



*Something
Is Working...*

How We Started ■ How We Work in Neighborhoods ■ What We've Accomplished ■ What We Have Learned

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Introduction

Something is working.

In inner cities. In neighborhoods long left behind. Communities are coming alive. Some of the same communities many of us had given up on as not salvageable. The ones with dirty streets and abandoned cars. With vacant, run-down housing and boarded-up storefronts. With poor city services. With gangs and drugs and violent crime. With no jobs for the unemployed. With despondent and dependent people. The communities where the people who could do so had moved out. The slums. The ghettos.

We've not seen those latter terms on the front pages much in recent years. That is largely because something happened in many of these communities in the last decade, and grew. Not in all, of course; and during the decade other neighborhoods slid into despair. But now many disadvantaged communities are in fact discernibly better; and some are even transformed. The best known is the South Bronx, once "the Calcutta of American cities" and now a pretty decent place to live, work, do business, and raise families. There are other urban communities, less celebrated, that have attained this status and still more that have clearly made progress toward it.

These reviving communities have cleaner streets and lots; new or rebuilt housing, community facilities, and commercial facilities; lower crime and a sense of safety; good things for kids to do; new businesses and new jobs and job training; new places to shop and gather and talk. Residents plan and work to make things happen; and city agencies listen and respond. People are even moving back in. There is still a way to go in many neighborhoods; but in some, these days, things have progressed to the point that the main issue is gentrification and preserving affordable housing

What happened? For one thing, for three-quarters of the decade of the 1990s, the nation enjoyed the longest peacetime expansion in living memory. That clearly helped. The tide rose so strongly and for so long a time that water gathered around a lot of mired boats that had not been reached in shorter expansions. But this explains only some of what happened. To extend the old economic metaphor, those boats needed to be pried loose, repaired, refitted, and restocked; crews installed and trained and supported; and leadership put aboard to chart a purposeful course and engage with others in the fleet. Without these things, the boats would stay mired—or perhaps float but drift aimlessly, at the mercy of the economic winds.

What was needed in cities were policies, mechanisms, institutions, and systems that could help neighborhoods that had fallen behind to catch up, that could do some good in bad times and take full advantage of boom times. What was needed in the neighborhoods was something that married national and local funding with technical competence and neighbor-

hood enterprise and responsiveness—something that mounted a broad assault on the multiple, interlocking problems of these neighborhoods. That something in most of these communities was one or more Community Development Corporations (CDCs).

What happened in many cities in the decade of the Nineties was that, as a nation, we took some tools and institutions (like CDCs) that had emerged over the prior decade or two and some that had been around longer than that. We created some new organizations and discovered some new mechanisms (for instance, the Low Income Housing Tax Credit). We cobbled them all together into reinforcing systems. And we developed and fine-tuned this assemblage. The Urban Institute, a leading national policy research organization, has called this an “institutional revolution.”

This apparatus is probably not in its final form—it will undoubtedly evolve further as this new decade progresses. Nor is the job of restoring healthy, attractive American inner city neighborhoods complete. More must be done if urban neighborhoods are to realize their full potential to contribute to the vitality and competitiveness of American cities and metropolitan areas.

But in many communities, these new systems are quite advanced, with a decade-long record of substantial accomplishment and even greater potential, despite some inevitable failures. In essence, what happened is that we learned how to make community development systems that pretty much work. After trial and error and much effort, we, as a nation, are getting it; the evidence is there to see—tens of thousands of units of affordable housing; millions of square feet of commercial, industrial, and community facilities; and a broad range of community organizing, planning, and human services.

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*The First Decade:
1991–2001*

INTRODUCING “LIVING CITIES: NCDI”

This report is an introduction to a major catalyst and financier of these systems in 23 cities, most of which made significant progress during the Nineties. We are a unique entity—a partnership of public and private, for-profit and non-profit funders committed to the revitalization of urban communities. We began in 1991 as the National Community Development Initiative, or NCDI (“Living Cities” was added to our name in 2002). In our first decade, we assembled an “NCDI Community Development System” that comprises four key elements:

- **National intermediaries.** The national operating instruments of NCDI are the two largest community development “intermediaries”—the Local Initiatives Support Corporation (LISC) and the Enterprise Foundation, which each have offices in dozens of localities around the country.
- **Community development corporations.** The local operating instruments—which make things happen in neighborhoods—are community development corporations or CDCs, of which there are now about 4,000 throughout the nation, about 300 of which received NCDI support during the decade in the 23 cities in which NCDI invested.
- **Local support entities.** Another component of this apparatus are “local operating support collaboratives” comprising local foundations, banks and corporations, and local government, which gather and focus local technical expertise and governmental and economic resources and use them to sustain and enhance the capacity of CDCs.
- **Evaluators.** Finally, NCDI has contracted with independent evaluators to assess and document its progress and accomplishments and to distill the lessons from its experience. The Urban Institute, a policy and research organization in Washington, DC, played this role for the bulk of NCDI’s first decade.

