



Mission Entrepreneurial Entities

Essential Actors in Affordable Housing Delivery

Extract and Selected Exhibits

Raymond Christman, Atlanta, GA
Gaynor Asquith, arc⁴, Manchester, UK
David Smith, AHI, Boston, MA

Affordable Housing Institute
38 Chauncy Street, Suite 600
Boston, MA 02111
Tel: +1 (617) 502-5980
Fax: +1 (617) 338-9422
www.affordablehousinginstitute.org

The Extract and Selected Exhibits

An abridged presentation for World Habitat Day and other readers

AHI's full report *Mission Entrepreneurial Entities: Essential Actors in Affordable Housing Delivery* runs just over 200 pages in length, and includes extensive detailed information on the 23 profiled institutions, plus thorough exploration of the US and UK housing finance ecosystems.

As a convenience for readers who are interested principally in the insights and takeaways, we have prepared this Extract drawn from the Report:

1. **Executive summary (9 pages).** Principal insights derived, with implications for the US/ UK and for the global South.
2. **MEE's profiled: maps and tabular summary.** Maps of the US and UK locating our 23 profiled Mission Entrepreneurial Entities, and a tabular comparison across relevant areas.
3. **The authors.** Biographies of the report's principal authors: Ray Christman (US), Gaynor Asquith (UK), and David Smith.
4. **Sources.** People – all of them experts in their fields – whom we interviewed or who provided comments on earlier drafts or components of the study.
5. **AHI background.** What and who AHI is, and how we seek to advance effective policy in the US, UK, and around the world.

In addition to the named authors, this report would have been impossible without a massive effort by the AHI team:

Deidre Schmidt, Executive Director
Rosabelli Coelho-Keyssar, Research Director
Dr. Janaki Blum, Administrative Director
Yousuf Marvi, Analyst

All errors and omissions, of course, are the authors'.

*Boston, Massachusetts
October, 2009*

Preface

Why this study? We started this study a year ago because, even though the MEE sector had become essential actors in affordable housing delivery, we knew of no structural study of what makes them succeed and fail. We thought the study's value would be for the global south. We had no idea it might be even more valuable or timely in the global north.

Today housing is at the epicenter of a global financial windstorm. Both US and UK national governments are now deep into the housing sector in ways unthinkable twelve months ago. Banks by the double handful have taken billions in government capital injections or been effectively nationalized. The US production pipeline has been disrupted because of LIHTC pricing drops and gaps. The UK has restructured its housing division. If anyone has doubted it before, our whirlwind economies have shown that capital is global and housing is a primary driver of successful economies, not an automatic byproduct.

Why us? AHI (www.affordablehousinginstitute.org) is a global non-profit research and consulting firm. Our research outcomes are action-oriented and open-source. Our consulting work is oriented toward innovation in the housing value chain. Aside from the UK and Ireland, we've been active in Brazil, Colombia, Egypt, India, Kenya, South Africa and Turkey, among others. To create this study, we put together a collaborative team. Deidre Schmidt, our executive director, helped frame the study and directed our AHI staff, and we drew upon the profound commitment, intellectual capacity, and sector expertise of two principal authors:










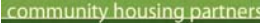


- **Ray Christman** has been a leader in US community development and finance, having held key positions at the Federal Home Loan Banks of Atlanta and Pittsburgh, Pittsburgh Urban Redevelopment Authority, and as Pennsylvania's Secretary of Commerce.
- **Gaynor Asquith** has been an innovator in community renewal and regeneration in the UK for nearly 30 years. Prior to starting her own firm arc⁴, Gaynor worked at the Housing Corporation and the Guinness Trust where she created new and lasting housing programs.

The study's backbone is the set of 23 detailed profiles of MEEs in the US and UK, whose executive directors were unfailingly generous with their time, and forthcoming and candid about their organizations' history, strengths, weaknesses, successes, aspirations, and challenges. They deserve great thanks – as do our friendly reviewers, who commented on the pre-release draft and helped improve it in myriad ways. In the end, however, our conclusions, and any remaining mistakes, are our own.

David A. Smith
Founder and Board President
The Affordable Housing Institute

October, 2009

Profiled U.S. Housing Non-Profits

<p>12  Mid-Peninsula Housing Coalition Foster City, CA</p>	<p>11  REACH Community Development Portland, OR</p>	<p>10  HomeWORD Missoula, MT</p>	<p>9  CommonBond COMMUNITIES St. Paul, MN</p>	<p>5  CLEVELAND Housing Network, Inc. Cleveland, OH</p>	<p>1  URBAN EDGE Roxbury, MA</p>	<p>2  Fordham Bedford Bronx, NY</p>
						
<p>3  The Phipps Houses Group The Phipps Houses Group Manhattan, NY</p>						
<p>4  Community Preservation and Development Corporation Washington D.C.</p>						
<p>6  community housing partners Community Housing Partners Christiansburg, VA</p>						
<p>7  PROGRESSIVE Redevelopment, inc. Progressive Development, Inc Decatur, GA</p>						
<p>8  Homes in Partnership Apopka, FL</p>						

Profiled U.K. Housing Non-Profits

1 **NEW GORBALS**
HOUSING ASSOCIATION
Glasgow, England

3 **MOSSCARE**
HOUSING
Manchester, England

4 **Knowsley**
Housing Trust
Prescot, England

5 **Riverside**
Liverpool, England

11 **WILTSHIRE RURAL**
WRHA
HOUSING ASSOCIATION
Wiltshire Rural Housing Association
Wiltshire, England

10 **Aster**
Southwestern England



7 **hanover**
Housing Association
National

2 **zabick**
Housing Group
Middlesbrough, England

6 **LHA**
Leicester Housing Association
Leicester, England

8 **Abbeyfield**
Where older people find care in housing
Housing Association
St. Albans, Herts, England

9 **PEABODY**
Southwark, London, England

Essential Actors in Affordable Housing Delivery

Part I: Insights

1. Executive Summary

Successful affordable housing ecosystems are populated by Mission Entrepreneurial Entities, private companies (usually non-profit housing companies) who act by converting ideas and resources into tangible properties and successful housing outcomes. Additionally, these MEEs serve a critical role as change-makers in both policy and economic realms, and yet we know very little about what defines a successful MEE, and what defines the environment or initial conditions that enable MEEs to be conceived, established, nurtured, and grown to success and scale.

