



# CommonBond COMMUNITIES



## A Brief History and Looking Ahead

*by Joe Errigo, first CEO and President, November 2006*

CommonBond was created as a response to the turmoil of the late 1960s. Riots in several U.S. cities from 1965 through 1968, after the assassination of Dr. Martin Luther King, Jr., highlighted the racial and economic injustices that prevailed in America. President Lyndon Johnson's Kerner Commission said America was becoming "two societies: one black, one white." That Commission recommended strong action on many fronts, including renewed federal initiatives to build affordable housing.

Across the nation, communities of faith responded with multi-faceted social justice initiatives. The Archdiocese of Saint Paul and Minneapolis, on the recommendation of a group of inner city priests, formed a blue ribbon Urban Affairs Commission that adopted five major program strategies: Legislation, directed to elected officials; Advocacy, focused on community institutions, including churches; Community Organization, helping neighborhoods mobilize for action; Education, developing strategies for schools; and Housing, helping the church sponsor the development of affordable homes for those most in need.

Ed Flahavan, one of those inner city priests who pushed for the creation of the Urban Affairs Commission, became its first Executive Director. He hired me as Associate Director on April Fool's Day of 1971. I had two jobs: Associate Director and "the housing guy."

Federal support for affordable housing was strong: 100% financing with Federal Housing Administration (FHA) insurance; 40-year mortgages accompanied by 40-year rent supplement contracts to make the housing affordable to lower income people. As the Commission debated various strategies in the five program areas, one of its members, Bob Cerny, a prominent architect in the Twin Cities, suggested a wildly ambitious approach for affordable housing. Cerny proposed putting a bulldozer behind the Saint Paul Cathedral, going west on Selby Avenue to Lexington Avenue and returning, clearing out everything on both sides of the avenue and building housing. I always said cooler heads prevailed and we went to Red Wing!

A white institution like the Archdiocese would not have been successful imposing its will on an Inner-city African American community. In 1971, the Commission decided to start its housing programs in the small rural communities of Red Wing and Northfield, Minnesota. The federal funding commitments for Maple Hills of Red Wing and Greenvale Place of Northfield came on the day I started working for Ed Flahavan. Joe Gabler, then head of the local FHA Office at Housing and Urban Development (HUD), called and told Flav "that new guy must be pretty good!"

All I did was show up. Joe Gabler had been the real driving force behind the creation of CommonBond. As early as 1965, Gabler was meeting behind the scenes with Ed Flahavan and that group of inner city priests, telling them the church could be a social justice leader in affordable housing.

Our first housing didn't win any design or construction awards, but we put in place two important policies that would shape our work for the next three and a half decades. In order to fully engage the community in our work, we established community boards consisting of residents living in the housing and local community business leaders. Also, we contracted with private real estate firms for property management.

The 1970s marked the beginning of the end of federal leadership on affordable housing. Lyndon Johnson's "Great Society" programs were overshadowed by an intense war in Vietnam. Richard Nixon invented the Section 8 rent supplement program as an incentive to the private sector to build housing. It worked but it was very expensive. Eventually, there was a bi-partisan effort to slow down that earlier federal commitment to housing. Some consider 1973 to be the watershed year for federal housing support. That was the year Nixon impounded federal housing funds. It seemed like a big deal at the time, but it was only the start of something much more dramatic.

By the mid-70s, waves of new immigrants arrived from Vietnam. Financial pressure on state governments forced the closing of facilities that served the mentally ill. Some policy makers argued for more community-based care for those suffering from mental illness. It was good in concept, but no one provided the money to make it happen.

CommonBond had two identities in the 70s. In 1974, we were the Urban Affairs Community Development Corporation (UACDC), with a five-person board appointed by the Urban Affairs Commission. In 1978, we became the Community Development Corporation for the Archdiocese of Saint Paul and Minneapolis (CDC), a tongue-twister for sure, with a board appointed by the Archbishop. The most important policy change was our decision to bring property management in-house. Those private management companies didn't quite get the "social piece" of what we were trying to do. When we started our own management operation, we had to figure out just what we meant by the "social piece."

We had a guy collecting rent and paying the bills, and a secretary (as we used to say) who was an exceptional "people person." The secretary became our first resident services staff person, and our team model was born. The resident services program grew into what we now call Advantage Centers.

After our initial success in Red Wing and Northfield, we came back to the Twin Cities in 1972 and developed Vista Village on Saint Paul's West Side, in partnership with the Rio Vista Citizens' Planning Council. In 1975, we built Westminster Place on Saint Paul's East Side, our first limited partnership with private investors. Westminster Corporation was our wholly owned business subsidiary, set up to be the managing general partner. Eventually, it would become the management company as well.

