local news media (IBID, p. 114).

Having explored how an intermediary can play the role of lowering risk for funders, building intra-sector relationships among dispersed cdcs, and creating and strengthening alliances, a more detailed analysis is called for as to **what a capacity-building network might look like and how it could function.**

> LISC attaches great importance to the goal of increasing overall support for CDCs from the "community development community" -- the network of public and private institutions in each Area of Concentration [geographic location] that are or could be involved in neighborhood revitalization. LISC has sought to influence this network by (l) altering the pattern of corporate and philanthropic giving so that the pool of resources available to community development organizations is increased, (2) improving the lines of communication between the corporations and foundations, (3) drawing the public sector formally or informally into the partnership, (4) increasing contacts between community groups and private sector funding sources, and (5) promoting institutional change in the community development community (Vidal, Howitt, and Foster, 1986, p. 12).

Each of these five points is explored in further detail below, with additional detail from a 1986 study of seven LISC Areas of Concentration. Following this, I propose corresponding agenda items for an Italian intermediary.

Point 1): LISC seeks to alter the pattern of corporate and philanthropic giving so that the pool of resources available to community development organizations is increased.

- In six of the seven evaluation sites, LISC raised more than $1 million, proving to be a "safe" conduit for corporations to invest at the neighborhood level (IBID). LISC and the MacArthur Foundation together convinced the United Way to take on a community development initiative in 1994, prompting four banks to contribute funds as well (United Way of America, 1997). LISC did the work of screening and preparing the recipients to effectively use the funds, thereby reducing the risk to corporations and eliminating the necessity of a corporate learning curve on how to gauge the merit of any given CDC.

Italian Intermediary Agenda: Determine where corporate and philanthropic giving stands in Milan, which corporations and banks currently support this sector, and what might encourage them to give more. For those that have not supported this work, determine what might entice them to start.

Point 2): LISC seeks to improve the lines of communication between the corporations and foundations.

- In the U.S., participation in LISC's Local Advisory Committee had the effect of bringing the corporate sector and foundations together to work on specific projects – often for the first time (IBID, p. 13).

Italian Intermediary Agenda: Determine what communication exists currently, if any, between corporations and foundations in Milan, paying particular attention to whether any previous alliances for other causes has proved successful and what shared self-interests might exist between these two sectors that could be capitalized on to gain support for the sector. Finally, establish which entities might comprise a Local Advisory Committee in Milan.

Point 3): LISC seeks to draw the public sector formally or informally into the partnership.

Italian Intermediary Agenda: Research whether and to what extent Milan's public sector has embraced this type of role in the past, noting whether the current administration has been willing to be just one part of something larger than itself. Part of a campaign to draw in the public sector should include not only which resources it brings to the table, but what it stands to benefit from partnering (increased productivity, higher tax base, etc.)

Point 4): LISC seeks to increase contacts between community groups and private sector funding sources.

Italian Intermediary Agenda: Detail how well developed these links are already (if at all), noting whether CDCs have shovel-ready projects that are only lacking funding to implement, or if they are they lacking funding for hiring staff to develop the projects in the first place. This analysis should also include which areas of the private sector in Milan are the least tapped, and for which uses CDCs most need the funds.

Point 5): LISC seeks to promote institutional change in the community development community.

- In the U.S., institutional change came about through the establishment of, among others, multiple city-wide housing partnerships and legal reforms to facilitate CDCs' access to abandoned property.

Italian Intermediary Agenda: Envision what 'institutional change' might look like in the context of Milan, including ramifications of a shift in focus from attention on community deficiencies to market opportunities, and potential results of changing the language of corporate engagement from one of subsidies to one of investment (Weissbourd and Berry,1999). Determine what moves would have to occur to achieve a larger cultural and political shift that embraces and encourages community development with social cohesion.

This chapter has reviewed a host of potential roles for an Italian community development intermediary. This entity, while presently nonexistent, already has a full agenda: alleviating risk for would-be investors, building capacity of organizations to develop housing and retail, creating networks to connect otherwise isolated members of the field, and helping to craft an institutional environment that promotes and encourages community development as an integral part of equitable, sustainable, and economically competitive cities.

VI. Conclusion

This paper identifies an existing, successful network-supported development model and confirms key elements that can be translated into the Italian context to build on and strengthen existing foundations and ultimately serve as a catalyst for creating a robust culture of community development in Italy. This paper pushes the confines of Italy's current configuration by exploring what it would take to better engage the Italian corporate and philanthropic sector in community development; what it might take for a group of CDCs to, in spite of their geographic dispersal and the disparate needs of the populations they serve, agree on common needs and goals, share information and begin to speak with a collective voice; and finally, what it would take to create an intermediary that bridges chasms between CDCs, foundations and financial institutions, and builds CDCs' capacity in areas where it is lacking. In short, this paper explores what it would take to change the culture of community development in a given corner of the world.

