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**Keynote Speech: “Engines for Change: Innovations Advancing the Community Economic Development Industry”**

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Good afternoon! I’m delighted to be here today. As CEO of NeighborWorks® America I am invited to speak at many events and that can make for a challenging travel schedule. But as a native of Gaffney, S.C. this was one invitation that I couldn’t pass up.

I would like to thank **Bernie Mazyck**, President and CEO of the South Carolina Association of Community Development Corporations and **Sue Perry Cole**, President and CEO of the North Carolina Association of CDCs for inviting me here today.

I’m delighted that the two statewide associations of CDCs have joined together to host this conference. It is our experience that a strong statewide association has important benefits—raising the profile of the community development organizations, building their capacity, and helping to make sure they have sufficient resources to support their work. Congratulations on convening this important event. It’s my honor to address this audience.

First I will tell you a little bit about NeighborWorks® America and then I will explore some of the changes in the environment in which we work and how community development corporations are stepping up to the challenges by evolving, adapting and innovating.

NeighborWorks® America is a Congressionally-chartered nonprofit organization that provides financial support, technical assistance and training to revitalize communities across the nation. Our organization grew out of a pilot program of the Federal Home Loan Bank during the early 1970s. Congress institutionalized the program in 1978 with the founding of our organization—the Neighborhood Reinvestment Corporation. Today we do business under the trade name of NeighborWorks® America.

We receive an annual appropriation from Congress but we are not a department, agency or instrument of the federal government. We are a quasi-public non-profit corporation. NeighborWorks® America is governed by a 6-member board that is comprised of a senior representative from the FDIC, the Office of the Comptroller of the Currency, the National Credit Union Administration, the Office of Thrift Supervision, HUD, and the Federal Reserve System.

The mission of NeighborWorks® America is to create opportunities for people to live in affordable homes, improve their lives and strengthen their communities. We seek to mobilize public, private, and community resources to strengthen communities across the country.

To achieve our mission we work with a network of 239 community development organizations in 50 states. This makes us somewhat unique among the community development intermediaries.

We work closely with our network of affiliates to address community needs. We provide financial resources, technical assistance, training, and a platform for developing partnerships that address local needs and programs that can be replicated elsewhere. Offering solutions that can be tailored at the local level is a hallmark of our approach—we recognize that what works in Chicago might not work in Charleston, but there are lessons and resources that can be applied from one place to another.

We have **two** NeighborWorks® organizations here in South Carolina:

- (1) **Family Services, Inc.** in North Charleston (David Geer)
- (2) **Spartanburg Housing Development Corporation** (Daryl Dalton).

We have **four** NeighborWorks organizations in North Carolina:

- (1) **Charlotte-Mecklenburg Housing Partnership Inc.** (Patricia Garrett)
- (2) **DHIC Inc.** in Raleigh (Gregg Warren)
- (3) **Durham Community Land Trustees** (Selina Mack)
- (4) **Neighborhood Housing Services of Asheville** (Gary Verni-Lau).

In 2007 NeighborWorks America provided more than \$1.9 million in expendable and capital grants to further the work of these 6 organizations working in the Carolinas. We are pleased they are part of the NeighborWorks network and we are proud of the work they are doing to strengthen communities.

NeighborWorks® also offers a number of resources for organizations outside of our network. One of the best resources we make available to the field is our NeighborWorks® Training Institutes. The week-long Institutes offer more than 100 intensive training courses for community development practitioners on topics ranging from community development finance to single-family construction and nonprofit housing management. Our next Institute will be held in Portland, Oregon in December, but if you are looking for a training opportunity that's a bit closer there will be an Institute in Atlanta in February.

This year NeighborWorks® America is entering its 30<sup>th</sup> year in business. The principles and values that guide our efforts to create affordable housing and strengthen communities have stayed the same for 3 decades. NeighborWorks® organizations must adhere to a mission that focuses on community revitalization and the production of affordable housing for people with low and moderate incomes.

One thing that sets us apart from other community development intermediaries is the strong value we place on resident participation in community revitalization and locally-driven revitalization efforts. In fact, it's a requirement for our nationwide network of nonprofit partners.

