Enterprise is a leading advocate for the Section 4 Capacity Building for Community Development and Affordable Housing program. Over the last 20 years, Enterprise has distributed over $82 million to more than 1,200 community development organizations throughout the country. Section 4 strengthens the nation’s lower-income urban and rural communities by bolstering local nonprofit community developers.

Since Congress authorized the program in 1993, Section 4 has been the sole HUD program specifically designed for nonprofit capacity building. Section 4 is an important, unique and efficient program that leverages significant private capital using minimal federal dollars. This program creates jobs, supports small businesses, builds housing and strengthens communities.

Capacity building develops core skills that strengthen the ability of organizations to implement HUD programs, raise capital for community development and affordable housing projects, coordinate on cross-programmatic, place-based approaches and facilitate knowledge sharing. Capacity building remains a key part of HUD’s Strategic Plan for FY2010-2015. Specifically, Subgoal 4E reads: Build the capacity of local, state, and regional public and private organizations.

**Spotlight on Section 4 Grantee: Mercy Housing Northwest**

Mercy Housing Northwest (Mercy) developed and manages 2,400 affordable rental homes for families, seniors and people with special needs throughout Washington and Idaho. It continues to seek new multifamily development opportunities in the region. In Washington, Mercy properties range from Bellingham to Olympia along the Puget Sound, as well as in central and eastern Washington towns including Yakima, Chelan and Cheney. In Idaho, properties are located throughout the state, including the cities of Boise, Nampa, Eagle, Mountain Home, Moscow, Idaho Falls, Burley and Twin Falls. Many of the properties in both states are located in rural communities, which frequently have an acute shortage of safe, high-quality rental housing for low-income individuals and families.
A housing preservation challenge

In 2003-2004, Mercy Housing Northwest acquired a portfolio of 926 rural apartments in 30 developments built under the U.S. Department of Agriculture (USDA) Rural Development Section 515 program. Originally built by a private owner who was looking to exit the program, Mercy agreed to purchase the full portfolio to preserve affordable housing in many rural communities throughout Washington State. As is the case with Section 515 properties across the country, the properties were aging and had significant deferred maintenance issues, as well as a need for significant energy efficiency upgrades.

Raising sufficient capital for this rehab meant engaging multiple federal and state agencies and combining a variety of funding sources, which represented a complex and time-consuming endeavor. Mercy needed both additional technical expertise and more internal capacity to take on this challenge.

How Section 4 funds were used

As Mercy set to develop a new preservation strategy, Section 4 funds were used at two points in the process. In 2011, Mercy engaged a financial consultant who helped to devise an overall strategy for portfolio recapitalization.

Then, Mercy used Section 4 funds to hire an additional staff person to work on the preservation of its most vulnerable properties — 92 units of senior housing in three Section 515 projects built over 30 years ago in Tenino, Winlock and Centralia, Washington. Mercy successfully secured a 9% Low Income Housing Tax Credit (Housing Credit) allocation from Washington State and approval from the USDA Rural Development office to transfer these properties to a tax credit partnership and begin renovations.

How Section 4 funds enhanced capacity of organization

Support from Section 4 has greatly bolstered Mercy Housing Northwest’s efforts to revitalize and preserve rural affordable housing for seniors and families in Washington State, a goal which Mercy has prioritized for the past decade. Already, Section 4 funding has resulted in significant capacity improvements. To date, Mercy has:

- Completed an assessment of capital needs for a significant portion of Section 515 rural development projects located throughout Washington state.
- Developed a multiyear recapitalization strategy to renovate aging rural affordable housing properties.
- Secured Housing Credit financing and hired a project development assistant to undertake the renovation of three USDA Rural Development Section 515 properties, which preserved 92 units of affordable senior housing in Tenino, Winlock and Centralia, Washington.
- Secured funds for three additional rural projects in Concrete, Burlington and Mt. Vernon, Washington, in a much shorter timeframe than if the organization had not had adequate staff capacity.

Mercy is also finalizing a report containing lessons learned and suggestions from its own experience, which will be a valuable resource for other affordable housing organizations seeking to combine Housing Credit and USDA funds to preserve Section 515 rural rental housing projects.

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