CED 101
Introduction to Community Economic Development

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Introduction

This paper will review the work that I did during the past year and 5 months while I attended the CED program. Although I came to the program wanting to focus on one project and see it through, circumstances constantly changed, forcing me to become involved with a variety of projects. Although none of the projects I became involved with has actually seen completion, many are on there way to completion, although some sooner than others. My work with different groups and different projects has introduced me to many different issues within the CED movement. Furthermore, I have had the opportunity to become familiar with many of the State and Federal housing programs and laws that influence CED work. A great lesson was learned, one I hope to build upon in the future.

I will briefly touch upon each project that I became involved during the past year by giving a description of the project, the players and circumstances, followed by a short analysis of lessons learned, mistakes made and where to go from here.

The projects I will discuss are:

1) CDFC & CDFA legislation in Connecticut
2) Hotel and Restaurant Local 26 housing development project in Roxbury, Massachusetts
3) The Connecticut AFL-CIO Resolution on Affordable Housing
4) The CORNER project – Governors’ Task Force on Revitalizing the Northeast corner of Connecticut
5) Internship with the NCCDC (Northeast CT CDC)

Bringing a New Idea to Connecticut – The CDFA & CDFC Concept

Michael Swack introduced me to this concept in his financing class. He had just developed the prospectus following CDFC & CDFA legislation in New Hampshire. Chuck Grigsby, the CDFC Director in Massachusetts was also helpful in this project.

Taking the information from Michael and Chuck I attempted to introduce the community development financing authority and corporation concept to Connecticut. I found a sponsor in the Planning & Development committee in the General Assembly. I also wrote three factsheets and distributed them through the CDC network in Connecticut and to a progressive lobbying group that I work with. The bill made it through the P&D committee and was sent to the Finance committee, the next stop before Appropriations and to the full assembly.
The bill was held in Finance where it rests today as of this writing. It is unlikely that the assembly will move on it this year. Recent discussions with the sponsor of the bill indicate it will be better to tie the concept with a major bill on CDC capacity than move it along now.

I learned plenty working on the CDFA & CdFC bill. I have worked on legislation before, but a bill was never "mine" in the sense the CDFA bill became mine. I was considered the expert although I really knew very little. Michael and Chuck became important to me as I had to get information and experience reported to a variety of people quickly. Too much education had to be done in too short a time span. The CDC network wasn't much help as few of them were sophisticated enough for legislative action. Most of the CDCs worked on the local level or with DOH, the two primary financial resources. I found out quickly that the CDC movement in Connecticut is a small and very weak one when it comes to political clout. It in no way resembles the Massachusetts movement. In Massachusetts it appears that the CDC sector has extensive involvement in both housing and business economic development. Connecticut is primarily focused on housing. The CDFA concept seems to be more apropos to business development than housing.

Secondly, I friend of mine in the legislature, a first term progressive was the sponsor of the bill. He wasn't well known by the leadership and therefore had difficulty raising too many bills. This was his first legislative session. While he was on the Finance committee and got me three meetings with the co-chairs of the committee, they wouldn't commit to anything. A big reason was that the Commissioner of Economic Development didn't promote the bill. He didn't trash it, but since it didn't come from his department it was left for me alone to push. Needless to say it didn't get very far.

I did have the opportunity to introduce the idea to many people and we hope there is promise for it in the near future. I did meet a great many people involved in CED across the state which should help me and the groups I work with in the future. As I mentioned above, an attempt will be made to enhance the capacity of CDCs in the State before a bill such as this is promoted. There is a good chance that capacity building of CDCs will happen in the 1989 session as they are seen by some in the legislative leadership to be the only sector capable of helping the State meet its serious affordable housing need.

**Local 26 on the move – Integrating Union and Community Interests**

I am very excited to be involved in this project. It has been time consuming and very frustrating, but I think it is finally getting its feet off the ground.

Basically, I had a small role in this project. I was asked by friends in the union to help with the research regarding the development of a housing project utilizing the local's pension fund and its political clout within the City of Boston. The local realized that housing was becoming one of the major issues within the membership. It wasn't enough to fight for big wage increases. The inflation in the housing market, both ownership and rental
was dramatically outpacing wage increases. Members could no longer afford to live in Boston, adding to their commuting costs and forcing them into communities where they weren't wanted. Entire communities were being displaced due to the gentrification of housing in Boston. The local responded with a dynamic and creative solution - utilize union pension funds to help build affordable housing for their members. No other labor union in the country had tried this since the textile workers did it in the 40s and 50s. (Many New York City housing coops were built by unions in this era.)

The local also took another step toward direct union involvement in CED. First they established ties with a CDC in a community of Roxbury where they had many members. They eventually entered a joint venture with Nuestra CDC to develop 24 units of housing - 12 duplexes partially financed through the union pension fund. They were also making housing a major bargaining priority for upcoming negotiations. They also came up with the concept of establishing a housing fund financed through a contribution by each hotel. An initial proposal would have the Hotels contribute a nickle per hour per member to help the union raise funds to develop housing and subsidize the cost to members. We are dealing with low income workers on the average, with average family income between $17,000 and $25,000 per year. Even with subsidized mortgage rates an income of this level can only support a $50,000 to $65,000 mortgage. Needless to say this is virtually impossible in the Boston area.