Each NeighborWorks® organization must create and maintain an organizational structure that reflects a partnership among resident leaders, the business community and public officials in which residents are the numeric majority. This model is critical to our success.

But the environment in which we work has changed dramatically. The community development field is facing new challenges that require new skills, innovative solutions and flexible partnerships tailored to meet local needs. Organizations must evolve, adapt and innovate in response to changes in the environment.

The theme of this conference—FIT for the Future—emphasizes the importance of Financial fitness, Innovation, and Technology in shaping the work of community development corporations. Today I'm going to talk about three factors that influence our work and how our sector is responding by being FIT for the future: (1) a greater focus on accountability; (2) increasingly challenging housing market conditions; and (3) the subprime “meltdown” and national foreclosure crisis.

Let me start with the greater focus on **accountability**—to be successful, all community development organizations must be able to demonstrate that they are effective stewards of public and private support. The push for accountability has its roots in the Government Results Performance Act of 1993.

The purpose of the Government Results Performance Act was to systematically hold federal agencies accountable for achieving program results, improve program effectiveness, and improve decisionmaking by providing more objective information on the achievement of results and relative effectiveness and efficiency. The Act had far-reaching impact not only on government funding but also private funding sources. Today funders expect us to be able to measure and document program outputs and outcomes.

Outcome measurement is challenging for all nonprofit organizations but particularly so for community development organizations. The issues we are trying to address here in the Carolinas and across the country are complex and inter-related and the things we need to measure are multidimensional and often occur over a long time period.

But in today's data-driven culture you have to have the ability to measure results. People expect that if UPS can tell you where your package is from the minute it leaves the shipping point until it lands on your doorstep, then we ought to be able to demonstrate that we're making a difference in the communities we serve. Those organizations that do not have that evaluation capacity will eventually suffer. The funding environment today is competitive and resources are scarce so only the strongest organizations will survive.

At NeighborWorks® we are rigorous in our assessment of our network of affiliate organizations and we hold them to high performance standards. Our 6-point assessment system is known as PROMPT. It's a comprehensive assessment approach that has applicability for all organizations, whether or not they are part of our network. We assess an organization's ability to perform or facilitate key functions in the following 6 areas:

- **Planning** (mission, operational planning, community development)
- **Resource Management**
- **Organizational Management and Oversight**
- **Management** (Financial, contract management, compliance, Personnel)
- **Production and Program Services** (productivity, efficiency)

- **Technical Operating Systems** (service delivery and customer tracking)

Following a comprehensive assessment by our organizational assessment division, organizations are rated using a 4-point scale: **exemplary, strong, satisfactory** and **vulnerable**. We are striving to be a network of excellence, with 80% of our network organizations rated in the top 2 categories—exemplary and strong.

We provide assistance to organizations that are struggling in one or more areas, but if improvement isn't demonstrated over time the organization will be disaffiliated from our network. We answer to Congress and must uphold our fiduciary duty to invest taxpayer dollars wisely in organizations that are achieving results in communities across the nation.

And we expect our affiliates and partners to have an outcome evaluation program to capture those results. The evaluation system should take into account the external context in which the organization works and the human and financial resources available to their programs. A resource that NeighborWorks® offers to the broader community development field is the Success Measures outcome focused evaluation approach and the Success Measures Data System. It's an evaluation approach supported by a robust technological platform that enables organizations to be FIT for the future.

The Success Measures system is an evaluation tool designed specifically for community development organizations. NeighborWorks® assumed responsibility for the program in 2004 following the closure of the McAuley Institute. We felt that the program was a tremendous asset to the field so we were honored to carry the program forward and help ensure its adoption across the industry.

Nancy Kopf from the Success Measures team is here at the conference to share more information about this technology tool and how it can help community development organizations meet the challenges of greater accountability. I should point out that the Success Measures system is not the only system available to community development organizations. The important thing is to have an evaluation system that fits your organization's outcome measurement needs.

Today there are 116 community development organizations across the country using Success Measures and the number is growing quickly—in 2008 we will have 22 more NeighborWorks® using the system and Habitat for Humanity's national programs have recently committed to using this tool. Ten of the organizations already using Success Measures are participating in a pilot program initiated by the North Carolina Association of CDCs.