Oak Ridge Manor in Hastings, a 109-unit senior facility, opened in 1978. The land was purchased from the Archdiocese. At the time, it was our largest development. It was rebuilt in 1987 after

being totally destroyed by a fire. The building was lost, but all the residents escaped without a scratch.

Kosciolek House (1979) was our first special needs housing, serving the chronically mentally ill. Many of the initial residents were coming out of state institutions that were closing down. The Seward neighborhood was the only neighborhood in Minneapolis willing to accept the new “community model” for housing the mentally ill.

## The 1980s—Westminster Corporation

**Westminster**  
Building Relationships for a Caring Community

Ronald Reagan came to office with a promise to make government smaller. That never happened, but he did manage to cut all domestic programs by 80%, including housing. The Section 8 rent subsidy program died in 1982, again with bi-partisan consensus (the Conservatives said it cost too much; the Liberals said all the money was going to developers!). The Low-Income Housing Tax Credit Program was created with the Tax Reform Act of 1986. It is one of the few federal housing initiatives that is still in place today.

New immigrants came from Cambodia and Laos, and from Central and South America. There was a growing need to develop new strategies that would preserve and maintain the affordability of the housing produced during the “Great Society” programs of the 60s. Federal officials argued over Section 8 project based subsidies and “housing vouchers,” a form of rent subsidy that could be used in any rental housing. Of course, in high rent areas the vouchers didn’t work. More areas were becoming high rent areas.

CommonBond was now called Westminster Corporation. The parent had adopted the kid’s name! The name was well known in housing circles, but that was about it. We didn’t check first with the Presbyterians, and they were less than enthusiastic about our name change. I found that out by speaking after a service one Sunday morning at Westminster Presbyterian in downtown Minneapolis. I mentioned that the Catholics were at Westminster Abbey about 700 years before the Presbyterians and it didn’t get even a smile from anyone.

We built our expertise and visibility in property management and added expertise on the “people” side, with social workers, other human services professionals, community organizers and teachers. Our formal fundraising efforts started in 1981 at the Selby Dale Cooperative in Saint Paul, with a \$30,000 grant from the Bremer Foundation. (In 2006, we received another Bremer grant in the same amount, making them a set of bookends for our fundraising program, at least for now!) The Selby Dale Cooperative was important for another reason: it was built on land cleared ten years earlier by the city’s Urban Renewal program. It was the same area of Selby Avenue that Bob Cerny had suggested as the starting point for our work. By the time we got involved in the Selby Dale neighborhood, we were trying to stop the “gentrification” that was displacing people with lower incomes.

During the 1980s we took over Torre de San Miguel Homes on Saint Paul’s West Side to save it from foreclosure. We refinanced with Low-Income Housing Tax Credits in 1987, with the Saint Paul Companies as our limited partner investor. Red Rock Manor in Newport was our first suburban development in 1980, followed by South Haven in Edina the following year. South Haven was a joint venture with Edina Community Lutheran Church. Yorkdale Townhomes, located about three blocks from Southdale in Edina, was purchased in 1987 so it wouldn’t be

converted to market rate housing. We served as Court Appointed Receiver at Little Earth of United Tribes in Minneapolis from 1983 to 1993, and helped settle that HUD foreclosure action.

## The 1990s—CommonBond Communities



Bill Clinton declared: “The age of big government is over.” Much needed welfare reform reflected the ever-changing support system for people with lower incomes. Henry Cisneros became HUD Secretary. He was a great leader, but probably arrived 20 years late at HUD. Urban policy was put on the back burner and HUD continued to unravel.

The Low-Income Housing Tax Credit program, now popular with large corporate investors, was made permanent in 1989, thirteen years after it was created! It was easy to make the Tax Credit program the centerpiece of federal housing policy because it didn’t require any direct federal appropriations. The program did succeed in bringing private sector investors to the table; however, it provided only a shallow subsidy. Consequently, affordable housing required lots of other equity investments, including contributions, grants and deferred loans from multiple public and private sources.

New immigrants arrived in the U.S. from the war torn countries of East Africa. The increasingly diverse populations in affordable housing now included people from Somalia, Ethiopia, and Eritrea. We started to learn more about that part of the world, as we had learned about Southeast Asia, and Central and South America in the previous decades.

CommonBond started to focus on its “brand” and how we were positioned in the housing business and in the nonprofit community. Our logo included what many referred to as “happy, dancing people.” We started to notice that other nonprofit organizations had similar images, and wondered what distinguished us from them. We continued to be well known in housing circles but were largely invisible to the general public.

In the early 90s, we gave our resident services programs a name: Advantage Centers. It was “borrowed” from the residents of Yorkdale Townhomes in Edina, who were the first to name their learning center and programs. That name identification helped in our fundraising efforts.