As this NCDI Community Development System was brought together during the Nineties, it grew in capacity and competence, utilizing a quarter of a billion dollars of NCDI funds as loans or grants for real-estate and non-real-estate projects or for general capacity building of the components of the system as listed just above. The majority of these funds were used by the intermediaries and CDCs in the 23 cities for real-estate projects whose total development cost from all sources was \$2.23 billion. In addition, the intermediaries, the CDCs, and the local support collaboratives attracted an additional \$5.5 billion from other sources for other real-estate projects in these cities. These additional funds were leveraged in part from the presence in these troubled communities of the nationally known funders comprising NCDI and the growing credibility of the intermediaries and CDCs that NCDI support helped generate.

This report will describe briefly how Living Cities: the National Community Development Initiative started, how we work in neighborhoods, what we have accomplished, and what we have learned.

How We Started

Living Cities was launched in 1991 as the National Community Development Initiative (NCDI), an informal partnership of seven private philanthropic foundations and an insurance company that were committed to urban revitalization and convinced that community development corporations (CDCs) could be an important vehicle to that end if provided with both technical support and sustained funding at scale.

The first “Round” of NCDI funding was for three-years and was successful enough for a second three-year Round to be announced in 1994 and a third in 1997, this time of four years duration to round out a decade. Along the way shifts in personnel, resources, and focus led to the amiable departure of two foundations; but four more joined, as did another insurance company, four more banks, and the U.S. Department of Housing and Urban Development (HUD). By the end of NCDI’s first decade, it comprised nine foundations, six banks and insurance companies and HUD (see box, right).

During this first decade, NCDI was not a corporate entity but rather an informal partnership with a small, part-time secretariat varying between one and three people who served the partnership as a whole as well as its various committees. NCDI’s members make pledges of grant or loan support for each Round, which are figuratively pooled and allocated to the national intermediaries we support—The Local Initiatives Support Corporation (LISC) and the Enterprise Foundation—on the basis of their annual work plans. The NCDI partners meet at least semi-annually to consider its priorities; to visit one of the cities in which the intermediaries work; to request, receive, and examine work plans from the intermediaries; to review progress against those work plans; to mount occasional special projects; and to

National Community Development Initiative Funders—First Decade (1991–2001)

Initial Funders, Round I (1991–1994)

William and Flora Hewlett Foundation
Pew Charitable Trusts
John S. and James L. Knight Foundation
Prudential Insurance Company of America
Lilly Endowment Rockefeller Foundation
John D. and Catherine T. MacArthur Foundation
Surdna Foundation

(The Lilly Endowment participated only in Round I; the Hewlett Foundation participated only in Rounds I and II.)

Additional Round II Funders (1994–1997)

Annie E. Casey Foundation
J.P. Morgan & Company*
McKnight Foundation
U.S. Department of Housing and Urban Development
Metropolitan Life Insurance Company
Additional Round III Funders (1997–2001)
Deutsche Bank (formerly Bankers Trust Company)
W.K. Kellogg Foundation
Chase Manhattan Bank* Bank of America (formerly NationsBank)
Robert Wood Johnson Foundation

** J. P. Morgan & Company and Chase Manhattan Bank began participating in NCDI as separate entities and have since merged into one organization.*

pursue such other business as the partners may propose. In essence the NCDI partners functioned as an informal “board of directors” to the Initiative during its first decade, a role that was formalized in 2002 with the incorporation of NCDI as a non-profit, tax-exempt entity with a new name: “Living Cities: The National Community Development Initiative.”

The NCDI partnership is remarkable in several respects:

■ **It is unique.** We know of no other partnership of this scale in American domestic affairs that comprises public and private, for-profit and nonprofit entities—foundations, financial corporations of various kinds, and one or more federal agencies.

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**National Community Development Initiative Funders—Round I (2001–2004),
Second Decade**

Funder	Level of Participation
U.S. Department of Housing and Urban Development	\$ 20,000,000
J.P. Morgan Chase Bank	15,000,000
Bank of America	10,000,000
Metropolitan Life Insurance Company	10,000,000
The Prudential Insurance Company of America	10,000,000
The AXA Community Investment Program	8,000,000
Deutsche Bank	8,000,000
John D. and Catherine T. MacArthur Foundation	6,000,000
The Rockefeller Foundation	6,000,000
The Annie E. Casey Foundation	4,200,000
W.K. Kellogg Foundation	4,000,000
John S. and James L. Knight Foundation	4,000,000
Fannie Mae Foundation	3,500,000
Robert Wood Johnson Foundation	3,000,000
The McKnight Foundation	3,000,000
Surdna Foundation	2,000,000

Source: *Living Cities: NCDI Web site, www.ncdi.org*

■ **It is both large and enduring.**

Initially, the partners enrolled only for each Round and assumed the Initiative would end after a decade. But at the end of three Rounds totaling \$254 million and ten years together, the partners agreed to continue NCDI for a second decade. By January 2002, old and new partners had committed \$116.7 million for a three-year first round of the second decade, a sum that may increase from additional contributions and investments (see box, above).

■ **It has focused intensely on building systems and CDC institutional capacity,**

not just on producing discrete numbers of housing units or other project outputs in a cost-effective way. We believe that such systems and institutional capacity are essential to restoring or creating healthy, vibrant neighborhoods over the long run.