1.A. Purpose and structure of the Report

This report is aimed at affordable housing professionals and advocates, both public and private, in the US, UK, and around the world, whose focus on change-making involves them with developing effective sustainable organizational and financing infrastructure for affordable housing delivery. In it we provide detailed comparative analysis of the US and UK MEE ecosystems, identify core issues and challenges in both countries today, and generate contrasts and comparisons useful in developing effective MEE capacity in the global South.

In preparing the report, we examined in depth 23 Mission Entrepreneurial Entities throughout the US and UK, as follows:

<u>United States</u>	<u>United Kingdom</u>
1. Urban Edge, Boston	1. New Gorbals, Glasgow
2. Fordham Bedford, New York (Bronx)	2. Fabrick Housing, Middlesbrough
3. Phipps Houses, New York (Manhattan)	3. Mosscafe Housing, Manchester
4. CPDC, Washington DC	4. Knowsley Housing Trust, Liverpool (Prescott)
5. Cleveland Housing Network, Cleveland	5. Riverside, Liverpool
6. Community Housing Partners, Virginia	6. Leicester Housing Association, Leicester
7. Progressive Development, Atlanta (Decatur)	7. Hanover Housing, nationally active
8. Homes in Partnership, Apopka (Orlando)	8. Abbeyfield, St. Albans, Herts.
9. CommonBond, Minneapolis	9. Peabody, London (Southwark)
10. HomeWord, Montana	10. Aster, southwestern England
11. Reach Community Development, Portland OR	11. Wiltshire Rural, Wiltshire
12. MidPeninsula, Bay Area California	

Detailed profiles of each MEE are presented in the Appendices. National maps locating each entity's headquarters are provided.

To make it easier for different types of readers to concentrate only on the areas of interest to them, the Report is structured into four large parts:

- **Part I: Insights.** Sections 1 through 3 present our conclusions and analysis, derived from a year's study of 23 organizations, 12 in the US and 11 in the UK. They average 35+ years in the sector, and have together produced nearly 81,000 units of housing. Our emphasis is on analysis of what we observed in their practice and thought leadership about what it means. It is not intended to be a statistical analysis. We instead offer examples as appropriate.
- **Part II: Observations.** Sections 4 through 6 are the Study's core; the observations and analysis of US MEEs, UK MEEs, and their respective ecosystems, with extensive detail drawing from our research.
- **Part III: Speculations.** Section 7 and 8 deal explicitly with the future. As speculation, Part III uses our US/ UK findings as a springboard to discuss how MEEs can and should play a role, at home and around the world.
- **Part IV: References.** Sections 9 and 10 are the reference. Section 9 comprises the profiles in full; Section 10 includes appendices.

**A note on organization
Structure of our Research and the Report**

In examining the role of Mission Entrepreneurial Entities in the US and UK, we deliberately chose a parallel approach – two countries examined vis-à-vis each other – and a parallel investigation – with a standard look at multiple diverse MEEs in each nation. Even recognizing the limits of our approach (lack of true statistical meaning, potential selection bias in studied entities), we wanted to counteract the tendency to use anecdotes and soundbites to stand for the whole.

Our joint US and UK experts selected 23 case studies profiling a diverse set of US and UK MEEs. For each, we captured organizational, business model, and portfolio information; interviewed CEOs and senior leadership; compiled individual profiles; and consolidated the results. For each MEE, we focused on structure and oversight; size and scale; philosophical and business approach; production capacity; core business services; funding and business models; relationship to pure-government public or social housing; role of the private sector; governance; and challenges.

1.B. MEEs defined; Neighborhood MEEs and Production MEEs

This landmark study uses extensive case study analysis in both the US and UK to develop an overall understanding of the attributes of successful MEEs, and of the environments in which MEEs can flourish – and what places them at risk, which they are today.

Mission Entrepreneurial Entities (MEEs)

A housing MEE is an entity that delivers tangible and visible affordable housing solutions according to three defining attributes:

- **Mission.** They got into the field to make positive change.
- **Entrepreneurial.** They achieve their results via entrepreneurship, as actors in the space, taking risks, persuading established institutions, including government, to do things (approve proposals, provide capital).
- **Entity.** MEEs are enterprises that must be concerned with their own viability and operate like other enterprises. They must cover their expenses, pay capable staff, and make cash profits, else they cannot continue pursuing their mission outcomes.

Unfortunately for MEEs, and for cities around the world, imprecise and non-descriptive nomenclature (Non-Governmental Organization versus Community Development Corporation versus Housing Association) has obscured fundamental similarities, preventing information exchange. Regardless of what they are called, NGOs and CDCs and HAs, all these entities are mission entrepreneurial enterprises.

Housing MEEs are a keystone species in urban revitalization; their beneficial impact is entirely disproportionate to their numbers. Further, what we thought was one a single species is actually two, and they are quite different:

The case studies revealed two types of MEE:

Mission Entrepreneurial Entities: Neighborhood and Production

- **Neighborhood MEE.** A local group focused on empowering residents and meeting visible needs in a single neighborhood. In the US, these are CDC's; in the UK, voluntary housing associations.
- **Production MEE.** A socially motivated enterprise focused on growing a sustainable business to deliver social goods such as affordable housing and resident-oriented social services. In the US, these are the portfolio-owned non-profits; in the UK, the professional housing associations.

Not only are these MEE typological and viability questions relevant to the global South, they are suddenly timely and urgent in the global north. In both the US and UK, the affordable housing delivery systems are under stress, with MEEs both bearing much of the brunt and offering great opportunity for revival and growth. Both nations have substantial populations of MEEs that are at financial risk, with estimates of the number imperiled as high as 20-25% of the total number of entities (albeit not of the total inventory).

These MEEs are threatened (in the global North) by massive macroeconomic factors also affecting the global economy, and as they are a keystone species, their survival has importance far beyond the individual entities involved. Their strength or weakness, growth or decline, will have enormous ripple-effect consequences for the creation and maintenance of affordable housing in each nation.

Further, if Housing MEEs as a population are in financial jeopardy in each nation, brought on by recession-triggered crises in the affordable housing delivery value chains, then their sectoral health is important not just in its own right but for the continuing health of each nation's affordable housing inventory.