My work has involved finding out whatever I can about union pension fund investments and to report on all the different mechanisms used to finance housing. I found out some very creative mechanisms, most had to do with cooperatives and an investment called a SAM - a shared appreciation mortgage. The housing cooperatives integrate sweat-equity and limited equity to help maintain affordability. The SAMs are a way to integrate pension funds into real estate investments, reducing the cost to finance through a traditional mortgage. The SAM is essentially a second equity holder, which gets repaid when the primary owner refinances the mortgage down the road, say 10-15 years. At the agreed upon time for the SAM partner to pull out, the mortgagee would refinance paying off the SAM partner an agreed upon return. It is based on the assumption that the mortgagee would be in a financial position to carry a higher debt service at the later date.

This seems like a very appropriate way to integrate pension funds into CED. It initially reduces the cost of debt service to the project, while giving the pension fund an agreed upon rate of return. The risk to the fund is that the value of the property won’t appreciate or it is poorly managed. SAMs do have certain escape clauses which would protect the pension fund to some extent.

I learned a great deal in my involvement in this project. I gained a quick and thorough education on variety of mechanisms to do housing, something I had no experience with before this year. The biggest problem for me was the detachment I had from the rest of the development team. The local put together a committee of members and experts from different fields to help in developing this project. Teams worked on securing vacant land from the City, subsidized financing from the State, legal work on both the housing and
pension fund aspects, and perhaps the most crucial issue, who would qualify for the housing. Twenty-four units for a local of over 5000 could quickly turn into a hot potato for the local.

Over the last three months the project has taken another turn. The joint venture with Nuestra has been called off. Numerous factors are involved here, but the major one was Nuestra’s lack of capacity and the neighborhood’s dissatisfaction with some of Nuestra’s previous work. Local 26 has linked up with a large developer to plan a 50 unit mixed use project. They are still working on utilizing pension fund investments and as much alternative financing as possible to write down the final cost of the homes for their members.

Connecticut AFL-CIO Resolution on Housing

As you are probably aware, I work as a staffperson for a local union in Connecticut. While labor unions aren’t always the most democratic of institutions, they do run on basic democratic principles. We have conventions every year that set policy and direction for the AFL-CIO. Resolutions are written, discussed and voted upon for adoption by the convention. The activist wing of the movement in my state promotes resolutions as a way to hold the leadership to certain positions and actions during the year. Some resolutions turn into battles on the floor of the convention and are actually quite interesting to be involved with.

This year I had my local submit a resolution on union participation in the development of affordable housing. The resolution calls on the AFL-CIO to establish a mechanism to encourage union participation in financing and building affordable housing units in the State, both for members and for state residents as a whole. The adopted resolution is attached for your information.

Since the adoption of the resolution, a working committee has been formed to implement the actions stated in the resolution. I am on the committee and we are beginning to look for a project to become involved with. Much work and education needs to be done around this issue and this committee is a first step toward integrating the labor movement with the CED movement. I push the idea with many labor leaders as a way for unorganized people to become familiar with what the movement can do. This I tell them, sets the base to help us organize new members in the future.

Again, working with the union movement is very frustrating at times. Many people are interested in the issues and they do see the potential linkages. The first project will have to be fail-safe however, to get them to put money into it. Contrary to popular belief, the labor movement is very hard pressed for funds and dollars are appropriated with great caution. Our project does have many city officials in a variety of cities interested, they all want to be a model project. I do believe this will work out in the end, it just might take a little longer than I anticipated. I tend to go into things gung ho, and too often expect people to reciprocate with the same level of enthusiasm. Still, I remain optimistic.

CORNER - The Revitalization of the Northeast Region
My involvement with CORNER has been very educational and has introduced me to the major players in the northeast region development circle. The CORNER is an initiative undertaken by the Governor and Department of Economic Development to help revitalize the region. It was started as a political response which claimed that the Governor and the Democratic party was neglecting the region.

I was appointed as a labor representative on the Board of 23. My feeling was that this committee would have little effect and was strictly political, as a way of showing we are not being left out of the "Miracle of Connecticut". The northeast region has consistently lagged behind the rest of the state in terms of social and economic growth. It was considered the last frontier of the state until recently. Given its strategic proximity to major metropolitan markets, it was only a matter of time until the northeast corner was discovered. The region is 55 miles from Hartford, 25 from Providence, 20 from Worcester and 65 from Boston. It is directly accessible to all but Hartford by major highway.

My fear was that the commission would ignore any real issues, hoping that the expansion of the areas discussed above would bring abundant economic growth to the area. Meanwhile, house and land prices were going through the roof, and quality jobs were nowhere to be found. The commission hired a consultant to help the board determine goals and objectives. We had some vociferous discussion and exchange of ideas and values. We settled on a plan to hire a consulting firm work with us to do a major economic and regional planning analysis to give us a basis for recommendations to bring to the area. Mt Auburn Associates were hired which proved to be a very good choice. They have experience developing regional plans to meet the needs of the residents. The results of the analysis will be ready for publication in mid-February.