■ **It has retained the personal attention and active participation of top-tier executives from its partner institutions.** They do this, they say, because they are personally and institutionally committed to this enter-

prise—and because they learn so much from their involvement in it with their peers from different sectors.

THE INTERMEDIARIES

To the NCDI partners, it was clear early on that a partnership of senior executives with leadership responsibilities in major institutions had to delegate operating responsibilities—the detailed, “retail” decisions on how to provide technical and financial assistance and to whom—to another entity or entities. Fortunately, two were at hand in 1991 when NCDI began, each with a decade or so of experience in dozens of cities across the nation, each with proud track records constrained mainly by inadequate funding.

The Local Initiatives Support Corporation (LISC)

LISC was created in 1979 by a team of people from The Ford Foundation who became its first leaders. Today, it is the largest community development organization in the nation.

LISC concentrates on assisting community development corporations through grants,

loans, and equity investments, technical expertise, training, and information. These efforts support the development of local individual leadership and CDC institutional capacity that create affordable housing, commercial, industrial and community facilities, businesses and jobs, community safety, childcare, and youth development. LISC currently works with 77 rural CDCs in 39 states and over 300 urban CDCs in 38 cities where LISC has local offices.

LISC has also initiated and manages several national programs. These include financial instrumentalities that mobilize private capital for housing through the federal government's Low Income Housing Tax Credit; for large-scale commercial development; and for community properties. LISC's Housing Authority Resource Center concentrates on revitalizing public housing properties and its Center for Home Ownership promotes and supports that agenda.

LISC also runs an AmeriCorps program placing volunteers in CDCs and other local community building organizations. Its Community Investment Collaborative for Kids (CICK) supports the development of community-based child-care facilities as well as home-based childcare. And its Community Safety Initiative promotes partnerships between CDCs and police departments.

The Enterprise Foundation

"Enterprise" was founded in 1982 by renowned developer Jim Rouse and his wife, Patty, as a vehicle for helping low-income people revitalize their communities. Headquartered in Columbia, Maryland, Enterprise has offices in 18 communities across the nation.

Enterprise works with a network of 2,200 nonprofit organizations, public housing authorities and Native American Tribes in 800 locations, a roster that includes over one hun-

dred CDCs. The Foundation provides these organizations with technical assistance, training, short- and long-term loans, equity investments, and grants. Enterprise applies these resources to developing affordable housing; training and placing disadvantaged people in jobs; child-care centers and home-based child care; community safety initiatives; and commercial and mixed-use projects, especially on urban "brownfield" (former industrial) sites.

Enterprise also partners with Habitat for Humanity International; operates a Native American housing initiative; and mounts comprehensive community building initiatives.

Enterprise has also created a set of specialized financial instrumentalities that invest private equity in projects using the Low Income Housing Tax Credit and that otherwise provide short-term and mortgage funding for housing. And, the Foundation has created related organizations that develop, market, and sell or manage the rental of low-income housing and mixed-use facilities—or that promote home ownership to low-income people and prepare them for that role.

THE NCDI CITIES

It was also clear to the NCDI partners, as well as LISC and Enterprise, that even the larger scale resources available from NCDI should be concentrated for impact on a smaller subset of the cities in which LISC and Enterprise worked. Hence, the partners and intermediaries designated 23 cities (see box) for NCDI attention. These were cities where one or more of the funders had experience, commitments or specific interests or that offered special challenges or opportunities.

**Cities in which Living Cities:
National Community Development
Initiative Operates**

**Cities in Which Both LISC and Enterprise
Operate with NCDI Support**

New York City
Washington, DC

LISC NCDI Cities

Boston
Chicago
Detroit
Indianapolis
Kansas City
Los Angeles
Miami
Minneapolis/St. Paul
Newark
Philadelphia
Phoenix
San Francisco Bay Area
Seattle

Enterprise NCDI Cities

Atlanta
Baltimore
Cleveland
Columbus
Dallas
Denver
Portland, OR
San Antonio

COMMUNITY DEVELOPMENT CORPORATIONS (CDCs)

CDCs are neighborhood-based non-profit organizations dedicated to the economic, social, and physical betterment of their communities. There are about 3,000 of them at present throughout the nation in both rural and urban areas, varying from nascent organizations with little more than a letterhead and perhaps a program or two, to programmatic conglomerates the largest of which have hundreds of staff and multi-million dollar budgets. The more mature and well-developed CDCs annually build or renovate dozens (in some years hundreds) of housing units, refurbish commercial blocks, help start businesses, organize neighborhoods,

engage in comprehensive planning, and provide a broad range of human services to their communities.

CDCs first emerged in the early 1970s from the ferment of the prior decade's War on Poverty and Civil Rights Movement. CDCs distinguished themselves by their focus on getting things done, concretely and programmatically, in and for their communities. They sought to build assets and provide services. They represented their communities in the halls of economic and political power, constructed alliances and partnerships that brought resources into their communities, and connected those communities to the larger economic, social, and political mainstream. These characteristics proved critically important to the progress thus far of distressed communities that we have noted.

