CRA AT FORTY

A Community of Stakeholders: The Next 40 Years

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The 40th anniversary of the Community Reinvestment Act presents the opportunity to reflect on both the evolution and devolution of the community development paradigm over the last four decades.

This reflection is particularly timely given economic indicators that show continued recovery from the Great Recession through falling unemployment rates and increased business and economic growth, while at the same time many individuals and families struggle to make ends meet. Decreased unemployment and increased GDP has not translated into the increased wage levels necessary to keep pace with the costs for basic needs such as housing, food, medical care and transportation. Among these costs, affordability of housing has become the number one issue in many communities across the country. The growing economic disparity between the "haves" and the "have-nots," coupled with increased uncertainty in funding from the Federal government for community development programs, signals an urgent need to reimagine the community development paradigm we have become accustomed to over the past 40 years. Community development practitioners, in partnership with the private, nonprofit and public sectors and community leaders, must develop a new community development paradigm that incorporates changing roles and strategies to address persistent poverty and economic inequality.

During the 40 years since the enactment of CRA, which happens to coincide with my start as a community development practitioner in a municipality in South Florida, the public sector has played a key role in setting policy and providing funding to address community development needs in low-income communities. While many states and local communities have developed their own programs that help to address community needs, the Federal government has significantly influenced the community development paradigm through enactment of key pieces of legislation that provide regulatory mechanisms, valuable grants and subsidy dollars and tax credit incentives in support of community development activities. Included on this list is the enactment of CRA in 1977. It established regulations for ensuring that banks and financial institutions reinvested in all communities within their markets. It created a private source of capital for community development programs and initiatives.

While a review of all federal community development programs could fill volumes, there are four programs that have been particularly important in shaping the current community development landscape. These programs include the Community Development Block Grant Program[1], which allocates funding to state and local government through a formula based on population, poverty and various housing factors. They also include two key tax credit programs: the Low-Income Housing Tax Credit Program[2], which creates affordable housing; and the New Markets Tax Credit Program[3], which supports low-income, distressed communities through job creation and small business expansion. Finally, the HOME Investment Partnership Program[4] focuses on expanding the capacity of nonprofit organizations to support affordable housing. Under the current proposed Federal budget, many of these programs are slated for reduction, or outright elimination, which will have serious implications for low-income individuals, families and local communities.

The public sector at the local level has traditionally been the nexus point for community development funding, programs and policy. The top-down approach that was used in earlier decades has been replaced by an evolving model for addressing community needs through collaboration with resident stakeholders in low-income communities, along with partners from the nonprofit and for-profit sectors. No one is better than resident stakeholders for giving voice to the needs in the very communities that the community development paradigm seeks to address. We wring our hands over a lack of civic engagement, particularly in the broader context of poor voter turnout for so many local elections where decisions directly impact the everyday life of all residents. But what are we doing to encourage and support increased civic engagement, discussion and discourse? In an increasingly polarized and toxic environment we do not talk, but scream. Instead of listening, we just walk away. We can change this dynamic by building individual and community leadership and shared civic responsibility and accountability across all communities.

Building and supporting a thriving mission-focused nonprofit community development sector is a critical element to the community development paradigm. Capacity building resources and unrestricted core operating support are essential components to building this sector. These resources need to be at levels that are meaningful and available on a multi-year basis. The absence of this sector in a community means that the community development paradigm in that community is incomplete.

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[1] Community Development Block Grant (CDBG) Program – Title I of the Housing and Community Development Act of 1974 created the Community Development Block Grant (CDBG) Program. The legislation's merging of seven individual competitive grant programs into a "block grant" coupled with providing local communities with the flexibility to determine how funding would be used to meet community needs, was a departure from previous Federal funding through the Department of Housing and Urban Development. CDBG funds are allocated to state and local governments through a formula based on population, poverty and various housing factors.

[2] Low-Income Housing Tax Credit (LIHTC) Program - In 1986, Section 42 of the Internal Revenue Service Code was amended to add the Low-Income Housing Tax Credit (LIHTC). The program creates affordable housing by providing tax credits to property owners who create and maintain affordable housing. The credits are provided for rental units that are offered at rents that are lower than market rates.