To do this, I have detailed the importance of forming capacity-building opportunities at multiple levels, and outlined how intermediaries in one country have played a chief role in creating them. Cottino notes this capacity-building imperative when he quotes that

> The ability of a country to follow sustainable development paths is determined to a large extent by the capacity of its people and its institutions as well as by its ecological and geographical conditions. Specifically, capacity-building encompasses the country's human, scientific, technological, organizational, institutional and resource capabilities. A fundamental goal of capacity building is to enhance the ability to evaluate and address the crucial questions related to policy choices and modes of implementation among development options, based on an understanding of environmental potentials and limits and of needs as perceived by people by the country concerned (UNCED 1992, p. 3, as quoted in Cottino, 2009, p.165).

This paper has explored capacity-building in community development in two very different contexts: in one, a forty-year movement marked by rapid proliferation of community development corporations, decreased federal funding in favor of decentralized, privatized investment, and the growth of national intermediaries focused on not only building the capacities of CDCs but also strengthening the networks that support them. Across the ocean, a much younger movement in a much older country marked by growth in nonprofits in general over the last twenty-five years, decentralizing funding sources, a transformation in the banking industry giving rise to a host of new grant-making foundations, and a still nascent community development sector with outposts dispersed mainly throughout the northern part of the country.

What have these two disparate contexts to say to each other? Concepts of neighborhood-based, community-driven development and the building of organizational capacity are Anglo-Saxon constructs in origin, but need not remain relevant solely in those settings. This paper has explored the application of network-supported community development in a very different world from where the notion was born, bearing in mind the significant differences in history, culture and governance between the two. There is much more to research and explore, but preliminarily it is evident that the Dar Casas and Fondazione Casa Amicas and their counterparts throughout Italy are laying a foundation for committed community development. Further, this foundation could be immeasurably strengthened by its connection to a dynamic intermediary.

Not limited or confined in application to one particular level of development, the creation of an Italian intermediary is unique in its relevance to strategically building capacity, as Cottino suggests, in and across individual, neighborhood, city, organizational, philanthropic, and corporate sectors. In this respect, the intermediary is a particularly relevant and applicable catalyst for development precisely given its intentional focus not only on soliciting needs and solutions from the actors themselves but also on providing a mechanism for challenging the traditional Italian community development confines through building the capacity of individuals and institutions to critically assess options and strategically direct resources to areas of highest return.

VII. Bibliography

3,300 nuovi alloggi in housing sociale (3,300 new social housing units). 2008, March 7. Comune di Milano website. Retrieved August 4, 2008 from http://www.comune.milano.it/portale/wps/portal/searchTextPortlet?searchtype=all&testoContenuto=sociali.

Aalbers, Manuel. 2006. Geographies of Housing Finance: The Mortgage Market in Milan, Italy. *The Research and Training Network on Urban Europe*. Number 1/2006.

Abramson, Alan, and Lester Salamon. 1986. Government Spending and the Non-Profit Sector in New York City. *The Urban Institute*. Retrieved September 22, 2010 from http://www.urban.org/url.cfm?ID=401150.

Adams, Carolyn. 1990. Non-Profit Housing Producers in the U.S.: Why So Rare? Paper presented at a meeting of the Urban Affairs Association, Charlotte, N.C.

Balchin, Paul. (ed.) 1996. *Housing Policy in Europe*. Routledge, London.

Barbetta, Gian Paolo. 2000. Italy's Third Sector on Consolidation Course. *German Policy Studies* 1:2.

Barbetta, Gian Paolo and Francesco Maggio. 2008. *Nonprofit*. Societa' Editrice il Mulino, Bologna.

Battu, Harminder, Ada Ma and Euan Phimister. 2008. Housing tenure, job mobility and unemployment in the UK. *Economic Journal* 118: 311-328.

Bergdall, Terry. 2003. Reflections on the Catalytic Role of an Outsider in 'Asset Based Community Development.' The Asset Based Community Development Institute, Northwestern University. Retrieved November 17, 2010, from http://www.abcdinstitute.org/docs/ABCD-outside-catalyst.pdf.

