One of the most vexing economic problems facing the United States has been the persistence of pockets of poverty in the midst of prosperity. The reasons for this are many and complex. Prominent among them are economic isolation in the case of rural areas, and language and cultural barriers in the case of many inner-city communities. Discrimination has played a role, but so too has simple ignorance. Resources and opportunities exist in these communities, but getting the recognition from market sources necessary to leverage these assets is difficult. For whatever reason, human and physical resources in these neighborhoods may not be fully utilized. Perhaps even worse, exclusion from the economic mainstream perpetuates and reinforces itself. Lacking jobs, capital, and examples of success, many of these communities have remained mired in poverty.
For the past 30 years, community development corporations (CDCs) have been working to bring such neighborhoods into the economic and social mainstream. Their tactics are varied, from renovating run-down buildings to financing entrepreneurs to improving social services, and they have changed over time in response to changing circumstances. But the aspiration behind the community development movement has not wavered since its beginnings in the 1960s: to strengthen communities by engaging their residents in activities that support economic growth.

Today, thousands of CDCs empower residents and attract public and private investment to resource-poor communities across the country. They are a great example of communities helping themselves get residents up and out of poverty. Their efforts support economic growth and foster opportunity, and they have been especially important in meeting the needs of New England communities since their inception. With the renewed sense of community following the events of September 2001, it is a good time to reflect on the history, goals, and challenges of CDCs. By understanding their strengths and weaknesses, we can perhaps improve their prospects for future success.

Early Roots and Grassroots

Michael Harrington’s 1963 book, *The Other America*, awakened the nation to poverty that was “hidden today in a way that it never was before” and was dividing the United States into two nations. In one nation, “millions enjoy the highest standard of life the world has ever known,” and in the other, inhabitants “are beyond progress, sunk in a paralyzing, maiming routine.” Stirred by the book, President Johnson made reducing poverty a priority of his administration. In the summer of 1964, Congress passed President Johnson’s Economic Opportunity Act, the main weapon Johnson would use to fight his War on Poverty. Together with the Civil Rights Act, which was passed a month earlier, it articulated Johnson’s vision of a Great Society with

*Coalition for a Better Acre, a CDC in Lowell, Massachusetts, is working with neighborhood residents and four canal owners to revitalize the canal area.*
“an end to poverty and racial injustice.”

The Economic Opportunity Act—which established such programs as Head Start, Jobs Corps, and Adult Basic Education—which also launched the precursors to CDCs, community action agencies. Establishing about 1,000 of these agencies was an experiment in self-help; the federal government would finance local leaders to address local poverty, bypassing state and local government. But problems with the structure of community action agencies made them unpopular. Urban mayors, kept out of the federal funding loop, believed their political power was threatened by the agencies. Communities, too, were frustrated because the agencies were funded to develop social services but not employment. In Congress, liberals kept their eyes open for new, more effective programs, while conservatives worked to limit the program’s power legislatively.

In the meantime, urban and racial problems were escalating. In 1965, riots in Los Angeles rattled the country. Later that year, New York Senator Robert Kennedy toured Brooklyn’s neighborhood of Bedford-Stuyvesant with local leaders who were involved in a community planning process. The neighborhood, like many inner-city areas, was a victim of white flight and economic iso-
lation. In 1940, the population had been 75 percent white; by 1960, it was 85 percent black and Latino. Banks had stopped lending in the area, and housing had deteriorated as real estate speculators took advantage of whites’ racial fears.²

Kennedy was impressed by Bedford-Stuyvesant’s activities to unite the community and reverse deterioration. He returned to Washington and, along with fellow New York Senator Jacob Javits, crafted the Special Impact Program amendment of the Economic Opportunity Act. Beginning in 1968, the program provided funding for local organizations to work with residents, nonprofits, and the private sector to foster economic development along with improved social and employment services. The organizations that would receive funding, such as the Bedford-Stuyvesant Restoration Corporation, were called community development corporations. Begun primarily by black leaders, these organizations had been developing in urban centers along with the civil rights movement. With the infusion of federal funding, they focused less on social justice issues and more on tangible inequities in their communities, such as limited job opportunities and inadequate housing.³