[3] New Markets Tax Credit (NMTC) Program – The New Market Tax Credit was enacted by Congress as part of the Community Renewal Tax Relief Act of 2000, added as Section 45D of the Internal Revenue Code. The NMTC provides tax credits for individuals and corporations for making Qualified Equity Investments (QEIs) in Qualified Community Development Entities (CED). The program is targeted to low-income, distressed communities, leveraging private capital in support of job creation and small business expansion.

[4] HOME Investment Partnership Program (HOME) - Created by the Cranston-Gonzalez National Affordable Housing Act of 1990, this program, like CDBG, is allocated to state and local governments as "block grants" on a formula basis. HOME is designed to focus exclusively on affordable housing, including rental, homeownership, new construction and rehabilitation. In an effort to expand the capacity of nonprofit organizations to provide housing, the program specifically spells out that 15 percent of the funding was to go to Community Housing Development Organizations (CHDOs).

For-profit sector partners in the community development paradigm are not just banks and financial institutions; all businesses and corporations are part of the community of stakeholders. All segments of the for-profit sector derive benefit from the communities where they are located. This imparts on them a responsibility to support opportunities for economic prosperity for everyone in the community.

While the need to reimagine the community development paradigm existed well before the Great Recession, there is long lasting fallout from the recession that makes change essential. The recession has had a lasting impact on the public sector, with the fallout continuing to unfold nearly 10 years later. While the greatest uncertainty lies presently at the federal level, this uncertainty has a rippling effect at the state and local level where significant changes have already occurred. Unlike the Federal government that can "just print more money," most state and local governments must annually produce balanced budgets. During the recession, the massive loss of tax revenue by state and local governments meant balancing budgets through cuts to staffing, as well as consolidation or elimination of programs and services, including those that supported community development activities. Unlike many businesses and nonprofit organizations that simply ceased to exist as a result of the recession, state and local governments could not just shut down, though the recession forced some local governments to reduce their hours of operation to three or four days a week. Nearly ten years after the Great Recession, as federal government support has continued to decrease, local and state governments have stayed leaner than pre-recession. It is argued by some that the reduction in the size of government is good. However, the need for community development programs and services has not lessened.

In this new community development paradigm where government is leaner, community needs continue to grow and somehow seem more complicated. Who fills the community development gaps? The short answer is everyone. In the new community development paradigm, we must achieve a heightened level of community development self-sufficiency at the local level. This means that all stakeholders must sit at the same table, roll up their sleeves, lock arms and collectively find lasting solutions for ending persistent poverty and economic inequality. Working in silos has not and does not work – no one community stakeholder has greater responsibility or ownership than another. Businesses, corporations, nonprofit organizations, residents, civic organizations, government, hospitals, colleges, foundations, philanthropies and faith-based organizations are all members of the stakeholder community. A realignment of stakeholder roles, responsibilities and the identification of clearly defined priorities is essential. It will take leadership, commitment, vision, risk, respect and trust in order to build a new community development paradigm that results in real and lasting change and long-term solutions.

ABOUT THE AUTHOR

CLAIRE RALEY is SVP, Community Development Officer with BankUnited. In this position she oversees, coordinates and provides strategic direction for the bank's CRA and community development initiatives in Florida and New York. Prior to BankUnited, Ms. Raley worked in community development with other banks, including Chase and Washington Mutual, as well as government agencies and nonprofit organizations. Her expertise includes the Community Reinvestment Act, corporate community affairs, philanthropy and social responsibility and community and affordable housing development. Ms. Raley holds a B.S. from Florida State University and a Masters of Public Administration from Florida International University. She serves on the Board of Directors of Florida Community Loan Fund, Neighborhood Lending Partners and Catalyst Miami.

ABOUT THE BOOK

This article first appeared in **CRA at 40: Views on the Present and Future of Community Reinvestment**, published by findCRA in November 2017. The book was created in celebration of the 40th anniversary of the Community Reinvestment Act. It tells the stories of community development, from the perspective of those working in our communities who bring their knowledge and passion to bear every day in confronting the most critical problems facing communities in need. The book is about real-world experiences told in plain language by those who live them to provide a lens for readers to see CRA at work, ideas for its future and most importantly, what it means in people's lives. To access the full text or order copies of the book, please visit www.findCRA.com/CRAat40.