Enterprise is a leading advocate for the Section 4 Capacity Building for Community Development and Affordable Housing (Section 4) program. Over the past 10 years, Enterprise has distributed approximately $80 million in Section 4 grants and loans to more than 900 local nonprofit organizations across 48 states and Puerto Rico. These organizations develop affordable housing, finance small businesses, revitalize commercial corridors, and help address local health care, child care, education and safety needs.

Section 4 is the only federal program that is exclusively focused on increasing the effectiveness of these organizations. Through grants, loans, training and guidance, Section 4 provides local organizations with the staffing, program development and financial resources to maximize the impact of the services they provide and ensure the long-term sustainability of their investments.

With Section 4, organizations develop core skills that strengthen their ability to implement HUD programs, raise capital for community development and affordable housing, coordinate on cross-programmatic, place-based approaches, and facilitate knowledge sharing.

**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. Mercy continues to seek opportunities to both preserve and develop homes in rural communities and urban settings in the Puget Sound region. In Washington, Mercy has projects in many rural communities to the west of the Cascades, from Whatcom County by the Canadian border, to Skamania County on the Columbia River, and many properties in the more urban Puget Sound region. 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.
**Local Challenge**

As is the case with numerous properties in the U.S. Department of Agriculture (USDA) Rural Development Section 515 program across the country, many affordable housing developments in rural Washington are aging and have significant deferred maintenance issues, as well as a need for significant energy efficiency upgrades. Many of these properties need to be substantially rehabilitated in order to preserve quality affordable housing. Doing so is very difficult given limited USDA resources and the financial complexity of refinancing properties involving multiple federal programs and funding sources.

In 2003-2004, Mercy acquired a portfolio of 926 rural apartments in 30 developments built under the Section 515 program. Originally built by a private owner who was looking to exit the program, Mercy purchased the full portfolio to preserve affordable housing in many rural communities throughout Washington State. Raising sufficient capital for this rehab meant engaging multiple federal and state agencies and combining a variety of public and private funding sources, which represented a complex and time-consuming endeavor. Mercy needed to dedicate additional technical expertise and more internal capacity to take on this challenge.

**How Section 4 funds were used**

As Mercy set out 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 and train 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 percent 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. This individual has become a full-time member of Mercy Housing Northwest’s development team.
- Preserved 176 affordable apartments for seniors in Tenino, Winlock and Centralia, Washington.
- Secured financing to preserve three developments in Snohomish County that will be renovated in 2016.

For more information about this project, please contact: M.A. Leonard, 206.223.4519, mleonard@enterprisecommunity.org.

For more information about the Section 4 program, please contact: Sarah Mickelson, 202.649.3903, smickelson@enterprisecommunity.org.