The partnership with the North Carolina Association of CDCs is exciting because it will increase the capacity across the state and further industry growth. This is a visionary approach that identified useful tools and resources that could enhance and support the robust community development infrastructure in the state. In particular I want to recognize Susan Perry Cole (NCACDC's CEO) for her leadership and the Mary Reynolds Babcock Foundation for making that work possible. We are delighted to be working in partnership on this project and hope that it will serve as a model for others.

A **second** key issue affecting community development organizations across the country is **challenging housing market conditions**. The gap between housing costs and wage

growth is more pronounced than ever. Traditionally, average home prices rose in tandem with median household incomes and general inflation. But between 2000 and 2005 house price appreciation increased six times faster than income growth. As a result, more and more families are spending a disproportionate share of their income on housing.

Today 17 million American families spend more than half of their household income on housing—that's unacceptable. Households with a single minimum wage worker can not afford a modest two-bedroom rental apartment anywhere in the country. These market conditions underscore the need for a robust community development sector.

All of you working in the Carolinas understand the severity of this issue. In North Carolina, 740,000 households can not afford a safe, stable home. The average hourly wage needed to afford a two-bedroom apartment at fair market rent is \$12.61—twice as much as the minimum wage. In South Carolina, 43% of families can not afford the fair market rent. Here a minimum wage worker must work 92 hours a week to afford a 2-bedroom apartment.

Community development corporations must explore all opportunities to realize their affordable housing development and community revitalization goals. New business models and innovative practices are essential for meeting demand.

Innovation is hard work—it requires one to think outside of the box, to explore new opportunities and sometimes it means abandoning business practices that have worked for decades but are no longer competitive in the marketplace.

For businesses, innovation is often the key to survival—because if you don't innovate, your competitors will and eventually the loss in market share will affect your bottom line. But nonprofit organizations don't have the same economic pressures. We often continue to operate a line of business that isn't profitable or doesn't break even—we subsidize that work to keep doing it. Sometimes that's the right call because the work is important and worth doing. But sometimes we lack the discipline to cut programs that aren't yielding the greatest benefits. Instead, we add new programs and do more.

This mindset must change if our field is going to be able to tackle the challenges that lay ahead. Let me share examples of how nonprofit organizations are innovating to meet the needs in their communities by looking at manufactured and modular housing in a whole new way. Many Carolinians live in manufactured housing, so these examples are particularly relevant to the communities you serve.

Our NeighborWorks<sup>®</sup> organization in Morehead, Kentucky, Frontier Housing, is the state's largest nonprofit single-family homebuilder. Frontier had long shunned manufactured housing for its clients based on notions about shoddy construction and poor appreciation of these homes. But an examination of their client service data revealed that only 10% of Frontier's homebuyer education program were purchasing Frontier homes.

They decided to explore why clients had not purchased their homes. To their surprise, they discovered that in one year, 90% of the homebuyer education participants had bought manufactured homes, despite Frontier's stern warnings about the manufactured housing industry.

What Frontier Housing discovered was that the manufactured housing industry was meeting their clients' needs by providing low-cost housing that was readily available. Frontier decided to tackle their competition head-on to provide a better product at a better price.

They formed a partnership with Clayton Homes, the largest producer of manufactured housing in the nation and a producer of modular homes. By working directly with Clayton Homes, Frontier can provide quality affordable housing, while offering home choices and financing terms appropriate for the buyer.

The low base price of factory built housing enables Frontier to continue to serve its target market—families earning between 30 and 50 percent of median income—despite rising land costs and tighter subsidies. In the coming year, nearly half of Frontier's housing will be manufactured and modular homes.

Manufactured and modular housing are also being used to address the dire housing shortages across the Gulf Coast region. Factory-built housing is a cost-effective way to provide housing in a timely fashion given the acute labor market shortages across the region.

It takes 400 to 500 man-hours to build a modular home under controlled conditions in a factory, compared to 3,000 to 3,500 man-hours for on-site construction. Aside from the greater productivity, the savings in labor alone subtracts about \$30,000 from the cost and helps keep the housing affordable.

Our Georgia affiliate, DASH for La Grange, commissioned architects to design up to 10 house plans for modular homes for the Gulf Coast Region. Our Nashville affiliate, Affordable Housing Resources, is also using factory built housing to address the Gulf Coast housing needs.