By 1970, thirty CDCs in urban and rural locations were receiving funding, and each continued to receive nearly $1 million a year through the end of the decade.⁴ The total number of CDCs to receive such direct federal funding, which came to be known as Title VII funding, was about 40. In Boston, the Circle Inc. (1971), East Boston CDC (1971), and Chinatown Economic Development Council, Inc. (1974), all received early federal money—the biggest concentration of Title VII CDCs in any single U.S. city. In Maine, Western Maine Community Action, created in the original 1964 Act, continues to this day to provide social services to communities in Franklin, Androscoggin, and Oxford counties.

As the political environment changed, so did CDCs. The first of these shifts came during the Nixon administration. Instead of allocating grants from Wash-

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**Massachusetts Takes Initiative**

Massachusetts is known as a state that is especially supportive of CDCs. The seed was planted during the mid-1970s, when the Commonwealth decided that supplementary funding of CDCs was desirable. In 1975, the state unemployment rate topped 12 percent, and manufacturing facilities, which had traditionally provided job entry for unskilled labor and allowed for upward mobility, were closing down or moving out of central cities. City populations were in decline, with Boston losing nearly 80,000 people from 1970 to 1980. In addition, numerous neighborhoods along Boston’s southwest corridor were destroyed in anticipation of an eight-lane highway link to Interstate 95. When the highway project was cancelled in 1972, community activists, led by Representative Mel King, started discussing ways to revitalize the communities.⁵

King’s coalition—which also included scholars, urban planners, lawyers, and consultants—met for morning discussions at MIT and came to be known as the Wednesday Morning Breakfast Group. This group proposed that Massachusetts fund a state development “bank” to stimulate businesses in low-income areas. Businesses that couldn’t find financing elsewhere would apply for Community Development Finance Corporation funding through local CDCs. The group argued that the Commonwealth should also support CDCs by providing them with operating funds and technical assistance. Legislation to establish the Community Enterprise Economic Development Program and the Community Economic Development Assistance Corporation was passed in 1978. These entities continue to be important sources of operating support for CDCs in Massachusetts.
Coastal Enterprises, Inc.: Wiscasset, Maine

Maine’s frigid winters are no match for the heat of activity centered at Coastal Enterprises, Inc. (CEI). For 25 years the staff at the headquarters office, in Wiscasset, Maine, and now its eight branch offices, have been churning out financing and assistance for small businesses. Executive Director Ron Phillips guides his nonprofit to provide business support with a social conscience.

Over 80 staff members coordinate numerous programs to foster economic development. The CDC promotes job-generation by operating five major funds (two of which provide venture capital) and other loan programs that focus on assisting fisheries, child care services, and businesses caring for the environment. Together, these funds exceed $75 million. Besides funding, Coastal Enterprises provides companies with business assistance; it also provides women and recent immigrants with business counseling designed specifically for them.

A model program to create jobs and access to them is CEI’s Targeted Opportunities Program. When businesses obtain CEI financing, they agree to create economic self-sufficiency for Maine’s people. This means that a business will train current workers for promotion and create access to new jobs for targeted groups of people, such as those transitioning from welfare, with low incomes, and with disabilities. In return, the business can rely on CEI and its workforce partners to act as a “virtual human resources department,” says Kathleen Kearney, senior program officer at CEI. Another benefit, adds Kearney, is that CEI and its partners help businesses access training dollars for current and new employees.

Since 1983, over 200 such Employment and Training Agreements have been formalized, spurring the creation or retention of over 10,000 jobs, 3,000 of them for targeted populations. Agreements are formed with all types of businesses, ranging from metal manufacturers to biotechnology firms. Even as the economy has turned down, says Kearney, the program has had a big impact, with over 1,000 jobs for people with low incomes created in 2001 alone.

What makes the program work is that it is much more than just a contract. Staff at CEI communicate often with business leaders, assuaging concerns and helping them hire people who are motivated to work and are a good fit for the job. Businesses are satisfied because they get help with the hiring process and minimize turnover of current employees through on-the-job training. The process, says Kearney, aims to “bring value—not angst and hoops.”