1.C. Findings: The Importance of Mission Entrepreneurial Entities

MEEs are critical to a nation's affordable housing financial ecosystem:

- 1. Mission Entrepreneurial Entities play an essential role in the US and UK housing finance ecosystems, and likely are an essential element in any robust system.** Their survival and propagation matter for overall housing delivery; to make its programs work, government needs MEEs.
- 2. The US and UK affordable housing systems are currently experiencing a period of exceptional stress while the need for affordable housing remains great.** The system in both nations is stressed because of resource constraints and dysfunctional markets. Meanwhile, recession, unemployment, and foreclosures continue to increase housing need.
- 3. MEEs perform critical functions no other category of entities performs.** MEEs have unique abilities to innovate, to experiment, to tolerate risk, and to link new value-chain networks.
- 4. MEEs further divide into two subcategories: Neighborhood and Production.** Neighborhood MEEs, tightly focused on serving the interests of constituents in a particular geography, are usually small-scale and can remain volunteer-based. Production MEEs must grow and professionalize. The two are much more different than alike.
- 5. Most housing non-profits in the US and the UK are Neighborhood MEE's.** These MEE's are smaller in size both organizationally and in terms of housing production. They generally serve one or several well-defined small urban neighborhoods or smaller communities, suburban or rural. They often perform important advocacy functions or engage in delivering important community service programs, in addition to producing some housing.
- 6. Production MEEs are less common but more effective.** Aside from differences in size, Production MEEs differ from Neighborhood MEEs in structure. Emphasizing production and preservation of affordable housing, Production MEEs have core business lines in which they have proven proficiency and are seen as important metropolitan or larger actors.

7. **Growing successful Production MEEs takes time, usually measured in decades rather than years.** It involves having a vision from inception, creating financial and organizational structure to suit, and providing resources up front.
8. **For Production MEEs, there are many ways to fail.** Growing a successful Production MEE is a challenge – neither initial configuration nor promising environment is any guarantee of success. Indeed, no one factor is a silver bullet – not executive director, not board, not business model, not geography, not scale. Failure risk is omnipresent, which means that any Production MEE's staff, director, board and benefactors must all be constantly vigilant, constantly skeptical, constantly adapting within and changing their ecosystem. This business is hard and it stays hard.
9. **For the global South, AHI believes¹ the emergence of a few Production MEEs is a watershed event for a nation's affordable housing ecosystem.** Until they emerge policy makers and private-sector actors, have difficulty conceiving how a hybrid value chain can work.

1.D. Ecosystemic observations: commonalities in US and UK experience

We found the following principles applying in both nations' ecosystems:

1. **Four decades of Sectoral evolution to public-private partnership, with MEEs as key deliverers.** In both countries, there has been a steady migration from entirely publicly managed and operated systems to public/private models, with MEEs as key delivery mechanisms.
2. **Scale becoming of increasing importance.** In both nations, Production MEEs have become steadily more important, and their average size has steadily risen. Their dominant business model for housing non-profits has evolved toward scale.
3. **Current disruption and uncertainty.** Both housing finance systems are currently disrupted in ways not seen in two decades. No one knows if the disruption is merely temporary or indicative of a fundamental realignment of the value chain.
4. **Residents or properties? The emphasis differs.** The US system emphasizes project finance and resource capture (mainly LIHTC); as a result, the core competency for a US Production MEE is development finance. The UK system emphasizes housing benefit (resident subsidy); a UK Production MEE's core competency is delivery to the tenant as its customer. (This is not to say that US MEEs overlook residents; rather that the US ecosystem elevates capture of new production resources above all other activities.)
5. **Intellectual and association infrastructure is critical.** Both nations have extremely well developed – some might say overpopulated but under-scaled – infrastructure of professional experts, intermediaries, trade associations (of many subtypes), and benefactors both government and philanthropic.

¹ This conclusion derives not from this Study but from AHI's work around the world, including our active ongoing work with the Bill and Melinda Gates Foundation on the role of pro-poor autonomous entities in slum upgrading and urban improvement; and with the Ashoka Foundation on hybrid value chains and the creation of new 'bottom of the pyramid' financing and development entities.

6. **US MEEs concentrate where growth has been, not where it is coming.** Relative to population growth and household formation, US MEEs are over-represented in the Northeast, under-represented in the South and Southwest. This is a legacy effect: once a Production MEE becomes scaled, it tends to be implanted in a particular community. As a result, the US currently has a mismatch between MEE capacity and the affordable housing needs of the country, as it relates to younger, rapidly growing regions.
7. **With success comes new mandates.** Over the last four decades, affordable housing delivery has taken on new missions: special needs populations, social and resident services, community revitalization, anti-poverty. To their credit, Production MEEs gravitate to these needs, but none of these service lines pays for itself. The result is that Production MEEs often take on increasing mandates first, then scramble to put in place an organization and business model to achieve and pay for these worthy goals.

1.E. Toward the ideal MEE: elements in greater effectiveness

Our report also suggests the following principles can be observed in a sustainable and scaled MEE system:

1. **Public-private rather than pure public.** In virtually every nation we have studied, pure-public first-mover entities like housing authorities are giving way to public-private MEEs as the delivery entity of choice.
2. **Production MEEs have a minimum sustainable scale, which is typically metropolitan or larger.** They must balance the need for scale (to be large enough to develop expertise in multiple processes) and complexity (intimacy of market knowledge, personal connections with local leaders) – large enough to make effective difference, small enough to make local difference.
3. **Design for scale from inception.** Many of the successful Production MEEs were established by a consortium of benefactors – political philanthropic, commercial, and academic – who jointly recognized their potential value, and invested commensurately from inception. Under-capitalized, under-planned, or under-organized Production MEEs have a poor track record.
4. **Governance is integral to organizational design.** The best Production MEEs have strong boards comprised of members all of whom are personally committed and some of whom are representatives of external entities who are likewise committed to their communities. Like the offspring of proud parents, the MEE becomes a tangible expression of the value of working together on civic and municipal problems.
5. **Growing a Production MEE involves substantial non-recoverable costs.** Beyond the obvious costs of establishment, a nascent Production MEE incurs multi-quarter and usually multi-year deficits both in its organizational growth and in unrecoverable deal costs in its first few properties. Stinting on these expenditures is a recipe for structural weakness and eventual failure. As a result, growing the MEE to sustainable scale requires support provided from third party benefactors, typically philanthropy in the US and the national government in the UK.