CDCs quickly gravitated to physical redevelopment, especially housing, but also, in many cases, to community and commercial facilities. The reasons were several: First of all, their neighborhoods were marked by great physical deterioration; new or rehabilitated housing and other facilities were desperately needed. Moreover, in most of their neighborhoods nothing new had been built in decades; successfully building something new or restoring something to attractive usefulness was a powerful symbol and reality of recovery. It demonstrated that something could be done, and that an entity existed in the community that could make such changes happen. It built hope and confidence and inspired emulation—and it engaged financial institutions on activities and terms that they respected.

Further, while the need for various social programs—job training, child care, youth programs, addiction services, and so on—was just as desperate, their funding streams were different in important respects. Funding for

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such services from all levels of government was not firmly established and was limited and notoriously unstable, much of it declining substantially relative to needs in the 1970s and, especially, the 1980s. Where such funding existed, it was often in the hands of cumbersome government bureaucracies.

Affordable housing, however, had a longer tradition of acceptance and relatively more stable funding streams. Moreover, housing—and other real-estate development—generated streams of income from sales and rents, meaning that they could be funded from debt and equity investments and, with appropriate subsidies and enhancements and good management, break even or even generate profits. And private developers, including non-profit developers, could be eligible for such financing.

And so, CDCs undertook to develop both their number and their competencies at housing and other physical redevelopment projects. In the 1970s and 1980s, CDCs slowly spread, becoming known, even stereotyped, as “just” affordable housing developers. In reality, however, they never abandoned their commitment to more comprehensive community renewal based on community organizing, broader economic development, and more comprehensive social programming; but relatively little of that was done because, as many CDC leaders said, “no one would fund those things.”

Not that the going was much easier in housing and other real-estate development for CDCs in those decades. According to the Urban Institute¹:

For years, CDCs have struggled against financial challenges. Although they are development entities able to earn revenues from projects, these projects rarely generate the income needed to cover all

of CDC costs. For example, affordable housing projects are built to provide affordable housing for tenants, not generate profits for developers. Further, to accomplish community goals, CDCs often renovate the worst properties — those that drag down the neighborhood — and these cost more to develop. CDCs also undertake a host of activities — community planning, organizing, and advocacy — that generate no income at all.

To overcome these challenges, CDCs must rely on their connection to sources of money, talent, and expertise outside these neighborhoods; i.e., to relationships within the community development system. But throughout the 1970s and 1980s, in most cities, this system was notoriously fragmented. Affordable housing development can require the assembly of five or six different financing sources, each with its own rules pertaining to allowable uses, eligible beneficiaries, application and reporting requirements. Support for CDC projects may have to be solicited from city administrators, elected executives, representatives of individual council districts, even state legislators. One agency may be responsible for subsidizing housing, another a daycare center, and still another, family services — even though all will be offered in the same apartment building. And while the federal government has periodically devolved program authority to state and local government, this fragmentation has not improved much over the past 30 years because cities continue to rely on categorical federal aid.

1 Chris Walker, Jeremy Gustafson, and Chris Snow, *National Support for Local System Change: The Effect of the National Community Development Initiative on Community Development Systems*, 2002, The Urban Institute, Metropolitan Housing and Communities Policy Center, 2100 M Street, NW, Washington, DC 20037.

This fragmentation introduces serious inefficiencies. Lack of coordination brings high transaction costs for projects, which drains CDC staff and budgets and compromises CDCs' financial strength.² CDC financial and organizational weakness, in turn, reinforces their dependence on city agencies and private funders for operating support, making it harder for CDCs to maneuver and aggressively advocate for improved city services.

Throughout the 1980s, CDC supporters struggled to solve the problems caused by these chronic inefficiencies. By the early 1990s, several cities had created the basic elements of a well-functioning nonprofit industry.³ Success in these cities, together with the growing strength of national organizations devoted to community change, paved the way for widespread improvements in community development systems across a broad front.

Enter, in 1991, NCDI, with its founders' judgment that CDCs offered promise that could be better realized if supported at scale in a sustained way by a national funding entity working with two experienced national intermediaries. NCDI resolved to focus on three goals: expanding and accelerating specific real estate and other projects undertaken by CDCs, developing the capacity of CDCs as organizations, and also assembling and building the capacity of community development *systems* both nationally and locally.

THE EVALUATORS

NCDI and its partner funders were committed to assessing the effectiveness of the new consortium and the various components it had assembled to "touch the ground" in local communities—and to *learning* from

that experience. Hence, the Initiative has contracted with an independent research firm for each of its Rounds.

For Round I, we used a team of experienced evaluators from the OMG Center for Collaborative Learning, a consulting and research firm established in 1988 and headquartered in Philadelphia that specializes in organizational and management assistance to governmental, nonprofit, and other private organizations.

For Rounds II and III the NCDI evaluator was the Metropolitan Housing and Communities Policy Center of the Urban Institute, founded in 1968 and located in Washington, DC. The Institute performs policy research, data analysis, and evaluation on the urban condition. Its numerous reports on NCDI, CDCs, and the evolving community development systems are available from its website, www.urban.org.

2 See the classic Michael Stegman piece, "The Excessive Costs of Creative Finance: Growing Inefficiencies in the Production of Low-Income Housing" in *Housing Policy Debate*. 2(2):357-73.