Bernardi, Fabrizio and Poggio, Teresio. 2002. Homeownership and Social Inequality in Italy. Paper prepared for the ISA RC 28 Meeting. Oxford: April 11-14. (Reprinted in *Home ownership and social inequality in comparative perspective*, ed. Kurz and Blossfeld, 187-232, 2004. Stanford: Stanford University Press.)

Berndt, Harry. *New Rulers in the Ghetto*. Westport, Connecticut: Greenwood Press, Inc., 1977.

Biella, Daniele. 2010, May 7. Modello Milano: La Fondamenta Dell'Abitare Sociale (Milan Model: the Social Foundations of Living). Retrieved November 23, 2010, from http://www.vita.it/news/view/102948.

Burman, Leonard. 1999. Low-income Housing Credit. Encyclopedia of Taxation and Tax Policy. Retrieved August 19, 2010 from http://www.urban.org/url.cfm?ID=1000537.

Carlini, Roberta and Pat Carra. 2007. *Le mani sulla casa* (The hands on the house). Casa editrice Ediesse s.r.l.

Carnegie, Andrew. 1889. The Gospel of Wealth. Originally published in the *North American Review*. Retrieved from History Matters website on December 14, 2010 from http://historymatters.gmu.edu/d/5767.

Community Impact Through Neighborhood Partnerships. 1997. United Way of America. Retrieved November 22, 2010, from http://cpn.org/topics/community/uwayimpact.html#chicago.

Comune cerca private per costruire 3380 case a basso affitto (City seeks private sector to construct 3,380 low-rent units). 2008, August 1. *Italia Oggi*, p. 11.

Cottino, Paolo. 2009. *Competenze Possibili sfera Pubblica e Potenziali Sociali nella Città* (Possible Competencies. The Public Sphere and Social Potential in the City). Editoriale Jaca Book SpA, Milano.

Del Boca, Daniela and Annamaria Lusardi. 2003. Credit market constraints and labor market decisions. *Labour Economics* 10:681-703.

The Disruption of the Low-Income Housing Tax Credit Program: Causes, Consequences, Responses, and Proposed Correctives. 2009. Joint Center for Housing Studies for Harvard University. Retrieved August 24, 2010 from http://www.jchs.harvard.edu/publications/governmentprograms/disruption_of_the_lihtc_program_2009.pdf.

Dolbeare, Cushing, Irene Basloe Saraf, and Sheila Crowley. 2004. Changing Priorities: The Federal Budget and Housing Assistance, 1976 – 2005. The National Low Income Housing Coalition. Retrieved October 28, 2010 from http://www.nlihc.org/doc/cp04.pdf.

Evaluation of the Low Income Housing Tax Credit Program in Illinois. 2002. Illinois Assisted Housing Action Research Project. Retrieved September 2, 2010 from http://www.uic.edu/cuppa/voorheesctr/Publications/IHARP%20Reports/IHARP2002.pdf.

Faux, Geoffrey. 1971. *CDCs: New Hope for the Inner City*. New York, N.Y.: Twentieth Century Fund, Inc.

Ferguson, Ronald, and Sara Stoutland. 1999. Reconceiving the Community Development Field. In *Urban Problems and Community Development*, edited by Ronald Ferguson and William Dickens, pp. 33-76. R.R. Donnelly and Sons.

Gallione, Alessia. 2008. *Case a prezzi bassi, ecco il piano* (Low-cost housing, here is the plan). *La Repubblica*. Retrieved August 4, 2008 from http://ricerca.repubblica.it/repubblica/archivio/repubblica/2008/08/01/case-prezzi-bassi-ecco-il-piano.html.

Ginsborg, Paul. 2003. *A History of Contemporary Italy*. New York, NY: Palgrave MacMillan.

Green, Richard and Patric Hendershot. 2001. Home-ownership and the duration of unemployment: a test of the Oswald hypothesis. NBER Working paper.

Hampden-Turner, Charles. 1975. *From Poverty to Dignity*. Garden City, N.Y.: Anchor Books.

Healey, Patsy. 2004. The Treatment of Space and Place in the New Strategic Planning in Europe. *International Journal of Urban and Regional Research*, 28:45-67.

Healey, Patsy. 2007. The New Institutionalism and the Transformative Goals of Planning. In Verma, Niraj (Ed.), Institutions and Planning (pp. 61-87). Amsterdam: Elsevier Ltd.

The Impact of Community Development Corporations on Urban Neighborhoods. 2005. The Urban Institute. Retrieved August 26, 2010 from http://www.urban.org/UploadedPDF/311217_CDCs.pdf

Kokodoko, Michou. 2009. Revisiting the Place-Based CDC Model. Retrieved August 16, 2010 from http://www.minneapolisfed.org/research/pub_display.cfm?id=4229.