6. **Invest in professionalism from inception, not solely after problems.** Production MEEs that have achieved scale have professionalized core functions. Those that professionalized after significant growth invariably experienced major portfolio losses.
7. **Drive to reduce grant dependency.** Annual donor funding is not evergreen. Donor priorities shift; more globally, donor capacity shrinks. In other words, changes in annual donations (whether privately or publicly funded) correlate with, rather than hedge, development business risk. When the latter goes bad, so does the former, and the combination puts at risk the MEE's survival, and the survival of its portfolio.
8. **Production MEEs are symbiotic with their environments, so organizational portability is limited.** Even as Production MEEs have some characteristics in common, each one is distinctive within its particular environment: geographic, political, and economic.

1.F. Implications for the Global South

Many people tacitly presume that the global South is a thing apart from the global North. We disagree; from our experience, global North and global South have much in common regarding affordable housing and pro-poor urbanization or urban improvement. In AHI's view, MEEs are the commonality, which is why we undertook this report – to see if global North experience could be distilled in a way portable to the global South.

We believe that the Study surfaces these principles as testable hypotheses:

1. **MEEs in North and South are similar creatures.** How they act as entrepreneurs; how they activate resources; how they stimulate change. How they struggle for viability, business models, and organizational grip. All these strike us as similar in both environments. Put them in a room together, as we have done through AHI's Exchange dialogue series, and the resonances are remarkable.
2. **Neighborhood and Production MEEs co-exist in both environments.** Global-south MEEs can also be divided into Neighborhood and Production. The Neighborhood form finds expression in savings co-operatives and community groups; the Production form in national federations and a few development providers (notably SPARC in Mumbai, and Johannesburg Housing Company). What differs is relative population; in the global South, Production MEEs are very rare.
3. **The organizational DNA of Production MEEs is constant.** In both North and South, success is likely to depend on having an organization with adequate funding, key public benefactors, a clear mission, a good business plan, and adequate and trained professional staff.
4. **Production MEEs are grown, not imported.** Housing finance ecosystems may be of a type, but each is unique in its specifics. The viable real Production MEE depends on the judicial, governmental, economic, cultural, and social root stock of each country. That said, planning for scale from the beginning, rather than just hoping it will occur, is more likely to lead to MEE viability, and in turn to positive housing outcomes.

5. **In networks is strength.** Both Neighborhood MEEs and Production MEEs benefit greatly from peer networks which adaptively strength every network member. Without articulating at length, the roles played by global North housing networks (such as NeighborWorks, ROC-USA and HPN in the US) are quite similar to their global-south parallels (such as SDI or ACHR in Africa and Asia).

The equator is not a wall. More knowledge should flow each way.

1.G. Whither the MEE Sector?

Finally, we were most struck in our research by the moment in time in which this study has occurred. While the affordable housing field has been steadily evolving for the past half century, the current period is particularly tumultuous because of the housing-driven recession and its consequences. MEEs are a keystone species whose activity now must be a big part of the US housing recovery.

Meanwhile, short-term, the system faces large challenges and obstacles that will need to be dealt with. These include:

1. **US: capital crunch driving MEE consolidation.** The capital crunch is limiting funding for projects and causing many smaller MEEs in the US to think about consolidation, merger, or dissolution with asset handover to a more viable MEE. The US has no strong-arm regulator like the UK's HCA (formerly the Housing Corporation) to engineer mergers, consolidations, or restructurings. Instead organizations need to self-diagnose their own organizational health and assess potential strategic alliances.
2. **UK: new requirements, new regulator.** New requirements for rehabilitating older stock in the UK combined with less funding is creating pressures on HAs not before experienced. The UK's challenges with an aging housing stock – quite a bit older than the US's – may foreshadow similar challenges on the US horizon. Conversely, the US's adherence to property-level finance offers deal-specific improvement opportunities and incentives.
3. **LIHTC value chain disruption upends US MEE business models.** The US financing system built around the LIHTC program is in severe jeopardy, which has exposed the ecosystemic weakness inherent in relying on one primary funding mechanism. That disruption also challenges those organizations who are most proficient in its use to adapt quickly when it is changed.
4. **Resident social services loom as probable casualties of funding cuts.** The ability of MEEs in both countries to afford to carry out valuable social and resident service programs is threatened by funding cuts.
5. **Governments need MEEs more than ever.** Because of their capability to act in entrepreneurial and flexible ways, MEEs are first and fastest responders to new situations and crises. Government can and should do this, but its importance may be lost in a fixation with inventory as distinct from actors.

Disruption in the financial markets has disrupted the housing ecosystems in both the US and the UK. As a secondary effect, each country's MEE business models are under strain and disruption. Thus, at the very moment when MEE capacity is needed to cope with inventories in turmoil, their own health and viability is itself being disrupted. If we can reorient the delivery systems to match new resources to housing problems via established MEEs, we can turn the double turmoil into an opportunity not just to save the inventory, but also to reinvent the system.

C:\WINWORD\A H I GRANT MEES MEE STUDY DRAFT 2\3 AHI REPORT NARRATIVE V0.6 091003.DOC/9

US Case Studies

	CHP	CHN	CommonBond	CPDC	Fordham	HIP	homeWORD	Mid-Pen	Phipps	PRI	REACH	Urban Edge
Headquarters	Central VA	Cleveland, OH	St. Paul, MN	Washington, DC	Bronx, NY	Apopka, FL	Missoula, MT	Bay area, CA	Manhattan, NY	Decatur, GA	Portland, OR	Roxbury, MA
Years in operation ¹	34	28	38	20	29	34	15	39	104	20	27	35
Urban (U) /Suburban (S)/Rural (R) focus ²	R/S	U	U/S	U	U	R	R	U/S	U	U	U	U
Population Served (in millions) ^{3,9}	0.35	0.44	5.80	5.75	1.40	1.50	0.20	7.70	1.60	9.60	0.04	0.11
Operating Budget (in million US dollars) ⁴	16.0	25.0	13.0	7.0	2.7	1.2 ¹	0.5	13.1	100.0	6.2	9.0	2.8
Recurring income ⁵	yes	no	yes	no	yes	no	no	yes ^{9†}	yes	yes ^{9†}	yes	no
Largest income type ^{6, 12}	rent	grants	mgmt	develop	mgmt & actvty	grants	develop	mgmt.	rent	develop.	rent, mgmt .	grants
Largest income type as percentage of total earning ⁷	50%	60%	78%	57%	75%	95%	50%	25%	67%	24%	87%	58%
Operational Reserve (yes, no)	yes	no	yes	yes	yes	no	n/a	yes	yes	yes	yes	no
Units developed	4,933	3,900 ^a	5,000	4,000 ^b	2,700 ^c	3,700	163	5,400	4800 ^h	4,000	1,344	1,350
Product type ¹¹	rent, own	rent, own, mix	rent	rent	rent	own	own	rent	rent	rent	rent, own	own
Number of Business Lines ⁸	6	4	3	3	3 ^k	4	4	3	3 ^{k†}	4	6	2 ^j
Staff employed	265	113	350	50	23 ^d	19	10 ^g	301	1,127 ⁱ	164	71	21
President/CEO tenure	34	11	2	4	n/a	30	4	1	8	20	19	1.75
President/CEO total years of service	34	11	2	4	n/a	30	4	1	20	20	21	10
Board w/ experience in housing develop. and finance	yes	yes	yes	yes	no ^e	yes	yes	yes	yes	yes	yes	yes