Working with the commission and Mt Auburn taught me alot about process, especially with representatives from the business community. It turns out many of my ideas, if expressed in non-threatening ways were actually quite acceptable to the majority on the board. For example, during the initial goal-setting session I brought up the concept of "good jobs". I argued that any plan must focus on providing good jobs defined as providing a living wage, decent benefits and room for growth. The board though I was nuts. Once Mt Auburn was hired, the first thing they said was that they would essentially focus on good job creation, where the local residents and towns can maintain as much control as possible. everyone loved the idea.

The results of the study are what most people expected. Our implementation recommendations will involve pushing the idea of more regional coordination, including the two major population centers and all the rural areas surrounding them. While we expect some opposition, the board has signed on to take the recommendations out into the communities to do major education. I was pleased with the general work of the board although they refrained fro doing too much, leaving most of the work to Mt Auburn. While this diminishes their ownership of the report, there are enough supporters on the board to
take the initiative. This work has introduced me to the major players in the area which will be vital to my work in CED.

**Internship with the NCCDC - Transition to Full-Time**

In November of 86, I met the director of the NCCDC through my participation on the CORNER project. None of my internship possibilities were moving as I had anticipated so we discussed and finally agreed to me working as an intern with the NCCDC. (Northeastern Connecticut CDC) We agreed that I would work with their project team working to rehabilitate 30 units of old mill housing for very low-income people utilizing a variety of State and Federal programs. The Director thought this would probably be the most useful thing for me to help them out on, and would be the best learning experience to me as I would become familiar with a variety of programs.

One project I am working on - Tiffany Place - has been quite interesting. It involves a comprehensive rehabilitation of two old mill buildings, each with 15 units. We have investigated using historical rehab funds, Section 8 subsidies, and a variety of State programs. The one which made the most fiscal sense was using a State grant program given the high cost of doing this rehab. I have taken over the coordination of the grant with the State department of housing. We are now entering the process of relocating the current tenants in accordance with the Uniform Relocation and Real Estate Acquisition Act of 1983. We are complying with the Federal act because we received acquisition funds from the Feds. Relocation will be the most difficult part of the project. I anticipate it to take 3-4 months minimum. People who qualify will have first dibs on returning to Tiffany Place. Final rents will be $111 plus utilities for the unsubsidized units. Section 8 rentals will be charged from $250-$450 depending on unit size.
We will have 3 handicapped accessible units and are targeting 5 units for people of color.

While Tiffany has taken most of my time, I have had the opportunity to work on other projects. I was asked to work out a plan for the Town of Thompson involving 86 units of lead poisoned, rundown housing. We have written a proposal to the Town, and assisted them in filing for State CDBG funds to help acquire the units. We have worked out a mixed ownership development plan to enable as much resident control as possible. The site is in the undesirable section of Thompson. We have started working with a local community organizer in the area to start educating residents on housing cooperatives and land trusts as we hope to go this route in the development.

Another useful project I have helped slightly with is the purchase of 44 acres of land for mixed use, cluster development housing in another rural town. I participated at the option to closing negotiations which was a first for me.

All in all my work with NCCDC has been very educational. In fact, I am planning to go full-time with them in February to work on project development and administration of Tiffany Place. Not everything has gone smoothly in my work with NCCDC. Two major conflicts which are being resolved has arisen. First, NCCDC and many non-profits I have
since come to know have problems with Davis Bacon. In fact, they try to limit the size of a project is they can to forego Davis Bacon compliance. I have done a significant amount of research to try to prove to them that Davis Bacon does not kill a project. One long-term goal I have developed is trying to introduce the NCCDC to a union contractor to jointly work on a development project. Second, the issue of affirmative action in terms of placement of tenants. All state and federally assisted projects require affirmative action plans. I wrote our plan for the Tiffany Place project. In this case the State does not feel it is good enough. They want 20% of the units targeted to people of color. The problem is that the regional minority population is less than 4%. People in the community are very adamant about “busing” people in to take the low income housing when there is a tremendous shortage of affordable housing for the indigenous population. We are actually scheduling a meeting between the DOH and us to help come to a resolution of our disagreement with DOH targeting guidelines. To DOH, in the experience of others in NCCDC, targeting means tenant population. NCCDC can't commit to DOH levels without recruiting people from the Hartford area. This doesn't sit well with the NCCDC board or local residents as discussed above. Here the objection isn't low income housing per se, but who gets access to it. While I agree for the need of enforcing affirmative action guidelines, I also see the point of the NCCDC board. I do not believe it would be in a minority families best interest to be moved 55 miles to find adequate housing. DOH should push Hartford area developers to build more housing closer. The issue of snob zoning does exist like anywhere else in the state, but I think the NCCDC can have more long-term success at breaking down the barriers to low income housing if it also meets some of the needs of the local community. The meeting should certainly be interesting.