Preservation of affordable housing was becoming a priority, with many older communities at risk of being converted to market rate housing. We became part of the Seward Towers preservation team in 1990, along with the neighborhood based Seward Redesign and the Greater Minneapolis Metropolitan Housing Corporation. The Seward Towers acquisition preserved 640 units of affordable housing. On the Saint Paul side of the River, we joined forces with two private developers to preserve the Selby-Dayton Apartments, which became Cathedral Hill Homes. That 1999 initiative created 60 apartments for large families, preserved the subsidies and showed skeptical neighbors that affordable housing could work in an upscale neighborhood.

Success Family Housing in the Seward Neighborhood opened in 1993, providing affordable homes for single parent students. It was our first joint venture with an institution of higher learning, the College of Saint Catherine. There was mounting need to build affordable housing in developing suburbs that didn’t want “those people.” Lake Shore Townhomes, a 19-unit development in Maple Grove, opened in 1999, after a four-year process with neighbors, planning

commissions, city councils, television stories about the community resistance and the strong support of churches and other civic leaders.

## **The New Millennium—2000s**



After all the “dust” settled from Y2K, we returned to the continuing story of the federal government’s retreat from affordable housing. State and local governments stepped up to the challenge, at a time when they were experiencing added financial pressures. There were new limitations on public funding for all domestic programs. That became even more dramatic following the terrorist attacks on September 11, 2001.

The increased complexity of affordable housing finance pushed many private for-profit developers into more lucrative fields. Nonprofit housing groups, large and small, tried to piece things together with multiple funding sources, sometimes ten or twelve funders to build a handful of housing units. The larger housing organizations, like CommonBond, strengthened their relationships with national organizations like the National Housing Conference (the nation’s oldest housing advocacy group, celebrating its 75th anniversary in 2006) and the Housing Partnership Network, a coalition of about 80 of the nation’s large, nonprofit, regional housing providers. The entire industry had a self-image of bruised and battered and on the ropes.

CommonBond abandoned the “happy, dancing people” image and started to emphasize its business approach to solving a social problem. We introduced new products and moved into new market areas, including our neighboring state of Wisconsin. In 2002, we completed a study of the return on investment for Advantage Centers. That study was recently updated to show that for every dollar invested in Advantage Centers, there is a return on investment of \$1.55 through savings in public outlays. We started to refine our community engagement model that started with the community boards in Red Wing and Northfield in 1971. We moved into the big leagues with our fundraising, establishing an endowment for the Advantage Centers with the help of the Pohlad Family Foundation.

Skyline Tower in Saint Paul became our largest and most complex acquisition in 2000. The \$31 million transaction included construction of a state of the art Advantage Center to serve the largely immigrant population. In 2002, CommonBond opened Oak Ridge Assisted Living in Hastings, our first venture into assisted living. That transformed the Oak Ridge site into a full continuum of care for seniors. We completed several acquisitions in the first six years of the new century, both in Minnesota and Wisconsin. We refinanced about one third of our portfolio; one significant piece of that strategy was development of a national model for senior housing refinance that generated about \$26,000 per unit for improvements at 17 of our older senior housing communities. Tewles Seed Tower was completed in 2005, our first venture in Milwaukee, Wisconsin. The 2006 acquisition of Northern Apartments in Chippewa Falls, Wisconsin marks our 35th city in 35 years! It was, of course, carefully planned that way.

## **The Lessons Learned**

The story of our lives at CommonBond is one of adapting to change. We’ve constantly refined our business model to meet the changing needs of our customers. Residents are much worse off now, compared to the rest of us, than they were in 1971. There are many ways to measure

that, but the most dramatic is the relation between stagnant incomes and rising housing costs. Housing finance is increasingly complex, and funding for support services for residents is in short supply. We never do it the same way twice!

The political environment has changed many times in those 35 years, and may be changing again; however, we recognize the severe limitations on the public treasury at all levels. We know that this challenge of affordable housing cannot be addressed by depending solely on government or “the market.” Consequently, we have come to appreciate the need to work in partnerships and collaborations, both public and private. This is true whether we’re talking about the real estate transactions, Advantage Center programming, or advocacy initiatives.

The Urban Affairs Commission model from the early 1970s offers a good framework for our work today. We must try to influence legislation at the federal, state and local levels. We have to mobilize community institutions, including the faith community, to become strong advocates for affordable housing. We should help residents and neighborhoods organize themselves to meet their housing and other needs. And, we should be educators, not only in formal institutional settings like schools and colleges, but by showing what works. CommonBond has lots of success stories to show at 68 locations in 35 cities.

CommonBond must be entrepreneurial in its approach, seeking out opportunities, creating opportunities and managing risk. At the same time, we have to deliver the goods every day of the week; top-quality products and services in a sometimes irrational and highly regulated industry. Our housing has to pass the “drive-by” test: you have to be able to drive by and not know that people with low incomes live there. And, our Advantage Centers have to consistently produce results that matter to residents and to the larger communities we serve.