CEI has tracked the program’s results over time; it has watched as people “climb the economic ladder,” says Kearney. Testament to their results, the Targeted Opportunities Program currently serves as a model for the national Community Development Venture Capital Alliance and Philadelphia’s The Reinvestment Fund. Plenty of opportunities for replication remain, though, and Kearney is geared to “spread the idea throughout the field.”
ing direct to local communities, the Community Development Block Grant Program (1974) would disburse money from Washington to the states, with the states choosing which community initiatives to fund. The Nixon administration sought to expand the areas served by CDCs. Initially concentrated in the urban and rural Northeast and Midwest, CDCs began to appear in suburban areas and in the South and West. By the end of the decade, hundreds of CDCs are thought to have formed. But overall funding for community development never exceeded one percent of federal expenditures. Thus, CDCs of the 1970s tended to narrow their program activities on a single sector such as housing or employment, rather than support the comprehensive range of activities engaged in by CDCs of the 1960s and early 1970s.

During the 1980s, despite domestic spending cutbacks, CDCs began to flourish. CDC staff were pushed to tap local and state sources of funds and become more technically savvy and professional as they financed projects with a “patchwork” system of funds. State and national trade associations coalesced to help leverage scarce investment dollars and provide CDCs with assistance. These “intermediaries,” such as the Local Initiatives Support Collaborative (LISC), strengthened political support for CDCs, spread the risk of investing in CDC projects, and encouraged greater philanthropic investment in community development. (The Ford Foundation was already a major supporter of CDCs, contributing millions to their efforts starting in the 1960s.) By the mid-1980s, LISC offices opened in Boston and Hartford, and the Massachusetts Association of CDCs was formed. As advocates for underserved communities, intermediaries pushed for stronger regulatory enforcement of the 1977 Community Reinvestment Act (CRA), which requires banks to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound banking operations.

Into the 1990s, CDCs took on more development work. But as community demographics changed—with new immigrant populations arriving, for example—staying connected to the local population got tougher. Some CDCs could not maintain grassroots involvement and became viewed more as nonprofit developers than community advocates. Community Builders, Inc., for example, is a Boston-based organization that early on shed its community ties to become a larger nonprofit developer working in conjunction with local groups. Some observers, like Randy Stoecker of the University of Toledo, have argued that community development organizations should split into two groups: one to build physical projects and another to focus on community organizing. Others, such as Rachel Bratt of Tufts University, have reasoned that CDCs should not give up their dual role.

### CDCs Today

According to the 1998 census of the National Congress for Community Economic Development, roughly 3,600

![Where Do CDCs Focus Their Activities?](image-url)

**Where Do CDCs Focus Their Activities?**

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<th>Percent of All CDCs</th>
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<tr>
<td>Multi-State</td>
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<tr>
<td>Neighborhood</td>
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<tr>
<td>Indian Reservation</td>
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*Source: National Congress for Community Economic Development, Coming of Age: Trends and Achievements of Community-Based Development Organizations, 1999.*
CDCs in the United States are working to engage residents in local improvement. About one-half serve urban areas, while roughly one-quarter each serve rural and suburban areas. CDCs resemble small businesses in their resources and size. Annual operating budgets range from under $100,000 to over $2 million with a median between $200,000 and $399,000. Sixty percent of all CDCs employ fewer than 10 staff members.

As they did in the 1960s, CDCs continue to serve a population that is overwhelmingly poor. Eighty-four percent of CDCs serve people who have low income, very-low income, or poverty-level income. They continue to serve a specific geographic area and are directed by community representatives. Housing is their single most common activity, with eight out of ten CDCs developing or financing affordable housing. CDCs today are also frequent supporters of small businesses. Over one-half provide technical assistance to local businesses, about 40 percent of urban CDCs own and operate a business, while one-half of rural CDCs operate a loan fund.

