

Doing Development...

New Community believes that development is an on-going process that requires *patience, passion* for the process, and *self-motivation*. Most importantly, NCC emphasizes its ability to network and gather fiscal and social resources to produce a finished project. Development is much more than *bricks and mortar*. For NCC, development means *building for people*; its real estate development division builds housing for low-income people, and facilities to help NCC achieve its overall mission and purpose to improve the quality of life for local residents.

What is Development?

Development is the process of building to improve communities to attract new and maintain existing housing and businesses. For NCC, development is much more than bricks and mortar. It is more than boosting the appearance and property values of the neighborhood. It is about rebuilding community.

NCC's development division has more than 30 years of experience building affordable housing, commercial and retail, school and daycare, health care, and workforce development facilities (See *Timeline* on page 2 for specific project listings). New Community also rehabilitates structures. It transformed the Borden Milk factory site into NCC Technology and St. Joseph's Plaza - a former church - into NCC's headquarters and the Priory Restaurant. Through innovative financing and partnerships, the ability and willingness to take on risk, and a commitment to project completion, NCC has rebuilt a community with comprehensive services for Newark's Central Ward.

NCC's ability to grow organizationally is due in part to large land holdings it acquired at a very low cost after the Newark riots in the late 1960s. Today's tighter land market makes development more difficult. However, with more than thirty years of experience in land development, NCC knows development.



Rutgers Community Outreach Partnership Center, 2004

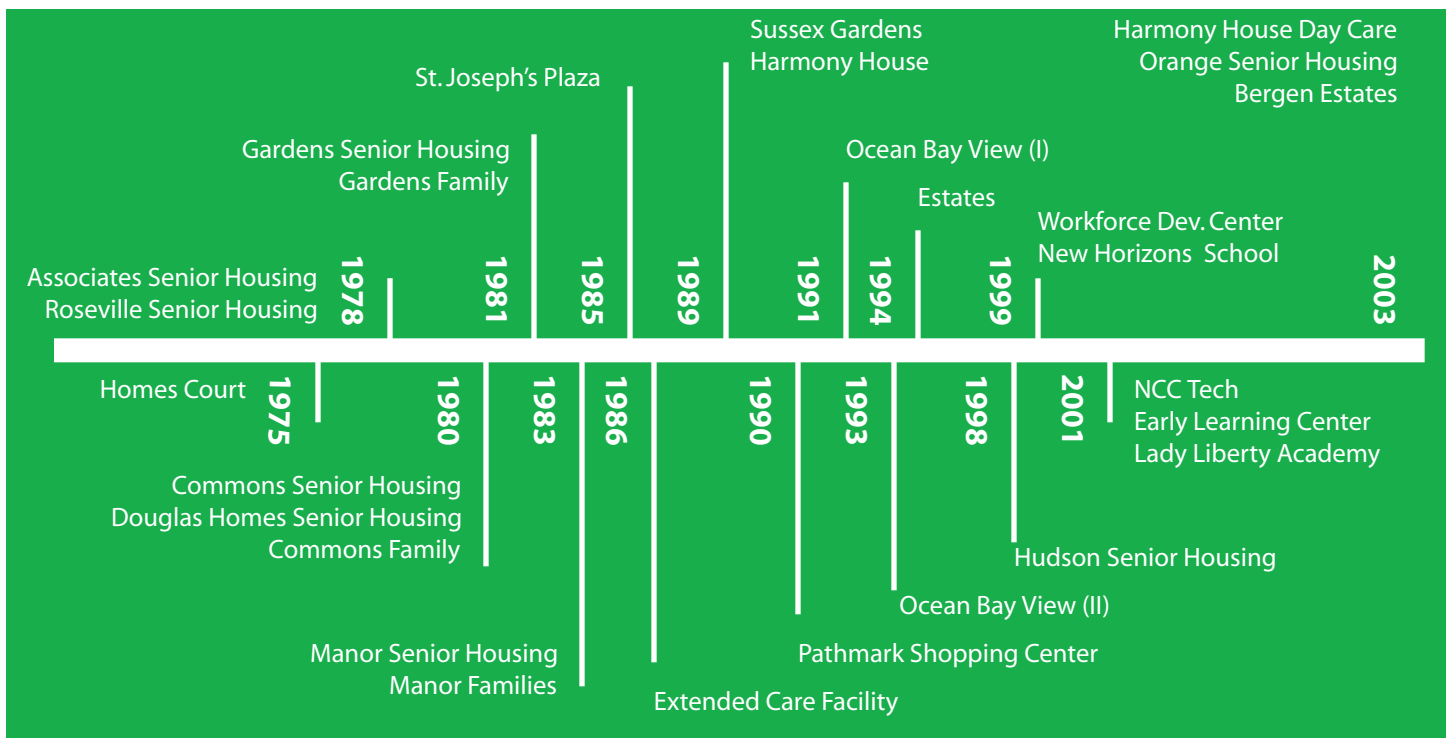
City of Newark skyline from the Central Ward

Why is Non-Profit Participation in the Development Process Important?