3 The basic characteristics of this "industry" were described in a 1994 Urban Institute report: Christopher Walker, *The Status, Trends and Prospects of the Nonprofit Housing Sector*. (Office of Policy Development and Research, U.S. Department of Housing and Urban Development, 1994).

How We Work in Neighborhoods

The NCDI Community Development System consists of the organizations identified in the preceding sections, several activities associated with mounting and managing various kinds of community development projects, and technical and funding assistance for both. The Figure on the next page displays the “system,” its major elements, and its major functions as of the end of NCDI’s first decade.

Each Round of NCDI begins in the upper left corner of the Figure when the funding partners make their commitments of grants and/or loans to the Initiative. By the end of Round III of the first decade, these commitments had totaled \$254 million.⁴

Concurrently, NCDI has made its interests and concerns regarding the use of its funds in the next Round known to the intermediaries. To respect both the intermediaries and the CDCs, these interests and concerns are usually expressed in general terms—desires for a new emphasis or a shift in balance of programming between production and capacity building.

The intermediaries are meanwhile consulting with their local offices, which in turn consult with the corps of CDCs that they work with in each city, regarding their strategies and desired emphases for the duration of the next Round. Work plans are assembled and submitted to NCDI, which reviews them, comes to agreement with the intermediaries on their thrust, and approves them.

The funds committed by the individual NCDI partners are figuratively combined into grant and loan pools. This means that each funder refrains from imposing its own individual policies, interests, and priorities on its contribution; these are to be considered NCDI funds subject to the priorities and interests of the consortium as a whole.

During the decade, NCDI designated

\$10 million of its \$254 million for evaluation, its management, and special projects and allocated a total of about \$244 million to the intermediaries, apportioned on the basis of the likely demands arising from the cities in which they operated programs. LISC and Enterprise, in turn, retained a total of \$33 million over the decade for their national initiatives (chiefly capacity building and special projects) and for the partial support of their national and local office operations. They thus committed a total of \$211 million to activities in the 23 NCDI cities, mainly for bricks-and-mortar real-estate projects advanced by CDCs in those cities, but also for general operating support and for social service and other programs. As the decade progressed, some of the loan funds were repaid and loaned out again for other real-estate projects; hence, the total commitments made for real-estate and non-real-estate projects by the Intermediaries with NCDI funds totaled almost \$235 million, counting loan funds rolled over and reused.

(The intermediaries also received loan, equity, and some grant funding from other sources, which they used for project and capacity building support in both NCDI and non-NCDI cities where they worked. The Figure on the preceding page reflects only NCDI-related funding. Total funding in NCDI cities will be discussed in the next section.)

4 Unless otherwise indicated, the facts, data, and quotations in this and the following sections are from Walker, Gustafson, and Snow, 2002, op. cit., and Walker, Christopher, *Community Development Corporations and Their Changing Support Systems*, 2002, The Urban Institute, Metropolitan Housing and Communities Policy Center, 2100 M Street, NW, Washington, DC 20037. These two reports summarize the Urban Institute’s evaluation of NCDI’s first decade.

LOCAL OFFICES OF THE INTERMEDIARIES

A key role in this system is played by the professional staff in the local offices of LISC and Enterprise. They become intimately engaged with the corps of CDCs in their cities that have been selected to receive intermediary assistance for both project development and capacity building. They—and CDC staff—also develop productive personal relationships with community, city-wide, regional, and state leaders that can assist CDCs. These include civic, religious, educational, recreational, and other community organizations; political leaders; business leaders (especially the financial community); local foundations; and relevant offices of local and state government.

Real-Estate Project Development and Support

Intermediary local office staffs assist CDC staff to select and design potential projects of both a real-estate and non-real-estate nature (for the reasons stated above, most NCDI and other funding raised by the intermediaries and CDCs is devoted to real-estate projects). These project ideas are formed into formal plans and proposals and submitted to the national offices of the intermediaries for approval, as well as to local financial institutions and local government agencies.

Physical redevelopment projects undertaken by CDCs during the decade were overwhelmingly for rental housing units, mainly because much of the urban housing stock is of that nature and streams of permanent financing with appropriate subsidies for such housing existed and multiplied during the decade. Also as the decade progressed, however, permanent financing for other kinds of real-estate projects became more available;

and home-ownership projects were added by many CDCs, as well as a growing roster of projects for commercial, industrial, and community facilities.

One of the main stumbling blocks to any kind of real estate development in these communities is the dearth of front-end financing to support predevelopment activities like feasibility studies, acquiring property, and designing the projects, as well as actual project construction. Financing these early project phases from conventional sources is especially difficult in the hard circumstances in which CDCs operate because of uncertainties over the financial viability of such projects, the level of subsidies to be provided, city regulatory approvals, and the availability of long-term financing.

NCDI funding was heavily utilized for such critically needed, strategically important gap filling. Over NCDI's first decade, \$174 million of NCDI funding was used by the intermediaries and CDCs for real-estate projects, the vast bulk of it (91 percent) for such high-risk, up-front, interim financing through lines of credit and other bridge loans, which were not readily available to CDCs at reasonable terms from other sources. Of the 91 percent devoted to such purposes, 25 percent went for acquisition and other predevelopment costs and 66 percent to construction.