What makes CDCs special is not only their shared accomplishments, but also their differences. By molding programs to constituent needs, CDCs are powerful by being distinctive. In individual communities, CDCs venture where private investors don’t tread and where governments have not succeeded. Herbert Rubin, in *Renewing Hope within Neighborhoods of Despair: The Community-Based Development Model*, refers to this as “working in the niche.” For example, when the Greater Dwight Development Corporation in New Haven, Connecticut, began work six years ago, it hosted meetings to listen to the community and decide priorities. Residents, many of whom were elderly or without transportation, wanted a supermarket within easy walking distance. Greater Dwight, along with its partners, provided the community what it was missing by opening a commercial center in 1997 with a Shaw’s supermarket as the anchor. Then, the CDC assumed responsibility for the next community-identified gap: It worked with New Haven’s Board of Education to physically improve the local elementary school.

CDCs undertake projects private developers shun for fear of low returns and high risks. For example, CDCs are sometimes the only organizations that will assume the time- and dollar-intensive job of redeveloping environmentally contaminated sites. To do these projects, CDCs often partner with public and private entities. Because CDCs are nonprofits, the government can legally transfer land or buildings to them for a nominal sum. The CDCs then turn the buildings into housing or space for commercial operations or social services.

**Housing**

One common CDC effort is the development of affordable housing, both rental and owner-occupied. This not only improves the lives of residents but can also attract businesses and other private investments to the community. CDCs encourage homeownership because it is thought to stabilize a neighborhood. With services such as down-payment assistance and homeownership counseling, CDCs also work to reduce the racial gap in homeownership—as of 2000, 74 percent of white households in the United States were homeowners compared with 48 percent of minority households. Beginning in 1990, a portion of federal housing dollars and low-income housing tax credits were allocated specifically for nonprofit housing developers such as CDCs, reinforcing their role as housing producers.

In New England, CDCs are especially prolific housing producers. During the period 1988 to 1990, New England CDCs developed 10 percent of the national stock of CDC-produced housing—almost double New England’s share of
the U.S. population (5.3 percent).\textsuperscript{13}

One organization contributing to these successes is the Burlington Community Land Trust in Burlington, Vermont. When the Burlington Community Land Trust began in 1984, its organizers wanted to increase homeownership throughout Chittenden County and especially in Burlington’s Old North End. But constituents stressed that what the neighborhood really needed was good landlords, so the CDC started buying apartment buildings and kept buying, especially as real estate prices fell during the early 1990s. In line with community wishes, the CDC also built housing and gallery space for artists. With 300 rental and 400 homeownership units developed to date, renters and potential homebuyers in Burlington were partly buffered from rising housing prices in the late 1990s.

**Easing Economic Isolation**

Whether bounded by farmland or pavement, low-income communities often share in economic isolation. Many communities lack employment opportunities because employment centers have moved away or because manufacturing facilities have closed. In rural communities, workers increasingly fill nonagricultural occupations and struggle to move beyond low-wage jobs. According to the Rural Policy Research Institute, low-wage rural workers are 40 percent less likely than their central-city counterparts to advance out of low-wage jobs. In addition, low-income communities, many of them communities of color, struggle to obtain credit.

To reduce this isolation, CDCs provide business loans, offer training and technical assistance, start business incubators, and try to attract outside businesses by developing commercial centers. According to the National Congress for Community Economic Development (NCCED), CDCs have created over...
247,000 jobs through 1997. NCCED statistics show that about 30 percent of CDCs undertake commercial or industrial projects, and that together they have developed 71 million square feet of commercial and industrial space. The New Markets Tax Credit, established in 2000, is expected to bring new funding for commercial enterprises in low-income communities.

The Franklin County CDC, serving residents of Massachusetts' most rural county and one of its poorest, uses its Venture Center to spark business activity. One unit of the Venture Center, known as an incubator, provides twelve work spaces (six office and six light manufacturing) for local entrepreneurs. Fully occupied since 1989, the incubator shields these entrepreneurs from market rents (and family interference). In the fall of 2001, a 4,000 square foot commercial kitchen was added to support local entrepreneurs' food enterprises. Executive Director John Waite says that competition makes it very difficult for farmers in Franklin County. “A farmer will likely lose money if he sells a bucket of apples because of competition from China and Washington state. But if he brings it to the Center and makes apple pies or applesauce, and sells that, then he can make a profit.” In addition to these activities, the Franklin County CDC provides marketing and business assistance to those using the Center. It also runs a $2.5 million business loan program for businesses that do not qualify for traditional bank loans.