NCC has produced and manages more than 3,000 units of housing. Monsignor William Linder started this tradition of development at NCC after the riots of 1967, which left the City of Newark and its residents in complete distress. Post-riot arson and abandonment destroyed hundreds of homes and businesses throughout the city, leaving many residents homeless and in some cases unemployed because of business disinvestment. After the rioting, local residents decided to address the serious shortage of affordable housing in the Central Ward—an issue that was only compounded by the post-riot destruction. It is here that NCC’s initial engagement in community and real estate development began, and affordable housing production became a point of interest for NCC. Monsignor Linder met with community leaders to devise a plan to build more housing. Although NCC lacked experience in real estate development, Linder and the residents agreed to work to learn the difficult skills needed to address the housing crisis.

In preparation for what everyone agreed would be its first and most daunting project, New Community worked with several real estate professionals to gain development skills. Monsignor Linder understood the importance of surrounding himself and his staff with knowledgeable individuals. Demonstrating the perseverance that would come to be a NCC trait, it took seven years to complete the first housing project, due to difficulties with land acquisition, financing, and resident support. Although many believed the housing units would never be built, NCC successfully completed its first housing facility—New Community Homes—and rented all of the units in 1975.

Since the completion of its first housing complex, New Community has added experts in real estate, finance, and other areas to oversee its real estate development activities. Experienced staff and knowledge of the local community are two key reasons why NCC does its own development rather than hire an outside developer lacking knowledge about the local community and its needs.



New Community *works with residents* to identify the types of housing and other facilities they would like to see built in their communities. For example, during the development of Bergen Estates, staff worked side-by-side with residents and architects to design and implement each rental and ownership unit type (See *Community Participation: The Case of Bergen Estates* for additional information). This tradition began with Homes Court where NCC worked with residents to design housing that fit their needs and it continues today in a variety of ways—one of which includes Monsignor Linder’s monthly meetings with senior residents and the work of NCC’s community organizing team (See *NCC Navigating the Political Landscape...*).

How Does NCC Develop?

Development is structured and time-consuming, *requiring extreme patience and commitment*. Development occurs in a series of steps. For NCC, the first, and most important, step in the process is community input. NCC’s Extended Care Facility, which opened in 1986, best highlights the process. During a meeting with Monsignor Linder, local seniors asked NCC to build a local senior health care facility in the community (See *Community Participation: The Case of Bergen Estates* for more details on community participation in the development process).

Next, the development team conducted a *market analysis* to evaluate the need for a nursing home in the community. Since no other facilities existed, the team concluded a health facility would do well in the community. Subsequently, a health care consultant was hired to obtain certification from state and local health officials to construct and operate the facility. As an organization, NCC learned that *getting expert help is crucial for success*—especially when embarking into new areas of development. Even with a proven track record for housing development, NCC knew it had little experience dealing with the complicated process of building a health care facility. It did not hesitate to get appropriate assistance to help do it right.

Community Participation: The Case of Bergen Estates

Community organizations must listen to the community residents they serve. NCC builds participation into all of its development projects. Take, for example, the development of the homes of Bergen Estates, NCC’s model of small community style single-family home living in the heart of Newark. NCC worked closely with residents to design Bergen Estates.

From the beginning, NCC asked residents what kinds of housing they wanted. They were asked what they liked or did not like about their current housing and what they wanted in new housing. The residents said that they wanted extra closets and storage space and to have laundry room access on the same floor as a bedroom. From that and other information, NCC designed homes that exceeded the standard of similar homes being built at the time. Residents do not just have a roof over their heads, but also the extra benefits that are usually ignored when building for inner city communities. The importance placed in involving the community added value to the project. Not only do the residents feel that they have a stake in their own future, NCC treats them with the dignity of being an active partner not a passive recipient.

Ultimately, *NCC is more efficient because of community participation*. Community involvement meant that the homes of Bergen Estates were built right the first time reducing, if not eliminating resident complaints.