UK Case Studies

	Abbeyfield	Aster Group	Fabrick	Hanover	Knowsley	Leicester HA	Mossclare	New Gorbals	Peabody	Riverside	Wiltshire
Headquarters ^{1*}	St. Albans, Herts	SW England	Middlesbrough	National	Prescot	Leicester	Manchester	Glasgow	London	Liverpool	Wiltshire
Years in operation ¹	52	14	49	34	7	43	42	20	141	34 ¹	25
Urban (U) /Suburban (S)/Rural (R) focus ²	U/S/R	U/S	U/S	U/S	U/S	U/S	U/S	U	U/S	U/S	rent
Population Served (in millions) ³	0.88	6.00	0.75	53.00	0.15	4.00	0.75	0.01	7.60	6.00	0.43
Operating Budget (in million British pounds) ⁴	7.5	63.5	58.0	79.0	65.0	51.0	11.8	3.6	90.2	245.0	0.8
Recurring income ⁵	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Largest income type ^{6, 12}	rent, srvs	rent	rent	rent, srvs	rent, srvs	rent, srvs	rent	rent	rent	rent, srvs	rent
Largest income type as percentage of total earning ⁷	100%	96%	90%	97%	95%	81%	98%	86%	88%	84% ^f	97%
Operational Reserve (yes, no)	yes	n/a	yes	yes	yes	yes	yes	yes	yes	yes	yes
Units developed	4,200 ^l	17,000 ^l	4,300	16,900 ^o	14,000	11,000	4,500	1,300	19,600	52,000 ^l	222
Product type ^{10, 11}	rent	rent, own	rent, own	rent, lease	rent, own	rent, own, mix	rent, own	rent	rent, own	rent, own, mix	rent
Number of Business Lines ⁸	7	9	9	8	8	9	9	7	8	9	3
Staff employed	1,500 ^m	900	800	800	480	471	112	33	726	2,198	6
President/CEO tenure	1	7	19	3	4	1	36	17	5	9	21
President/CEO total years of service	1	7	19	3	7	8	42	17	5	16	21
Board w/ experience in housing develop. and finance	yes	yes	yes	yes	yes	yes	yes	yes ^p	yes	yes	yes

See accompanying footnotes and end notes, which are an integral part of this summary

Appendix A: Biographies of principal authors

Raymond Christman



Raymond Christman is executive director of the Livable Communities Coalition, a nonprofit that unites 50 member organizations working for smart growth and development in the metropolitan Atlanta region.

His work with the coalition builds on a 30 year career working as a senior executive in the financial services, housing, and community economic development fields for private, public, and non-profit organizations. He retired in May 2007 from the Federal Home Loan Bank of Atlanta after serving eight years as President and Chief Executive Officer. Prior to assuming the position in Atlanta, Mr. Christman served as Chairman of the Federal Home Loan Bank of Pittsburgh from 1994 to 1999. In both Pittsburgh and Atlanta, Mr. Christman oversaw significant growth in the Banks' revenues, profitability, and affordable housing initiatives.

In addition to his career with the Federal Home Loan Bank system, Mr. Christman has held a series of other senior level positions. He served as President and Chief Executive Officer of the Pittsburgh Technology Council, a leading regional business association and economic development organization, and also held the position of Secretary of Commerce for the state of Pennsylvania from 1987-1991, in the administration of Governor Robert P. Casey, leading the state's efforts to create jobs and attract business to the state. Prior to that, he was Executive Director of the Urban Redevelopment Authority of Pittsburgh, and a senior executive with the Allegheny Conference on Community Development, two organizations that have led Pittsburgh's nationally recognized revitalization efforts.

Mr. Christman has also worked extensively as a consultant, board member, and advisor to a number of public and private organizations involved with housing, financial services, economic development, and community planning issues. He serves as a board member of Bancorp of the Southeast, which plans to create a major regional bank in the southeast US through acquisition of multiple smaller banks. Mr. Christman also serves as Chairman of the Peachtree Corridor Partnership, a public/private collaborative to implement a \$1 billion investment program for Atlanta's signature street, including development of a modern streetcar system, and as chair for the Urban Land Institute's Terwilliger Center for Workforce Housing in Atlanta.

Mr. Christman is active in local and national civic and charitable affairs, particularly in the fields of affordable housing and community development. He is past chair of both The Community Foundation for Greater Atlanta and the Atlanta Neighborhood Development Partnership, and, prior to becoming the Livable Communities Coalition's executive director, served as the Coalition's vice chair. He served in 2008 as Interim President and CEO of the Georgia Trust for Historic Preservation and is also past chair of that organization. Mr. Christman also serves on

the board and executive committee of Enterprise Community Partners, Inc., a nationally recognized affordable housing and community development non-profit.

Mr. Christman holds an undergraduate degree in Business from Florida State University and a Masters Degree from the Graduate School of Public and International Affairs at the University of Pittsburgh. He is married and has three children.

Gaynor Asquith FCIH



*Director and co-founder, arc⁴
Director and co-founder, Project African Wilderness (PAW)*

Gaynor is a co-founder of **arc⁴**, a housing and regeneration agency that works with the public, social and private sectors to find solutions to any regeneration challenge. She leads work in areas from innovative research and stakeholder consultation through the development of fresh policies and strategies– all to make sure good changes happen.