Social Services

In tandem with creating job opportunities, CDCs often develop services that support employment. For instance, many working parents have difficulty finding and paying for child care. In Woonsocket, Rhode Island, 21 percent of children live in poverty, and potentially 600 children need child care placement, according to a 2001 estimate by Rhode Island Kids Count.

To help meet this need, Woonsocket Neighborhood Development Corporation (NDC) is developing a child care facility for the Constitution Hill neighborhood, where it focuses its redevelopment activ-
Nuestra Comunidad Development Corporation: Roxbury, Massachusetts

When Hector Pina approached Nuestra Comunidad Development Corporation with commercial real estate space on his mind, the situation was serious. He’d been searching the Blue Hill Avenue area of Roxbury, Massachusetts, for somewhere to locate his growing restaurant and catering business, but without luck. Pina figured he would have to move out of the neighborhood. His restaurant, Merengue, was the only sit-down restaurant in the economically struggling community, and it was a symbol of success. It also served terrific Dominican meals. Nuestra Comunidad was sure they would find a solution.

Now Nuestra Comunidad owns 40,000 square feet of occupied commercial space, and in the process, has overcome many financing barriers. “There is no system in the community development world for commercial real estate development,” says Evelyn Friedman, executive director of Nuestra Comunidad. In housing finance, she adds, “there is a series of equity resources, and then you get loans, and people know the system. In commercial real estate development, there is no system; it’s a new model every time.”

Few nonprofit lenders will finance commercial development, and when banks provide financing, they prefer it to be for “credit tenants,” such as those who are part of a franchise. “But because we’re a CDC, we tend not to seek those tenants—we want the local retailer...and this makes financing harder,” says Friedman. Despite the difficulties, Nuestra Comunidad plans to continue redeveloping commercial real estate because the benefits of keeping a place like Merengue in the neighborhood are just too good to give up.

The solution turned out to be right next door. A vacant building adjacent to Merengue was in poor shape, and the owner was ready to sell. Nuestra Comunidad bought the building, renovated it with restaurant codes in mind, and, for the first time, structured the financing deal so that the CDC would be an equity partner. In five to seven years, Nuestra Comunidad will sell its share of the space to Pina, helping a local resident become a commercial property owner.

Revitalizing commercial real estate is something the CDC has been doing since the 1980s through its work as a redeveloper of mixed-use properties, which have commercial space on the ground floor and housing above. When the CDC became involved in small business support, it realized that businesspeople encounter many obstacles to finding commercial space of appropriate size, use, and condition.
ity. Executive Director Joe Garlick and board members convinced the state to transfer an 1899 brick building and its land to the NDC for one dollar. Woonsocket NDC then obtained listing for the building, which was designed by a Woonsocket resident, on the National Register of Historic Places so it could receive Historic Tax Credits. After cleaning up the asbestos and the underground oil pollution, the CDC arranged for office space within the building to rent to local businesspeople and coordinated with a private child care provider to run a 115-slot child care facility. Woonsocket residents are eagerly awaiting the grand opening of the building, to be named the Hope Street Commercial Center, planned for the spring of 2003.

Community Organizing

Many poor communities need to organize constituents to make their voices heard by the political establishment. This can be an especially difficult task in low-income immigrant communities, where U.S. democratic institutions and rights may not be well understood. Lowell, Massachusetts, is a case in point. Latinos, Cambodians, and others from Southeast Asia (many of them refugees) have been settling in the city, adding to the base of Irish and Greek immigrants. Estimates of the city’s foreign-born population range from 16 percent to over one-third.