Community Outreach Partnership Center, 2004
NCC’s Bergen Estates

Development Financing

NCC has been innovative in housing finance. This resourcefulness has grown out of a tradition that began early in the organization's history. When NCC began to finance its first housing project, New Community Homes, a local CEO offered a \$180,000 grant. Instead, organization leaders asked for a loan. This loan gave New Community the opportunity to build credit, but it also demonstrated NCC's commitment to self-sufficiency. The lender was so impressed, he loaned out his personal attorney and others to assist in the construction of New Community Homes.

NCC faces the same difficulties in finding lenders willing to take risk in urban areas that are universal to the non-profit development world. In order to help reduce the risk of lending institutions NCC was instrumental in the creation of a New Jersey lending consortium, Thrift Institutions Community Investment Corporation (TICIC).

TICIC began with a former Newark resident-turned-banker and friend of Monsignor Linder who wanted to reinvest in the city. The banker agreed to lend NCC \$500,000 for a project. However more capital was needed, so NCC leveraged this loan to other lending institutions in a meeting with a number of investors. The marketing strategy worked, and New Community raised \$2.5 million.

From this initial meeting came TICIC, which continues to operate and serve as a capital resource for NCC and other CDCs throughout New Jersey. TICIC reduces the risk of individual lenders by asking for small investments that fulfill CRA credits for the banks, which can then be pooled together to finance projects (For more see <http://www.ticic.com/about.html>).

In terms of *site acquisition* NCC already owned the land it would eventually use to build the Extended Care Facility, and the focus of the development team shifted to financing and site construction. Unlike many organizations that rely primarily on loans and grants to finance their development ventures, NCC, along with these traditional funding streams, works to identify unrestricted capital flows that can be transferred between projects. However, NCC is also persistent in identifying unique funding opportunities (See *Development Financing* for more information).



Rutgers Community Outreach Partnership Center, 2004
Current Construction: Home Health Facility

As seen with the construction of the health care facility, the development team acquired funding from the Healthcare Facilities Financing Authority, which provided bond financing for the project. Although it took two years to put funding in place, once NCC secured the capital, the development team had all the tools it needed to build the facility. In 1986, NCC completed construction on its health care facility, which now employs 250 employees and serves 180 patients.



Rutgers Community Outreach Partnership Center, 2004
Pathmark Shopping Center

NCC has also been very *entrepreneurial in forming partnerships*. NCC recognizes time and commitment as necessary for good partnerships. NCC looks outside of typical would-be partners and has formed relationships with private corporations, utilities/public services, and government. Forming partnerships involves a great amount of effort and comes with risks. Not all partnerships are successful and the costs are sometimes large. Nonetheless, NCC has formed and nurtured many successful partnerships. These partnerships have helped NCC complete projects during difficult financial times (See *Partnerships: NCC and the Suburban Office Park Developer* on page 6).



Rutgers Community Outreach Partnership Center, 2004
NCC's Community Hills

Challenges and Benefits of Non-Profit Development:

Although there are many benefits associated with development, there are also challenges. Therefore, non-profits need *patience, diligence*, and the *ability to overcome challenges* to succeed. In its thirty-six year history, NCC has encountered many problems. NCC's size adversely affects its ability to elicit funding from sources, who sometimes view NCC as large, successful, and financially sound. As a result, the organization has had to find other sources to fund its development activities. One of the most notable sources is the Thrift Institutions Community Investment Corporation (TICIC): a lending pool comprised of 83 savings and loans banks that spreads the risk of local community lending amongst its participants (See *Development Financing* on page 4 for more information).

Persistence: The Fight for Community Hills

NCC wanted to build Community Hills, a development of single-family homes under HUD's HOPE I program. HOPE I provided two pots of money: one for planning and a second for project implementation. Instead of following the path of most other non-profits, NCC opted to apply for the implementation grant, even though it meant financing its own planning. Staff strategized that there would be less competition for the implementation grant. NCC was one of only five groups that applied for funding. However, HUD declared that NCC did not meet the threshold requirements.

Not satisfied, NCC approached HUD officials for a clarification about their elimination, but officials refused to award the grant. Again, NCC did not give up. New Community recruited its legislative representatives including then-Senator Bill Bradley. NCC also engaged Sen. Frank Lautenberg.

NCC again asked HUD to reconsider. This time though, NCC representatives brought the HUD Secretary to the office of a legislator where the entire New Jersey delegation was gathered. Upon seeing the political support that NCC had garnered, HUD Secretary Henry Cisneros literally waved his handkerchief as a flag of peace and awarded the money to NCC.

NCC's persistence led to a successful project at Community Hills. The long, hard road that took years to navigate eventually paid off for NCC and the community.