Permanent financing to “take out” the interim financing became more readily available during the decade from local financial institutions either at market rates or with government subsidies. Subsidies are particularly important if housing costs are to be affordable to low-income renters or owners. Thus intermediaries became particularly adept at moving large amounts of Low Income Housing Tax Credit proceeds from equity investors into CDC-sponsored

developments. These credits, a valuable tool that became available only in 1986, were used on about 18% of the 20,000 units of housing that received NCDI support during the full decade. Both intermediaries are among the major syndicators of such credits.

In addition, federal funding for affordable housing almost doubled during the decade from \$1.5 billion to \$3 billion—mainly because of the start-up during the decade of the HOME program by the Department of Housing and Urban Development.⁵ Local governments also increased their permanent financing for affordable homes during the decade, often using tools such as bond issues and housing trust funds. Finally, the intermediaries and CDCs experienced a striking increase in the availability of private capital during the decade, which they ascribe to a general resurgence in rental housing and to the Community Reinvestment Act (CRA), which stimulated an increase in private lending in low-income areas. The NCDI experience suggests that private lenders are making loans available to distressed areas well in excess of the amounts required by the CRA.

Non-Real-Estate Projects

As the decade progressed, the intermediaries and CDCs utilized the growing availability of flexible grant funding from NCDI, the local Collaboratives, and others to reach back to their roots and mount an array of non-real-estate projects as indicated in the flow chart of the NCDI Community Development System. We shall discuss these further later.

Capacity Building Activities

Intermediary local offices recommend, provide, or broker general operating support of CDCs (usually grants for staff and expenses), consulting assistance, training and semi-

nars, and upgrades to the financial, personnel, information, and asset management systems of CDCs.

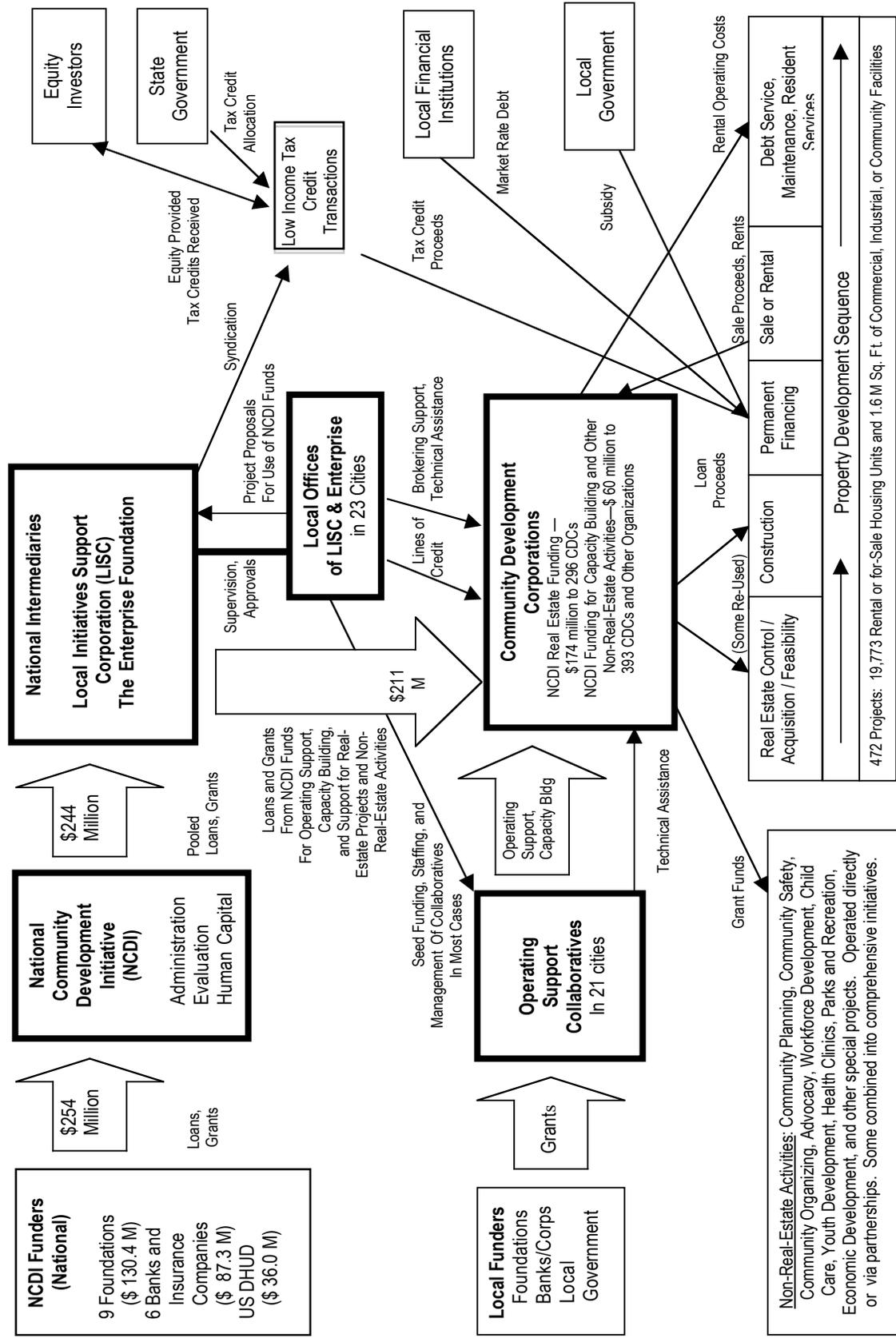
Local offices also used NCDI funds during the decade as seed money for the creation of local “operating support collaboratives.” These entities raised funds from local sources that multiplied the NCDI funds available for technical assistance, capacity building, and general operating support of CDCs and provided an important base of local “ownership” of the local community development system. The Urban Institute evaluators determined that in several of these cities every dollar of NCDI support to local operating collaboratives generated two dollars of such support from other sources.