Residents of the Lowell neighborhood of the Acre, many of whom escaped countries where they were persecuted for the “wrong” political opinion, have overcome their fears of political protest to lobby for their community’s well-being and future. Encouraging these residents to join together is a CDC called Coalition for a Better Acre. Established in 1982 to protest a plan to redevelop the neighborhood and displace some low-income residents, the Coalition recently gathered 400 community residents to clean up the neighborhood’s canal, eat lunch together, and participate in a cultural festival. After the event, residents began negotiating a memorandum of understanding with the canal’s four owners—the city, state, and federal governments, and a hydroelectric company—to ensure its upkeep. Organizing Director Lindolfo Carballo says that area residents are now unofficial “stakeholders” in the canal. By developing a sense of ownership, the community takes a step toward neighborhood improvement.

An Uphill Battle

Despite the many successes of CDCs, the corrosive effects of poverty and lack of economic opportunity present difficult challenges. Market economies like that of the United States reward success and punish failure. Clearly, it is possible to move out of poverty, and many, if not most, of those who start out at the bottom move up. But a continuing fraction of the U.S. population—about 9 percent, as measured by the U.S. Census—remain in poverty. Moreover, poverty has become more concentrated. Urban-area poverty stands at 11 percent, but within certain cities, poverty rates are much higher. In 1970, metro Hartford had 18 census tracts with poverty rates over 20 percent; by 1990, it had more than twice that number, at 41. In metro Worcester, the number of such poverty tracts also ballooned, jumping from 3 in 1970 to 14 in 1990.

Almost 40 years after Michael Harrington’s book, one can still see the

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<th>CDCs’ Shared Achievements</th>
<th>Total Products through 1997</th>
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<tr>
<td>Housing units constructed or rehabilitated</td>
<td>550,000</td>
</tr>
<tr>
<td>Loans to small and micro businesses</td>
<td>$1.9 billion to 59,000 businesses</td>
</tr>
<tr>
<td>Commercial and industrial space developed</td>
<td>71 million square feet</td>
</tr>
<tr>
<td>Private-sector jobs created</td>
<td>247,000</td>
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United States as two nations, one rich and one poor, with minorities generally populating the poorer nation. Income gaps between the races are narrowing, but wealth gaps remain wide. The Federal Reserve’s 1998 Survey of Consumer Finances shows that nonwhite and Hispanic families had median incomes that were slightly less than two-thirds of those of whites. Nonwhite and Hispanic median family wealth in 1998, however, was less than one-fifth that of whites.

The need to develop affordable housing is ever more pressing. Three of New England’s six states (Connecticut, Massachusetts, and New Hampshire) rank in the nation’s top ten most expensive states for renting, as measured by the National Low Income Housing Coalition. Since 1995, over 8,300 housing units in New England have expired from affordability contracts with the U.S. Department of Housing and Urban Development’s Section 8 program of subsidized housing. Over 300,000 units disappeared from the national affordable stock between 1997 and 1999. The number of households with severe rent burdens is also on the rise. As of 1999, more that 20 percent of low-income married couples with both spouses working spent more than one-half their incomes on rent.

So for many CDCs, it’s an uphill battle. David Rusk, in Inside Game Outside Game: Winning Strategies for Saving Urban America, analyzes 34 “exemplary” CDCs to see how they affected their neighborhoods. Despite all the good work, Rusk found that areas served by CDCs saw family poverty rates increase, household income fall, and neighborhood buying power either remain flat or decline as metrowide buying power surged through 1990. To explain this result, Rusk notes that CDCs are small organizations—most employ fewer than ten people—and that their impact may not be measurable against giant market and demographic forces. Several issues potentially limit CDC effectiveness: a lack of financial stability, a lack of political power, and operational scale.

Limitations

The first limitation on CDC effectiveness is financial stability. Because CDCs rely on a state’s allocation of federal and state monies, they are susceptible to changes in the political winds. CDCs may be in vogue during one administration and out of favor the next. Shifts in the types of projects supported financially, such as workforce development for a few
years and then housing, can make it difficult for CDCs to operate strategically. CDCs are also caught between proving to philanthropies that they are in need of money and proving to financial institutions that they are stable enough to deserve investment. It is a constant struggle to both finance projects and support their communities politically.