Gaynor had over 25 years experience before setting up her own company, **abra**, in 2002. This, she merged with DCHR in 2007. Gaynor has since helped to create one of the largest independent specialist consultancies of its kind in the UK. **arc⁴** helps organisations and individuals to help secure sustainable communities through:

- quantitative and qualitative housing and planning research
- stakeholder engagement and consultation, especially in hard-to-reach groups
- policy and strategy review
- development and implementation of equity and other financial loan products to assist housing renewal, relocation and would-be home owners
- community business, neighbourhood development and social enterprise/business support

Gaynor combines passion and energy with considerable expertise:

Developing strategic regeneration partnerships

Her skill in developing and managing complex partnerships and programs was developed at the Housing Corporation northwest, where she managed an annual program of £250 million, and subsequently at the Guinness Trust and **arc⁴** where she created the partnerships and developed the cross authority/sector program that became known as Tees Valley Living and the Green Corridor Alliance. Her ultimate role was to secure budgets for each of around £50 millions from the public sector, leveraging in over £150 million from the private sector.

Gaynor also specializes in initiating and developing high profile partnerships and strategies, costed action plans and delivery vehicles to address neighborhood, and area regeneration. Her experience includes all types of community and social enterprises, business planning and funding packages. In Manchester this included financial planning and partnership negotiations for projects such as the Homes for Change/Work for Change cooperative, and the development of the business plans for community centres in Cheetwood and Hulme.

Individual loans and financial support for residents

She is a leading expert in all aspects of affordable home ownership, relocation and renewal policy, products and delivery. Her work in this area includes creating relocation and improvement loans as well as first-time buyer support for the New Heartlands HMR Pathfinder, BNG Pathfinder and Renew Pathfinder. She has advised MSP on private finance leverage and SPV models. She has lead Urban Living into financial products and project development for relocation, renewal and new build affordable housing. She has also spearheaded the regional

equity loans practitioner's group and ODPM (now CLG) on Independent Financial Advice for residents looking at public sector loans products.

Developing stakeholder and community engagement to deliver partnership objectives

Gaynor has developed a specialist consultation arm within *arc*⁴ that works at the community and neighbourhood level. This team engages and explains processes and options to residents, complementing the quantitative work of others. Examples of this work range from engaging with the resident and commercial stakeholders around Sneinton Market in Nottingham to researching attitudes to the housing market renewal programmes in the northeast, and considering attitudes to family housing in Manchester city centre.

She is experienced at managing the development and implementation of major projects and programs. She oversaw the Housing Association development program for Hulme while at the Housing Corporation, and later continued as Board member. She is particularly proud of the community's involvement in the integration of the overall design code, the public space strategy and the shops and community facilities with the housing programs.

Social business development and triple bottom line accounting for any business

As Chair of Rochdale Housing Initiative, Gaynor worked with Rochdale Development Agency and developers to create construction training initiatives including one targeted at BME youths and householders. Beyond Rochdale, Gaynor has worked on construction training work with FRC, with Bolton at Home where she helped create the business plan for their Academy of Construction Excellence. At the Guinness Trust, she developed and set up the delivery plan for their national construction training and development strategy.

Gaynor has been a Board member of the FRC Group of social enterprises for over 10 years and helped develop the nationally acclaimed *Bulky Bob's* bulky household waste recycling and training business. This has won many awards, including a major social enterprise coalition award in 2006. She has also been a Board member of two specialist community housing organisations, Bentilee and Steve Biko Housing Associations.

Communicating

Gaynor is a sought-after public speaker, and has used her communication skills both internally for a national training program at the Housing Corporation, and as an invited speaker at housing, regeneration and other conferences and professional events. This work has taken her to the Czech Republic and, working with UKTI, partnering Czech Invest to understand and develop their national regeneration plan. Subsequently she has advised the city region of Karlovy Vary on the action plan for their regeneration strategy.

Innovating and Initiating

Gaynor is a founder and co-director of Project African Wilderness, a community conservation and regeneration charity in Malawi that is sponsored by *arc*⁴. She has recently co-launched Manchester's regeneration challenge in Malawi with the Lord Mayor of Manchester assisted by Robert Hough DL, Deputy Chairman of Peel Holdings plc and Chairman of New East Manchester.

David A. Smith



David A. Smith (dsmith@affordablehousinginstitute.org) is the founder of the Affordable Housing Institute (AHI; www.affordablehousinginstitute.org), a non-profit international consultancy specializing in affordable housing program design and development that was recently awarded a two-year, \$1,000,000 research grant by the Bill & Melinda Gates Foundation. With more than thirty years' direct experience in affordable housing finance, David uniquely combines the roles of practitioner and theoretician, participant and policymaker:

- *International housing finance policy advisor/ program developer.*

Housing finance program development engagements throughout the world, including:

- *Global.* Financial advisor to the Urban Poor Fund of Slum Dwellers International (www.sdinet.org), a self-managed, self-governed revolving fund available to SDI member federations of national cooperatives of low-income savers, to enable them to undertake and accomplish complex affordable housing financial transactions that not only create needed housing, they change the political and economic ecosystems in which SDI members operate.
- *India.* Financial and organizational advisor to Mahila Housing SEWA Trust (www.sewabank.org) of Ahmedabad, in creating a specialized non-banking housing finance company targeted at very-low income households acquiring or improving quasi-formal housing structures.
- *Ireland.* Consultant to the Affordable Homes Partnership (www.ahp.ie), an instrumentality of the Irish government, on numerous matters including the design of the Rental Accommodation Scheme, a long-term affordable public-private leasing program modeled on best practice and lessons learned in several US programs.
- Other work in *Brazil, Egypt, India, Italy, Kenya, Sri Lanka, South Africa, Turkey, and United Kingdom.*
- *Thought leader.* Prolific author: more than 100 published articles in national and international housing publications, and a thought-provoking and influential housing finance blog, <http://dasblog.org>. Author of monthly electronic publication *State of the Market* and periodic *Policy Updates* in LIHTC affordable housing. Sought-after speaker or symposium co-chair (more than 75 events) on affordable housing issues around the world, including World Urban Forum, International Union of Housing Finance, Bellagio Housing Conference, Stockholm Inclusive Communities Symposium, Boulder Institute of Microfinance (Torino). Policy advisor to Congress (testimony on many occasions), Millennial Housing Commission.
- *Successful businessman.* Founder of Recap Advisors, LLC, now CAS Financial Advisory Services (www.casfas.com), today a 30-person firm that is one of the nation's leading affordable housing asset managers with \$5.0 billion under management.