During its first decade, NCDI provided about \$60 million in such capacity building support grants to almost 400 organizations (mostly CDCs) in the NCDI cities. Some of this \$60 million also supported non-real-estate projects mounted by the CDCs as mentioned just above.

5 The federal government's Home Investment Partnership Program (HOME) allocates more than \$1 billion each year in formula grants to states and localities that communities use—often in partnership with local nonprofit groups like CDCs—to fund an array of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or that provide direct rental assistance to low-income people.

The NCDI Community Development System

As Assembled by Living Cities: NCDI During its First Decade (1991-2001)



What We've Accomplished

NCDI ended its first decade with a substantial record of accomplishments.

REAL-ESTATE PRODUCTION⁶

In NCDI's first decade, intermediary-assisted CDCs generated real-estate projects in the NCDI cities with total development costs of well over \$7 billion. Of this amount, real-estate projects in which NCDI funds were used cost a total of over \$2.2 billion, or 29 percent of all CDC real-estate development costs in the NCDI cities. See table, below.

Of the over \$7 billion in total development costs of projects supported by the intermediaries in NCDI cities, the intermediaries raised and committed a total of \$411

Other details of the real-estate production:

- A total of 83,849 affordable housing units was produced with intermediary support in the 23 cities during the decade, of which NCDI funds contributed to 19,773 units—24 percent of the total units produced.
- Of this total of 83,849 units (less 1,024 for which the Urban Institute did not have complete data), 14.8 percent were for-sale units and 85.2 percent were rental units. NCDI funding was used in proportionately more for-sale units, with two-thirds of the units with NCDI funding being rental and one-third for-sale.

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Intermediary-Assisted CDC Real-Estate Production in 23 NCDI Cities: 1991-2001

	Total Intermediary/ CDC Production	NCDI-Funded Portion of Intermediary/CDC Production
Total Development Cost	\$ 7.65 Billion	\$ 2.23 Billion
Intermediary Project Funding	\$ 411 Million	\$ 174 Million
Affordable Housing Units Constructed	83,849 Units	19,773 Units
Percent Rental Units	85.2 %	65.9 %
Percent For Sale Units	14.8 %	34.1 %
Percent of Rental Units Using Low Income Housing Tax Credits	54.6 %	26.7 %

Source: Urban Institute, op cit., 2002. Note: Because of missing data, the Urban Institute was unable to assign 1,024 of the 83,849 units developed to the categories of rental, for sale, and using Low Income Housing Tax Credits. The percentages indicated above in these categories are of the 82,825 units for which adequate data were available.

million, mainly for acquisition and construction costs. Of this total (as noted in the preceding section), \$174 million were NCDI funds. These NCDI funds were mainly loans from the NCDI financial institutions and comprised 42 percent of the intermediaries' total of \$411 million in front-end funding in the 23 cities. (As also noted above, over 90 percent of NCDI's funds were used for critically important and hard-to-get predevelopment and construction funding.)

⁶ There are few consistent, comparable data on how much affordable housing was produced in total by all developers taken together in the NCDI cities during the decade; and it is therefore difficult to say with certainty what proportion of total affordable housing production was attributable to NCDI, the intermediaries, and CDCs. A limited analysis of eight cities by the Urban Institute at the end of the decade suggested that intermediary/CDC affordable housing production probably ranged between 17 and 66 percent of the total affordable housing produced in those cities in that time frame. Whatever the percentage, it is pertinent to note that CDC-developed housing was made in the most troubled neighborhoods with the most difficult conditions for development; other developers likely developed more of their affordable housing in less troubled neighborhoods. CDCs, of course, also make a host of other contributions to the renewal of such neighborhoods beyond their affordable housing production—contributions that we describe in this report and that are not likely to be made by many other affordable housing developers.

- Of the rental units for which complete data were available, 54.6 percent (38,503 units) were funded in part by Low Income Housing Tax Credits (which are only available for rental housing). NCDI-funded rental units used these tax credits proportionately less often (26.6 percent or 3,406 units).

Examples of NCDI-Assisted Real-Estate Production

Dallas: NCDI's financing has been instrumental in helping at least three CDCs increase their roles in housing development. SouthFair CDC, Operation Relief CDC, and Vecinos Unidos, Inc., all received funding in NCDI-II and III and increased their housing production substantially. In 1999, Enterprise used NCDI funds to help the three CDCs obtain \$2.2 million in project financing from several locally based banks, Fannie Mae, and the Foundation for Community Empowerment to develop two 18-unit multi-family projects, a 220 multi-family project, two senior citizen projects, and 57 new construction single-family units.