The second major issue CDCs must grapple with is projecting their voices to the political establishment. While advocating for their communities, CDCs must maintain good relations with the state and local government agencies that supply land or property transfers and provide funding. CDCs work in areas that private markets generally avoid, but they do sometimes have competitors, such as other nonprofits and select developers. Relations with government create natural tension for CDCs. If they lose support in government, they may lose resources. But if they don’t challenge government strongly enough on issues of reform, they may sacrifice support within their communities.

The third issue, which builds on financial and political limitations, is scale—whether CDCs are large enough to overcome inefficiencies and maximize impact. A small organization may not have the capacity or experience to undertake large-scale projects. Similarly, it may be unable to take on enough projects to have a major impact on its community. For example, less than 5 percent of all CDCs have produced 40 percent of all CDC-developed housing.16
Sometimes relying on too few resources leads CDCs to work at a “one project at a time” pace, hindering their ability to obtain new resources and plan strategically. Territoriality is another obstacle. In some markets, such as Boston, nearly 25 CDCs work in a 44-square-mile area. As Avis Vidal of the New School for Social Research notes, “The ‘system' cannot attract enough resources to support a comprehensive CDC in every disinvested neighborhood that would benefit from one.”\(^{17}\)

Handling the Limitations

To counteract these limitations, some observers believe consolidated CDCs would be more effective, at least in those areas with a large number of small CDCs. Merging, they argue, would allow smaller CDCs to reach an effective scale so that administrative costs would take a smaller bite out of resources. It would also allow CDCs to combine expertise and reduce the time spent competing for resources. Among nonprofit small business lenders, an industry that similarly stresses the need for a base of community knowledge, merging has begun.

Chuck Grigsby, who heads the Life Initiative, an insurance industry-based community development fund in Massachusetts, believes that overlapping service areas and competition among CDCs are indicators that CDCs could benefit from consolidation. Noting that CDCs in Boston have reached a level of maturity, he believes that their next challenge will be to become “fewer but stronger.” He indicates that merging is the step other industries take to ensure long-term strength.

Other observers don’t explicitly support merging, but they believe CDCs would be more effective if they specialized, rather than trying to provide a broad array of services. DeWitt Jones, president of Boston Community Loan Fund, thinks there could be a unique role for each of the CDCs in Boston, and that capitalizing on honed expertise might enable the most effective organizations to do what they do best. This would benefit all groups as CDCs could then contract out their particular skills to other CDCs. But Jones acknowledges that if a CDC becomes less politically grounded in its community, developing innovative or specialized projects becomes riskier because the CDC may misjudge community needs. Referring to his own organization’s lending activity, he says, “If we’re going to push the envelope, we need to have confidence that CDCs understand their own capacity, their constituencies’ needs, and the market they want to enter.”

The idea of merging or specializing troubles some CDC advocates. Andrea Luquetta, director of housing and community reinvestment at the Massachusetts Association of Community Development Corporations, warns, “It’s seductive to say CDCs could merge and have a lot more scale and be more productive—and it’s attractive to funders, too, because they could fund one organization that serves a broader area. But when you merge, you develop more of a standard product, and this may not be what the community needs.” Luquetta suggests that the current situation, with CDCs partnering on certain projects, allows them to gain efficiencies without losing local connections. Matthew Thall, program director of the Boston office of the Local Initiatives Support Coalition, hopes sophisticated CDCs will begin mentoring and consulting those CDCs with less experience.

Others warn that creating larger scale organizations may be counterproductive, and may actually reduce the political power and effectiveness of CDCs. Mel King, who joined others in organizing communities along Boston’s southwest corridor in the 1970s, believes the CDC infrastructure allows communities to develop local leaders—and warns that reducing the number of CDCs will limit the development of neighborhood power. He cautions, “Leadership development doesn’t come in one package.”

In the end, perhaps this is a question
Manchester Neighborhood Housing Services: Manchester, New Hampshire

Executive Director Felix Torres knows his community development corporation, Manchester Neighborhood Housing Services (NHS), is having a positive impact on the community of Manchester, New Hampshire, because when he walks through the city, people stop him and say, “This neighborhood doesn’t look like I remember—it looks nice.”

