The New York Times

N.Y. / REGION

As Prices Rise, Housing Groups Face the Need to Alter Tactics

By JANNY SCOTT JAN. 7, 2007

Much of the rebirth of New York City neighborhoods in recent years can be traced to a force that many New Yorkers barely know exists: a sprawling network of community-development corporations and other homegrown nonprofit groups, which developed some 100,000 moderately priced apartments out of the ashes and abandonment of places like the South Bronx, central Brooklyn and parts of Harlem.

Now those neighborhoods are flourishing; private developers are back, and rents are rising. The city has exhausted its supply of properties taken in tax foreclosure, which were passed on to nonprofits to make into apartments that people of modest means could afford. As a result, the country's largest network of community development organizations is at a crossroads: The groups can retool themselves or fade away.

"The question is, what are the groups going to be doing over the next five years?" said John Warren, first deputy commissioner of the city's Department of Housing Preservation and Development. "The number of groups doing development is by necessity going to be smaller; there isn't that much land available, public or private, for the large-scale program we ran in the past."

The shakeout comes at a time when the Bloomberg administration has embarked upon what it calls "the largest affordable-housing plan in the country's history," promising to create or preserve 165,000 units of lower-cost housing by 2013. As city officials seek inventive ways to generate inexpensive housing in a high-priced market, the future of this proven engine for low-priced housing development is unclear.

Some groups have already entered into joint ventures with private developers, marrying their neighborhood knowledge and connections to the private developer's equity and expertise. Some have broadened their geographic boundaries in search of land. Some are likely to merge or be swallowed up. Others have diversified into areas like job training, youth services and economic development.

Mary Spink, executive director of the Lower East Side People's Mutual Housing Association, a group that has renovated or built several dozen rental buildings in lower Manhattan since 1990, is now courting aging landlords in the neighborhood, hoping to use her local roots to persuade them to sell to the association or bequeath buildings to the association in their wills.

"It's a hard sell," Ms. Spink said.

Elsewhere in the country, community development groups in cities including Boston, Cleveland and Seattle have begun extending their activities beyond their traditional focus on housing. A recent report by the Urban Institute found that some have moved into activities like helping neighborhood businesses line up financing and working with employers to bring welfare recipients into the labor market.

"The terrain has changed so much," said Thomas A. Bledsoe, president of the Housing Partnership Network, a Boston-based alliance of regional nonprofit housing organizations that are much larger than the community development organizations. "The affordability problem has gotten much bigger. Rather than being a redevelopment problem exclusively, it has grown into a more widespread affordability gap that affects middle-class communities."

There are now at least 60 community development corporations and other nonprofits involved with housing development in New York City. The oldest grew out of federal antipoverty programs in the 1960s; later came church-based groups like the Abyssinian Development Corporation in Harlem and neighborhood-based organizations that sprang up initially to address specific local issues.

Many of them flourished in the late 1980s and early 1990s under Mayor Edward I. Koch's $5 billion, 10-year housing plan, which offered properties taken in tax foreclosure for sale to nonprofits to create low-cost housing. Two national groups, the Local Initiatives Support Corporation and Enterprise Community Partners, have worked closely with many of the local groups, providing capital, technical expertise and training.

Through that system, nonprofits bought city-owned properties for as little as $1 and received city funding as well as support and financing from L.I.S.C.or Enterprise, using the federal low-income-housing tax credit program. That financing included developers' fees of thousands of dollars per apartment — money that enabled the community development corporations to stay afloat.

"In the early stages of the redevelopment of these communities, the anchor in these communities was the community-based organizations," said William R. Frey, executive vice president of Enterprise, who started its New York office in 1987. "They were the only entities that did not abandon these neighborhoods. They really were a critical engine behind the rebuilding."

The Fordham Bedford Housing Corporation, in the northwest Bronx, was founded in 1980, at a time when arson and abandonment were eroding neighborhoods in the borough. Tenants in buildings that had been abandoned by their owners needed help managing the buildings. The group now manages, owns or works with 75 buildings in a half-dozen neighborhoods; it also operates a shelter.

The Lower East Side People's Mutual Housing Association has a $2 million operations budget, an office staff of nine, and 15 superintendents and porters. Ms. Spink, a former heroin addict who says she served three years in state prison in the early 1970s on charges involving drugs and guns, recently received the Andrew

Heiskell Community Renaissance Award from Enterprise at its annual fund-raising gala.

Some groups, however, ran into trouble. The Banana Kelly Community Improvement Association, a South Bronx group, came under investigation by the state attorney general's office over questions about its management and financial practices. Others lost properties through foreclosure or closed down after turning over their buildings to bigger and better managed nonprofits.

Now, there is widespread agreement that some groups will be unable to continue to develop housing in the future. They will not be able to compete with private developers to cover the rising cost of land; and they will lack the expertise to navigate the increasingly complex world of housing finance.

Those groups in a position to continue developing are being forced to become more entrepreneurial and creative.

Walter Blenman, a former community organizer who runs Beulah Housing Development Fund Company, a group in the Morrisania and Crotona neighborhoods in the South Bronx, said he is going to have to focus on fund-raising. His last two projects were joint ventures with a private developer, under which his group gets a share of the developer's fee and the developer increases his chances of getting tax credits by allying himself with a nonprofit.

"We had to purchase the actual vacant lot," Mr. Blenman said, reflecting on the irony that the success of groups like his in spurring neighborhood revival is now working against them. "It was private land. We had never anticipated having that issue. The flip side is we did our job well. People are investing in these communities. But now we suffer the brunt of our success."

John Reilly, executive director of the Fordham Bedford group, said he had applied for a $20 million loan from the $200 million New York Acquisition Fund, a new city program aimed at enabling nonprofits to compete for land in the private market. The group, which would use the money to buy six buildings it hopes to renovate, must put up equity of its own — a step that some smaller nonprofits would be unable to take.

"I wouldn't say it's a crisis — but it's difficult," said Mr. Blenman, whose group is relatively small, with a staff of four and an annual operating budget of $350,000 that in the past came mostly from developer's fees. "There will be some attrition. There'll probably be some merging along the way. If all you're doing is developing, it might get to a point where you're going to have to shut that part of your operation down."

A version of this article appears in print on , on Page A21 of the New York edition with the headline: As Prices Rise, Housing Groups Face the Need To Alter Tactics.