Kretzmann, John and McKnight, John. 1993. *Building Communities from the Inside Out: A Path Toward Finding and Mobilizing a Community's Assets*. Evanston, IL: Institute for Policy Research.

Krznaric, Roman. 2007. How Change Happens: Interdisciplinary Perspectives for Human Development. Oxfam GB Research Report. Retrieved November 29, 2010 from www.oxfam.org.uk/publications.

La "casa popolare" cambia volto. Arriva l'housing sociale (Changing the face of public housing. Social housing has arrived). 2008, March 7. Comune di Milano website. Retrieved August 4, 2008 from http://www.comune.milano.it/portale/wps/portal/searchTextPortlet?searchtype=all&testoContenuto=sociali.

Liou, Y. Thomas, and Robert Stroh. 1998. Community Development Intermediary Systems in the United States: Origins, Evolution, and Functions. *Housing Policy Debate*. 9:3.

Living with the Low Income Housing Tax Credit. 1998. The Network Builder, Issue 32. Retrieved September 9, 2010 from http://chicagorehab.org/NetworkBuilders.aspx.

Longo, Giulia. 2006. Housing Policies in Italy: Urbanisation and localization of the housing issue. Paper presented at the ENHR conference "Housing in an expanded Europe: theory, policy, participation and implementation," Ljubljana, Slovenia.

Madison, Isaiah. 1995. *Development with Dignity: An Assessment of Community-Based Economic Development in the South*. Durham, N.C.: Institute for Southern Studies.

McCarron, John. 2007, November 15. Is NCP Working? How and Why? LISC Chicago website. Retrieved September 20, 2010 from http://www.lisc-chicago.org/display.aspx?pointer=5155.

Miller, Anita and Thomas Burns. 2006. Going Comprehensive: Anatomy of an Initiative that Worked. CCRP in the South Bronx. Retrieved November 2, 2010 from http://content.knowledgeplex.org/kp2/cache/documents/4377/437741.pdf.

National Congress for Community Economic Development. 1991. Between and On Behalf: The Intermediary Role. Washington, DC.

Offeddu, Luigi and Ferruccio Sansa. 2007. *Milano da Morire* (Milan to the Death). RCS Libri S.p.A., Milano.

Oswald, Andrew. 1999. The housing market and Europe's unemployment: a non-technical paper. Warwick University, Warwick. Retrieved October 19, 2010 from http://www2.warwick.ac.uk/fac/soc/economics/staff/academic/oswald/homesnt.pdf.

Philanthropy Statistics. N.d. Retrieved December 13, 2010 from the National Philanthropic Trust Website. http://www.nptrust.org/philanthropy/philanthropy_stats.asp.

Pierce, Neal and Carol Steinbach. 1990. *Enterprising Communities: Community-Based Development in America*. Council for Community-Based Development.

Powell, Walter. 2007. The New Institutionalism. *The International Encyclopedia of Organization Studies*. Thousand Oaks, CA: Sage Publishers.

Provincia Milano. Il Sole 24 Ore website. Retrieved October 6, 2010 from http://www.ilsole24ore.com/speciali/qv_2008/qv_2008_province/qv_2008_province_province_milano.shtml.

Puntenney, Deborah. 2000. A Guide to Building Sustainable Organizations from the Inside Out. An Organization-Building Workbook from the Chicago Foundation for Women and the Asset-Based Community Development Institute. Retrieved November 23, 2010 from http://www.abcdinstitute.org/docs/CFWText.pdf.

Rabaiotti, Gabriele. 2007. *Ritorno a Casa* (I Return Home). Citta' Aperta Edizioni s.r.l.

Rabaiotti, Gabriele; Fabio Arduini, Claudio Bossi, Margherita Epinati, Gianluca Nardone, Fabrizio Plebani, Francesca Santaniello, Alessandro Santoro, and Dario Speroni. 2010. *Piano Strategico 2010-2015, Fondazione di Partecipazione 'Casa Amica' ONLUS* (Strategic Plan 2010-2015, Casa Amica).

Reaching New Heights: Trends and Achievements of Community-Based Development Organizations. 2006, June. National Congress for Community Economic Development, Washington, DC: NCCED. Retrieved August 20, 2010 from http://www.community-wealth.org/_pdfs/articles-publications/cdcs/report-ncced.pdf.