Appendix E. Persons Interviewed or providing comments on Drafts

Please note that this final report is the authors' work product, so all recommendations and any errors are the authors' sole responsibility.

UK

Last Name	First Name	Position	Organization
English	Larry	Chief Executive	Homeless International
Hill	Richard	Corporate Director for Investment and Renewal	Homes and Communities Agency
Howlett	Stephen	Group Chief Executive Officer	Peabody Trust
Joseph	Derek	Director, Tribal Treasury Services and Board Member	Homeless International
Kitson	Richard,	Former Group Chief Executive	Aster Group
Long	Derek	Head of North Region	National Housing Federation
Martin	Graham	Housing Consultant	
Moore	Bruce	Group Chief Executive	Hanover Group
Patel	Atul	Chief Executive	LHA-ASRA Housing Group
Schwarz	Pam	Chief Executive	Mosscafe Housing Ltd
Seaman	Richard	Executive Director	Abbeyfield International
Shackleton	Deborah	Group Chief Executive	Riverside Group
Taylor	Bob	Chief Executive	Knowsley Housing Trust
Thain	Alison	Chief Executive	Fabrick Housing Group
Titterington	Andrea	Regeneration Director	Liverpool FC
Urquhart	Donald		Homes and Communities Agency
Whitehead	Christine	Professor of Housing Economics	LSE London Research Centre

US

Last Name	First Name	Position	Organization
Artze	Orlando	Exec. Vice President and COO	Community Housing Resource Corp.
Bledsoe	Tom	President	Housing Partnership Network
Cohen	Howard	General Counsel	Massachusetts Housing Finance Agency
Davis	Andrea	Executive Director	homeWORD
Egan	Conrad	Executive Director	National Housing Conference
Fayde	Reese	Board member	Rebuilding Together
Franklin	Matt	President	Mid-Peninsula Housing Coalition

Last Name	First Name	Position	Organization
Grzwynski	Ron	President	ShoreBank
Gunter	Bruce	President and CEO	Progressive Redevelopment Inc.
Handelman	Ethan	Vice President	CAS Financial Advisory Services
Harvey	Bart	former Chairman and CEO	Enterprise
Holmberg	Joe	COO	CommonBond
India	Lee	Program Director, Neighborhoods, Housing, and Community Development	Cleveland Foundation
Kellom	Lewis	Executive Director	Homes in Partnership Inc.
Kornegay	Chrystal	CEO	Urban Edge
Lynch	Lionel		Dept. of Housing and Urban Development
McDermott	Mark	Director, Cleveland Regional Office	Enterprise Community Partners
McEvoy	John	former Executive Director	Nat. Assoc. of Housing Finance Agencies
McIlvain	John	J. Ronald Terwilliger Chair for Housing	Urban Land Institute
Nichols	Ben	Associate Director, Cleveland Regional Office	Enterprise Community Part.
Pitchford	Michael	President and CEO	Community Preservation and Development Corp.
Reilly	John	Executive Director	Fordham Bedford Housing Corporation
Retsinas	Nic	Director	Harvard Joint Center for Housing Studies
Roberts	Buzz	Senior Vice President, Policy	LISC
Rumpf	Bill	Housing Director	City of Seattle
Stockard	James	Lecturer in Housing Studies	Harvard University Graduate School of Design
Wagstaff	Fran	former President and consultant	Mid-Peninsula Housing Corporation
Walker	Christopher	Director of Research and Assessment	LISC
Walsh	Dee	Executive Director	REACH Community Development
Weinstein	Adam	President and CEO	The Phipps Houses Group

Appendix B: Background on the Affordable Housing Institute (AHI)

AHI is a global housing and finance thought leader.

Our mission is to help pro-poor innovators build healthy housing ecosystems world-wide, with an emphasis on the Global South.

We do this through Research that inspires practical and actionable outcomes, Education and Consulting that leads to both local innovation and transferable models

The Housing Ecosystem	AHI uses the word eco-system to describe the complex, interconnected and dynamic set of actors and conditions that influence the affordability and availability of housing. AHI understands that positive housing outcomes are the result of healthy systems, not the result of a single program, policy or action. It is this systemic thinking that we bring to bear on all of our work.
Research/ Consulting Symbiosis	AHI believes that research and consulting are symbiotic. All of our research outcomes are action-oriented and open-source. Our roots in practice help us ensure that our research is relevant and effective, not just an intellectual exercise. Our consulting work benefits from these learnings and is oriented toward innovation at all steps in the housing value chain. Our constant investigation of global knowledge in the sector is a benefit to our consulting clients.
The Context of our Work	AHI applies itself in the context of unprecedented rapid global urbanization. In 2007, for the first time in human history, the majority of the world's population lived in cities rather than rural areas. One billion people, nearly one-third of humanity, live in what the UN defines as slums. This number is expected to double in the next 30 years. In fact, three-quarters of future population growth is anticipated in smaller cities in the developing world where financial and human resources are limited to respond. This wave of urbanization is overwhelming traditional housing and finance delivery systems, leaving many households to solve their own housing needs through informal means.
Our Postulates	AHI believes the following to be true: <ol style="list-style-type: none">1. Housing is a catalyst for positive development, not a by-product of it. Housing is a physical manifestation of citizenship and the lynchpin where political, economic and social elements meet.2. Mission Entrepreneurial Entities (MEES) are key players in meeting housing need. These mission-driven and community-responsive actors can take risk and action that other actors cannot.3. Access to capital is key to their success. Resources are necessary in order to leverage the innovation of MEEs.4. Local governments are appropriate public counterparties. In spite of the fact that most aid and policy is a central government function, it is the local entity that must meet the wave of housing need.
History	AHI was founded by David A. Smith in 2002 as a 501(c)3 non-profit in response to repeated calls for housing finance and policy expertise outside of the US. Since that time, AHI has worked in Colombia, Egypt, India, Kenya, South Africa, Turkey, the UK and many other countries on projects ranging from country assessments and policy recommendations to business plans for non-bank financial institutions. <p>AHI's organizational development took a major leap forward in 2008 when the Bill and Melinda Gates Foundation funded a two-year research grant to explore issues around informal settlements in the Global South. Later that year, AHI expanded its staff by hiring its current Executive and Research Directors. This has allowed AHI to significantly expand its reach and impact.</p>