Partnerships: NCC and the Suburban Office Park Developer

NCC's ability and determination is a testament to the organization's internal leadership. NCC is adept at finding partnerships and turning seemingly unlikely and sometimes disinterested parties into crucial players for mutually beneficial ends.

Take for example, NCC's partnership with Belle Meade Development Corporation to build homes in Newark. Belle Meade, a subsidiary of Chubb Insurance, developed suburban office parks. However, an over-supply of office parks threatened Belle Meade and lay-offs loomed. The NCC development team read about Belle Meade in a newspaper article and thought the company might be an excellent partner for the New Community Estates development.

Representatives from NCC approached Belle Meade and proposed a plan that would be beneficial to both groups. NCC suggested a new market for the developer: inner city Newark. With NCC's knowledge of the Central Ward, Belle Meade could effectively build single-family

housing and keep their workers on the job. Although Belle Meade had never previously been involved in single-family, inner-city homes, it seized the opportunity because of NCC's help.

Both sides gained from the partnership. NCC offered Belle Meade \$4 million to build 56 units, if Belle Meade would provide the construction financing at no interest to NCC. Additionally, NCC gave Belle Meade the opportunity to gain experience in the single-family home building market. The project was successful, allowing Belle Meade to get a contract with the Newark Housing authority to build 800 more homes.

NCC's foresight and creativity in securing partners for its endeavors has been a tremendous asset. Although NCC has usually worked as its own developer, it also actively looks for collaborative opportunities. These partnerships are both inventive and risky, but they are always packaged in a way that offers good results to NCC and their potential partner.

Comprehensiveness: Creating links to other programs

NCC has the unique ability to link its developments to other NCC projects. For example, NCC began to manufacture housing panels in a factory it built on the site of an old Borden milk factory. This business provides construction materials for both NCC and for other builders. As a result, NCC can circulate the capital generated from one project and use it to finance another. NCC Technology, the panel unit, hires many ex-offenders from Newark, providing them with jobs that they could not get elsewhere. NCC often trains workers for its construction team from its Workforce Development Center. Workers earn up to \$30,000 a year. They can use this experience to get other jobs in the private market.

Therefore, NCC Technology serves at least three functions: it provides jobs for construction workers trained in NCC's Workforce Development Center; offers employment for the unemployed (and, to some extent, the unemployable) in the factory, and earns fees and experience for the development staff.

Top Lessons

Despite the complexities of real estate development, New Community elicits community opinion and participation in the development process. Although real estate development is usually associated with bricks and mortar, NCC's approach to development emphasizes the importance of building for people—not place. The organization has built nearly 3,000 units of housing, a health care facility for seniors, and a Pathmark shopping center in Newark's Central

Ward. NCC's development activities are in tune with its mission to improve the quality of life for local residents.

New Community has learned several important lessons from the difficulties associated with real estate development. In sharing these lessons with others, New Community encourages those interested in doing real estate development to:

- **LEARN FROM NCC, BUT DO NOT USE NCC AS A MODEL.** It took the organization thirty-six years to acquire and master its development expertise.
- **DEVELOP SMALL PROJECTS BEFORE EXPANDING TO LARGER ONES.** Development involves tremendous risk, and organizations should be careful not to take on projects beyond their capacity.
- **ESTABLISH PARTNERSHIPS WITH OTHER ORGANIZATIONS AND BUSINESSES.**
 - Identify partners in your area of expertise and establish relationships with local community service providers.
 - Gain development capital by encouraging financial institutions to fulfill their CRA requirements.
 - Identify real estate developers and agencies within your neighborhood and establish working relationships with them.
 - Pitch development proposals from a business, rather than social service or “hand-out” approach and identify the gains a potential partner can earn from doing business with your organization.
 - Building partnerships, like building houses, takes time. Partnerships can be risky. Not all partnerships are beneficial and organizational and networking mistakes can prove expensive in terms of time and political capital.
- **HIRE A COMBINATION OF LOCAL RESIDENTS AND PROFESSIONALS TO COLLABORATE IN DEVELOPMENT.**
- **DEVELOP IN ACCORDANCE WITH YOUR ORGANIZATION'S PURPOSE, GOALS, AND MISSION.**
- **IDENTIFY WAYS TO TURN SET BACKS AND FAILURES INTO SUCCESS.**
- **UNDERSTAND THAT DEVELOPMENT IS A LENGTHY PROCESS,** which requires patience, and dedication to see a project through to its entirety.

Resources

All information except where noted within was gathered from interviews with the following New Community staff:

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