Ricostruire la Grande Milano: Documento di Inquadramento delle Politiche Urbanistiche Comunali (Reconstructing the Great Milan: background paper of the municipal urban planning policies). 2001. Comune di Milano, Il Sole 24 Ore.

Roberts, Buzz. 2008. Tweaking LIHTCs to Stimulate the Economy. *Journal of Tax Credit Housing*, 1.7 (December): 1-3.

Roberts, Buzz. 2009. For LIHTC, A Stimulus But Not Yet a Recovery. *Journal of Tax Credit Housing*, 2.3 (March): 1-3.

Rosen, Kenneth and Ted Dienstfrey. 1999. The Economics of Housing Services in Low-Income Neighborhoods. In *Urban Problems and Community Development*, edited by Ronald Ferguson and William Dickens, 437-472. R.R. Donnelly and Sons.

Russell, Cormac. 2009. Communities in Control: Developing Assets. Carnegie Foundation report on the first European ABCD Summit. Retrieved November 10, 2010, from http://www.abcdinstitute.org/docs/Communities%20in%20Control-%20Developing%20Assets.pdf.

Schattschneider, Elmer. 1960. *The Semi-Sovereign People: A Realist's View of Democracy in America*. New York, NY: Holt, Reinhart and Wilson.

Schlesinger, Arthur. 2002. *Robert Kennedy and His Times*. Boston: Houghton Mifflin Harcourt, pp. 786-788.

Scott, Richard. 2001. *Institutions and Organizations*, 2nd ed. Thousand Oaks: Sage Publications.

Segal, David. 2010, July 31. Is Italy Too Italian? *The New York Times*. Retrieved August 4, 2010 from http://www.nytimes.com.

Seidman, Karl. 2005. *Economic Development Finance*. Thousand Oaks, CA: Sage Publications, Inc, pp. 185-186.

Senesi, Andrea. 2011, January 23. *Case popolari, la coda dei ventimila* (Public housing waiting list at 20,000). *Corriere della Sera*.

Stoecker, Randy. 1996. The Community Development Corporation Model of Urban Redevelopment: A Political Economy Critique and an Alternative. Toledo, OH: Department of Sociology, Anthropology, Social Work. University of Toledo. Retrieved July 29, 2010 from http://comm-org.wisc.edu/papers96/cdc.html.

Stoutland, Sara. 1999. Community Development Corporations: Mission, Strategy and Accomplishments. In *Urban Problems and Community Development*, edited by Ronald Ferguson and William Dickens, 193-240. R.R. Donnelly and Sons.

Tosi, Antonio, and Francesca Santaniello. 2006. "The role of the Third Sector," in *Policy Report 2006: Italy*, report on housing policies in Italy, FEANTSA, European Observatory on Homelessness.

Traynor, William. 1992, April-May. "Community Development: Does it Need to Change?" The Neighborhood Works.

Twelvetrees, Alan. 1989. *Organizing for Neighborhood Development*. Brookfield, VT: Avebury.

Van Ommeren, Jos. 2008. Transaction Costs in Housing Markets. Tinbergen Institute Discussion Paper, Faculty of Economics and Business Administration, VU University Amsterdam, and Tinbergen Institute. Retrieved October 19, 2010 from http://www.tinbergen.nl/discussionpapers/08099.pdf.

Vidal, Avis. 1992. Rebuilding Communities: A National Study of Urban Community Development Corporations. New York, N.Y.: Community Development Research Center, Graduate School of Management and Urban Policy, New School for Social Research.

Vidal, Avis, Arnold Howitt and Kathleen Foster. 1986. Stimulating Community Development: An Assessment of the Local Initiatives Support Corporation. The State, Local, and Intergovernmental Center, John F. Kennedy School of Government, Harvard University.

Vidal, Avis, and Langley Keyes. 2005. Beyond Housing: Growing Community Development Systems. The Urban Institute. Retrieved October 26, 2010 from http://www.urban.org/UploadedPDF/311219_beyond_housing.pdf.

Walker, Christopher. 1993. Nonprofit Housing Development: Status, Trends, and Prospect. *Housing Policy Debate* (4:3):369-414.

Weir, Margaret. 1999. Power, Money and Politics in Community Development. In *Urban Problems and Community Development*, edited by Ronald Ferguson and William Dickens, 139-192. R.R. Donnelly and Sons.

Weissbourd, Bob and Berry, Chris. 1999. The Market Potential of Inner City Neighborhoods: Filling the Information Gap. A Shorebank Corporation/Brookings Institution project. Retrieved November 11, 2010 from http://rw-ventures.com/publications/downloads/filling%20the%20info%20gap.pdf.