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 $125 million to more than 1,250 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.

**Spotlight on Section 4 Grantee: Satellite Affordable Housing Associates**

Satellite Affordable Housing Associates (SAHA) is a nonprofit housing provider that resulted from a merger of two strong Berkeley-based organizations, Satellite Housing (Satellite) and Affordable Housing Associates (AHA). With over 66 years of combined organizational housing experience, SAHA serves over 3,500 low-income residents in approximately 2,500 affordable homes in Northern California. With 56 existing affordable communities and 18 in development, SAHA will be one of the most productive community-based nonprofit housing organizations in Northern California.

Both Satellite, founded in 1966, and AHA, founded in 1993, provided quality affordable housing linked with social services.
Local challenge

Both AHA and Satellite have grown rapidly in the last ten years, significantly increasing their impact, reputation and financial position. Many of these accomplishments occurred within a challenging economic environment. Federal programs for affordable housing have been significantly cut or defunded, state housing bond funds have been exhausted and the elimination of State of California redevelopment agencies stripped $1 billion in annual local funding specifically for housing for low- and moderate-income residents.

This increasingly challenging environment spurred the Satellite board to consider several strategic options. One of the options was to merge with another nonprofit, and the foremost candidate identified was AHA under its current leadership. As another Berkeley-based nonprofit housing organization with a similar mission, AHA supported the idea of a merger exploration with Satellite.

After many months of discussion and evaluation, the boards of directors of AHA and Satellite approved the merger in July 2012. Though both AHA and Satellite had successful trajectories for growth, the merger due diligence process demonstrated that a merger would result in one more efficient organization better suited to thrive in a rapidly shifting environment.

How Section 4 funds were used

Enterprise provided a total of $52,000 in grants to SAHA to defray merger costs, which are estimated at $350,000 - $400,000, including staff time and administrative expenses, consultants to carry out due diligence, manage the transfer of properties and provide other specialized services, and legal and information technology expenses. Section 4 also allowed Enterprise to lend its expertise to advise SAHA on various aspects of the merger from identifying appropriate consultants to sharing methods for evaluating success.

How Section 4 funds enhanced capacity of organization

The merger of Satellite and AHA into Satellite Affordable Housing Associates will achieve the following strategic goals: 1) increased impact in fulfilling a shared mission and vision; 2) greater sustainable financial strength; 3) diversification of revenue, expertise and property portfolios; 4) strong and experienced leadership; and 5) increased marketability within a difficult and competitive economic environment.

Already, the creation of SAHA has resulted in significant capacity improvements.

• SAHA expects to realize a cost savings of $500,000 annually by merging redundant services and negotiating better pricing from vendors.

• Because of the size of the combined portfolio, it is now cost effective for SAHA to hire a full-time asset manager to monitor its portfolio, which neither organization could justify before.

• The merger process forced SAHA to examine each of its internal systems and choose the best option for the combined organization.

• Merging strengthened staff capacity by providing leadership opportunities for staff and leading SAHA to reexamine all staff positions.

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