Mission Entrepreneurial Entities: Essential Actors in Affordable Housing Delivery

Housing Non-Profit Organizations as Mission Entrepreneurial Entities

A Comparative Analysis of the United States and the United Kingdom,
with Implications for the Global South

Table of Contents

1. EXECUTIVE SUMMARY	4
1.A. PURPOSE AND STRUCTURE OF THE REPORT	4
1.B. MEEs DEFINED; NEIGHBORHOOD MEEs AND PRODUCTION MEEs	5
1.C. FINDINGS: THE IMPORTANCE OF MISSION ENTREPRENEURIAL ENTITIES.....	7
1.D. ECOSYSTEMIC OBSERVATIONS: COMMONALITIES IN US AND UK EXPERIENCE	8
1.E. TOWARD THE IDEAL MEE: ELEMENTS IN GREATER EFFECTIVENESS.....	9
1.F. IMPLICATIONS FOR THE GLOBAL SOUTH	10
1.G. WHITHER THE MEE SECTOR?	11
2. THE ROLE OF MISSION ENTREPRENEURIAL ENTITIES IN HOUSING DELIVERY	13
2.A. PURPOSES OF THE REPORT	13
2.B. TWO TYPES OF MEEs: NEIGHBORHOOD AND PRODUCTION	14
2.C. MEEs PLACE IN THE HOUSING DELIVERY ECOSYSTEM	15
2.D. WHEN IT DOESN'T WORK: PRINCIPLES DERIVED FROM STORIES OF FAILURE	18
2.D.1. <i>The challenge of finding data about failures</i>	19
2.D.2. <i>Characteristics that recur in failed MEEs: primary</i>	19
2.D.3. <i>Characteristics that recur in failed MEEs: secondary</i>	20
2.D.4. <i>In praise of the fallen (sideways), a personal elegy by Gaynor Asquith</i>	21
3. TOWARD THE IDEAL MEE: ELEMENTS IN GREATER EFFECTIVENESS	23
4. US EXPERIENCE OVER FOUR DECADES.....	33
4.A. HISTORY AND EVOLUTION	33
4.A.1. <i>Origins</i>	33
4.A.2. <i>Growth of the Community Development Corporation (CDC) movement</i>	34
4.A.3. <i>A market-based approach to community development</i>	36
4.B. THE US NON-PROFIT AFFORDABLE HOUSING SECTOR TODAY	38
4.B.1. <i>The need for affordable housing and the capacity of MEEs to respond</i>	39
4.B.2. <i>Systemic resources and their impact on MEE structure and viability</i>	41
4.C. LESSONS FROM THE FIELD: CHARACTERISTICS OF SUCCESSFUL MEEs	43
4.C.1. <i>Key success factors common to enduring US MEEs</i>	43
4.C.2. <i>Failures and mistakes: what can be learned?</i>	48
5. UK EXPERIENCE OVER FOUR DECADES.....	51
5.A. HISTORY AND EVOLUTION	51
5.A.1. <i>Origins</i>	51
5.A.2. <i>Housing Acts of 1974 and 1980; national funding regime</i>	52
5.A.3. <i>Transition to a public/private funding model and voluntary stock transfer</i>	54
5.B. THE UK NON-PROFIT SECTOR TODAY	56
5.C. CHARACTERISTICS OF SUCCESSFUL MEEs	57
5.C.1. <i>Key success factors common to enduring UK MEEs</i>	58
5.C.2. <i>Failures and downsizing in the UK</i>	60

5.C.3.	<i>The changing UK sector</i>	61
6.	COMMENTS ON THE TWO ECOSYSTEMS, US AND UK	62
6.A.	THE CHANGING ROLE OF HOUSING NON-PROFITS IN BOTH COUNTRIES.....	62
6.B.	SIMILARITIES AND DIFFERENCES IN US AND UK HOUSING ECOSYSTEM EVOLUTION	63
6.C.	COMMON PRINCIPLES FOR US AND UK HOUSING NON-PROFITS	69
6.C.1.	<i>Business models and separation between Neighborhood and Production MEEs</i>	69
6.C.2.	<i>Both US and UK systems under stress put their MEEs under stress</i>	71
7.	WHITHER THE MEE SECTOR IN THE GLOBAL NORTH?	74
7.A.	NORTHERN GOVERNMENTS RELY ON MEEs AS INTEGRAL TO HOUSING DELIVERY.....	74
7.B.	US AND UK MEEs ARE NOW IN JEOPARDY FROM EXOGENOUS SHOCKS.....	75
7.B.1.	<i>Capital crunches hit MEEs hard and are driving reluctant consolidation</i>	75
7.B.2.	<i>Financially weakened UK housing non-profits confront new competition</i>	76
7.C.	MEEs OFTEN TAKE ON SOCIAL-SERVICE ACTIVITIES THEY CANNOT PAY FOR.....	77
7.D.	IN BOTH NATIONS, THE HOUSING DELIVERY VALUE CHAIN IS IN FLUX	77
7.D.1.	<i>US Value chain and delivery, both equity and debt</i>	78
7.D.2.	<i>US CDC-oriented intermediaries are reassessing</i>	78
7.D.3.	<i>Both delivery systems need to be examined anew</i>	78
7.D.4.	<i>The importance of MEE viability implies urgency in addressing value chains</i>	79
8.	IMPLICATIONS FOR THE GLOBAL SOUTH	80
8.A.	THE GLOBAL SOUTH NEEDS BOTH NEIGHBORHOOD AND PRODUCTION MEEs	80
8.B.	NORTH AND SOUTH HAVE MORE IN COMMON THAN PEOPLE THINK	80
8.C.	PRODUCTION MEEs CHANGE ECOSYSTEMIC DYNAMICS	81
8.D.	GROWING PRODUCTION MEEs TAKES TIME.....	81
8.E.	SOUTHERN PRODUCTION MEEs CAN USE PRINCIPLES FROM THE GLOBAL NORTH	82
8.F.	SCALE REQUIRES A LARGE ENOUGH 'URBAN HABITAT'	84