The Tree Streets renewal project is one example of the improvements taking place in this former mill town. The dilapidated and vacant complex of four buildings was a disgrace to the neighborhood until board members of Manchester NHS, most of whom are community residents, suggested that the organization buy the properties and renovate them. Two buildings were torn down; one of these was subsequently rebuilt. The other two buildings were renovated with care to preserve. Now the three buildings provide 23 units of affordable housing on the site. An art gallery that employs local youth occupies commercial space on the first floor of one of the buildings.

Of the nearly 200 units of housing (rental and ownership) Manchester NHS has redeveloped, Torres is especially proud of the Tree Streets project because it provided the opportunity to develop housing while providing services for local youth. During negotiations with the owner to buy the four buildings, Manchester NHS learned that the owner also owned six other properties in the town that were in poor shape. Manchester NHS was able to purchase all ten buildings. It is in the process of transferring some of them to a transitional housing organization, and will be rehabilitating the rest.

Manchester NHS picks development projects to pursue that are large, vacant or mostly vacant, and dilapidated. Many times, board members will say to Torres, “That building on xyz street is such a dump. We need to buy it and fix it up.” The challenge of providing affordable housing is becoming more pressing as unemployment rises among the CDC’s constituency of low- and moderate-income earners. Unfortunately, Manchester NHS is not always able to purchase buildings because of high real estate prices that have not softened, even as the economy has weakened.

Housing has always been a priority for Manchester NHS because Torres believes housing fits into its broader mission of improving the well-being of its residents. Housing is not “the only answer,” says Torres, “but it is a critical piece of a strategy to revitalize a neighborhood. We’ve taken over houses people used to cross the street to get away from. We’ve brought in good tenants and gotten rid of criminals. Having a good physical environment makes a real difference in people’s lives.”
for the community to decide. Mossik Hacobian is executive director of Urban Edge, a large CDC in Boston that shares 80 to 90 percent of its footprint with the Jamaica Plain Neighborhood Development Corporation and has smaller overlaps or is contiguous with five or six other CDCs. Hacobian believes that the question should be posed to community residents. Says Hacobian, “CDCs are created because the community has a need it wants served in a particular way.” He suggests that the community will act as a market and weed out a CDC when it is viewed as ineffective or unnecessary.

Moving Forward

CDCs in mature markets may decide to merge or specialize, or extend their reach by forming alliances with other organizations, such as health care centers or youth organizations. They may become more regional in nature, or they may prefer to stay as they are. But whatever the choice, low-income communities deserve to have the most effective organizations possible serving them. CDCs are not organizations with deep pockets; they cannot afford to use resources inefficiently.

Judging the effectiveness of CDCs is complex, but so is judging how they should transform, or even if they should. With limited resources, CDCs have been restoring communities from within, catalyzing private investment, and giving opportunity to neighborhood residents. Thwarting the pace of neighborhood decline, however, is not an easy task. If CDCs are to continue strengthening communities, we must continue supporting them and seeking ways for them to be more effective.

Endnotes

3 O’Connor, “Swimming against the Tide,” 106.
6 O’Connor, “Swimming against the Tide,” 110.
9 According to the National Congress for Community Economic Development (NCCED), low income is defined as 50 to 80 percent of area median income, very-low income is 30 to 50 percent of area median income, and poverty-level income is up to 30 percent of area median income. NCCED, Coming of Age: Trends and Achievements of Community-Based Development Organizations, (Washington, DC: NCCED, 1999).
10 The 8 out of 10 statistic could be a product of the NCCED census because in order to be counted as a CDC, the organization must have completed either a housing, commercial real estate, or business development project. But the statistic is consistent with another academic’s finding that 9 out of 10 CDCs produce housing.
14 This ranking excludes Washington, D.C. Including Washington, D.C., New Hampshire ranks as number 11, according to the National Low Income Housing Coalition, <http://www.nlihc.org> (11 February 2002).