## Positioned for Growth

The trajectory of CommonBond’s growth shows our current strength and the challenges we face. We have doubled in size in the past 17 years and we are projecting another doubling in the next five years!

### *Key Indicators of CommonBond’s Growth - 1971-2006; and Five Year Strategic Plan*

|                            | 1971 | 1989  | 2006      | 2011     |
|----------------------------|------|-------|-----------|----------|
| Number of Employees        | .5   | 120   | 300       |          |
| Working Capital Fund       | 0    | \$25k | \$2.5 mil | \$10 mil |
| Advantage Center Endowment | 0    | 0     | \$1.4 mil | \$9 mil  |
| Number of Housing Sites    | 2    | 40    | 68        |          |
| Number of Housing Units    | 198  | 2,000 | 4,000     | 8,000    |
| Number of Cities           | 2    | 18    | 35        |          |

Starting with a half-time person in 1971 (me), we’ve grown to a 300 person team this year. It’s not clear how many people will be working for CommonBond five years from now; however, we do know we’ll need new office space that is more efficient and more visible in the community.

Our working capital needs are expanding dramatically. The Housing Investment Fund (working capital) will have to quadruple in size in the next five years to make us more competitive in securing land, making acquisitions and performing the necessary due diligence associated with

complex real estate deals. Doubling the number of housing units in the portfolio doesn't tell us how many sites in how many cities. Those are key variables. The Advantage Center Endowment is projected to grow to \$9 million in five years, providing a steady and dependable source of revenue for the Centers and for program development.

## **Key Challenges for the Board and Staff**

As I reflect on the past 35 years and CommonBond's ambitious plans for the future, I see four key challenges for the entire CommonBond Team:

### *Engaging the Community in Our Work*

We must continue to cultivate and build strong local constituencies that support our work and leverage our assets. These efforts should embrace all segments of the communities we serve, including public officials, business leaders, faith communities of all denominations, neighborhood organizations, human service and health care providers, educational institutions and anyone else who can or should play a role in helping residents succeed. This is significant work and we cannot do it alone.

The community boards established in the early 70s in Red Wing, Northfield and the West Side of Saint Paul were a modest beginning for community engagement. Now, we have to take it to the next level, in the 35 cities we currently serve, and in other cities and towns as we expand to new market areas. The models for engagement will change and evolve. We should try different models in different places and see what works best. One measure of success should be increasing our fundraising results in the communities we serve.

### *Increasing Public Visibility*

We have discussed the need to make CommonBond more of a household word, and public awareness of our work has increased dramatically over the past few years. There is a lot more to do, and we have engaged the services of professional public relations firms to help with that process. The secret weapon, in my view, is helping our entire board and staff develop their ability to tell the success stories. Everyone can become a CommonBond Ambassador who knows the keys messages and has the ability to show what works.

### *Bringing More Resources to the Table*

CommonBond must continue to build its partnerships and collaborations for all aspects of our work, including real estate transactions, Advantage Center programming, and business and organizational development.

And, we will need more money to continue this important work! A large portion of that will come from earned income, as it does now; however, more support will be needed from philanthropic

sources. Over the past couple of years, we've been planning for our first capital campaign. Board members, former board members and other community leaders are helping us discuss strategies for lead gifts and move to a public announcement of a campaign sometime in 2007. The board has approved an ambitious \$18 million campaign goal. As we proceed with a capital campaign, we have to maintain the level of giving to our annual fund.

### *Building Capacity in a Changing Environment*

CommonBond's boards of directors and staff are stronger than they have ever been in our 35 year history. That's saying a lot, because we have had some very talented people serve this organization from our very inception. We have to keep attracting the best and the brightest to carry out our mission. We must reach out to communities of color and diverse ethnic populations that reflect the people we serve. We have to listen to residents.

Finally, we must build sustainable business models that serve the common good, for CommonBond, the housing in our portfolio and the services offered in Advantage Centers. We should play a leading role in designing and building for energy efficiency and environmental sensitivity. We are a private enterprise with a social mission.

### **Final Thoughts**

CommonBond has learned by doing. We teach others by telling stories of what works. We are positioned to make a difference.

In the years ahead we will find new ways to serve aging populations, as a large number of Baby Boomers reach retirement. We will design new senior housing options that are different from the ones of the past. We will get better at serving special needs populations, including people living with mental illness and physical disabilities. We will embrace sustainable design and "green" building strategies. CommonBond will engage in partnerships and alliances that we haven't even thought about yet.

The future, however, is about the kids. In 2006, CommonBond serves about 1,500 kids at our various housing communities. Many of them are the children of immigrants. Half of these young people are under five years old! In ten or fifteen years they will be teenagers and young adults. What will they be doing? Will they be on their way to becoming productive members of society or will they be something else? These kids, and many more like them, are the future of our communities and the future of CommonBond. Their success is our success.