They've partnered with the industry to create architecturally appropriate models for use across the region, including a New Orleans shotgun-style manufactured home that is indistinguishable from its stick-built counterparts. These innovations in the use of manufactured and modular housing enable the nonprofit community development sector to better meet the housing needs of its clients. They may be strategies that are applicable to your work here in the Carolinas.

Last, I want to talk about the **current foreclosure crisis** and the meltdown of the subprime lending sector. Community development corporations have a long history of advancing homeownership among low- and moderate-income families. For many NeighborWorks® organizations, promotion of homeownership is a core line of business. It's also an area in which we've been very successful over the years.

Our Campaign for Homeownership is the largest national effort to increase homeownership among lower-income families. Since 1993 we've assisted more than 111,000 lower income families become homeowners and we've counseled more than 635,000 people on the homebuying process.

But we learned that our hard fought gains in homeownership were being eroded. Many lower-income families who did not have access to pre-purchase assistance were

becoming delinquent on their mortgage and this alarming trend was growing. We felt we had a responsibility to address this national crisis.

The foreclosure crisis is concentrated in high-cost states and those where economic conditions have severely affected local economic conditions, such as Ohio and Michigan. But the Carolinas are not immune to this problem, and we know times are tough in communities across the two states.

The Center for Responsible Lending estimates that more than 17% of subprime mortgages made in North Carolina and South Carolina in 2006 will end in foreclosure.

### **Our Center for Foreclosure Solutions**

We saw the problem of foreclosures coming and in 2005 created the NeighborWorks® Center for Foreclosure Solutions.

- We modeled our national effort on a successful HomeOwnership Preservation Program created by our affiliate in Chicago
- The Center is supported by a coalition of partners from the lending, financial services and nonprofit community
- Through the Center for Foreclosure Solutions, NeighborWorks® is providing a set of solutions to avert foreclosures nationwide: **raising awareness, building counseling capacity, conducting research** and developing early alert systems, and **fostering public and private partnerships in foreclosure hotspots.**
- We have a national public service campaign in Partnership with the Ad Council, which is designed to encourage homeowners in financial distress to reach out for assistance before it's too late. The campaign includes TV, radio and print ads. Plus we have a co-branding component so Campaign resources can be tailored for use in local communities—Family Services, Inc; DHIC and NHS of Asheville are participating in the co-branding effort.
- We developed a partnership with the Homeownership Preservation Foundation's toll free hotline, 888-995-HOPE Hotline to ensure that homeowners in financial distress have immediate access to free assistance from a HUD-certified housing counselor. The Hotline currently has 93 dedicated counselors, and service is available 24/7, in English and Spanish.
- Homeowners that need face-to-face assistance are referred from the Hotline to local NeighborWorks® organizations. Here in South Carolina, Family Services, Inc. is providing ongoing foreclosure prevention services in concert with the HOPE Hotline. This year, they've had 210 customers and they've helped 167 achieve positive outcomes—that's an amazing track record! Congratulations to Debbie Kidd, Director of their Homeownership Resource Center, and her team for helping so many families!
- We know that the present demand for assistance is just the tip of the iceberg. Call volume has been increasing exponentially in response to the Ad Council

campaign and press coverage ( volume up 100% in 2<sup>nd</sup> Quarter 2007; 30,000 calls in the Quarter)

- We are also advancing local foreclosure prevention coalitions so that efforts in foreclosure hotspots can be tailored to respond to local market conditions. I know here in South Carolina Bernie and Debbie are co-leading a group of group of stakeholders to increase statewide foreclosure prevention efforts and to increase the foreclosure intervention capacity of CDCs and counselors statewide. Tuesday's foreclosure-focused pre-conference was just one step in that direction.

We at NeighborWorks® believe that we can make a strong contribution to addressing the foreclosure crisis. Our national strategy provides resources and tools that can be applied locally and tailored to meet community needs. We are excited that the CDC community in the Carolinas is working in partnership with us on this issue. It will take all of us working together to help the thousands of families who are at risk of losing their homes to foreclosure.

I want to conclude by thanking all of you for the hard work that you do every day to improve lives and strengthen communities across the Carolinas.