Seattle: In the early 1990s, LISC used NCDI funds to help local residents create HomeSight, a CDC specializing in single-family homeownership. HomeSight has grown into one of the city's most aggressive and respected CDCs and its most reputable developer of homes for sale on an affordable basis. The success of this organization has popularized homeownership and drawn bank lending to the city's CDC sector. Commercial credit for construction and permanent loans has become more accessible and strong competition to lend to CDC projects has grown over the years.

New York City: LISC and Enterprise both used NCDI funding to provide important support to CDCs for child-care facilities initiatives, but such initiatives were stymied by the inability of two city offices (for day care and Headstart) to work together and to understand the development process and its requisites. Although the intermediaries used NCDI support for as many as eight new child-care centers, this was many fewer than were originally planned and the intermediaries and CDCs were clearly frustrated and disappointed.

Other production data:

- The 19,773 units of housing supported by NCDI funding were built in at least 472 projects undertaken by 296 CDCs.
- The average NCDI-supported housing project cost \$4.8 million and involved 46 units at a per-unit cost of \$78,341.
- In addition to the affordable housing produced, \$14 million of the \$174 million of NCDI real-estate project funding contributed to the production of 1.6 million square feet of facilities by CDCs in over half of the NCDI cities. These included 1.3 million square feet of commercial and industrial space, 132,843 square feet of community facilities (police sub-stations, health clinics, parks, charter schools, community centers, and day-care centers), and 208,000 square feet of mixed-use facilities.

NON-REAL-ESTATE PROGRAMS AND SERVICES

All involved in the NCDI system believe that community revitalization requires more than physical rebuilding, refurbishing, and new construction. As a general matter, loan funding for physical revitalization is more readily available than grant funding for social and other non-real-estate programs, which is the main reason why CDCs have focused heavily on property development. But, as the decade progressed, grant and contract funding for "other" services became more available; and the intermediaries and CDCs, encouraged and often supported by NCDI, responded with creative programs and initiatives on several fronts.

These included community planning, community safety, community organizing, advocacy, workforce development, child-care, youth development, health clinics,

Examples of NCDI-Assisted Non-Real-Estate Activities

Cleveland: Enterprise used NCDI funding to support the Cleveland Neighborhood Partnership Program, a sophisticated effort to encourage CDCs to attack community problems comprehensively, according to a strategic plan developed with community help. This program is offered only to the most seasoned Cleveland CDCs, which receive larger grants of operating support than other groups, as well as program support for new activities needed to complement their traditional lines of work.

Boston: LISC used NCDI funding to launch the Community Organizing Demonstration Program, jointly implemented by the state CDC association and the Neighborhood Development Support Collaborative to promote resident participation, identify resident leadership, promote CDC power, and integrate organizing and development functions within CDCs. The program helped CDCs identify immigrant and minority leadership for boards and committees, and “re-connect” with changing communities.

parks and recreation, economic development, open space and other special projects. Some of these were combined into more comprehensive and coherent community improvement initiatives encompassing several of these services and activities.

Some non-real-estate initiatives were local, conceived and undertaken by a single CDC or a few of them, with or without intermediary assistance; others were national programs of the intermediaries promoted broadly or narrowly to the CDCs they worked with. The most prominent of the latter were comprehensive initiatives, community safety, childcare, and employment training. CDCs either operated these projects directly or did so through partnerships with other organizations and agencies.

GROWTH IN CDC CAPACITY

This real-estate production and these increases in non-real-estate programs and services reflect the growth in CDC capacity during the decade, both as individual organizations and as the network of CDCs in the 23 NCDI cities—and that, in turn, is a consequence in large part of NCDI’s commitment to capacity building activities by the intermediaries and others. Indeed, while the sheer volume of CDC real-estate production is impressive and the early proliferation of other services is heartening, the improvement in the capacities of CDCs and their overall support systems may well have broader and more lasting significance for the future.

Individual CDCs

Since their inception in the 1960s, many CDCs have suffered chronic symptoms of organizational weakness. In general, they have been thinly staffed, unevenly led, weakly supported, hampered by weak internal management systems, and short of cash. Over the 1990s, they have grown stronger in five key elements of CDC capacity:

- 1) planning for neighborhood improvement;
- 2) ability to secure external support (funding and technical resources);
- 3) accountable and efficient internal operations and board governance;
- 4) effective and efficient program delivery; and
- 5) the ability to create and sustain strong networks of relationships with neighborhood and external stakeholders, including political leadership.⁷

The Urban Institute reports summarizing the decade cite the following additional indicators of this growth in individual CDC capacity:

⁷ These are discussed at greater length in Chris Walker, and Mark Weinheimer, *Community Development in the 1990s*, (Urban Institute, Washington, DC, 1997), available at www.urban.org.

■ **Increase in Development Capacity:**

From 1991 to 2001, the number of CDCs in NCDI communities able to produce more than ten housing units annually (or their commercial equivalent)—increased dramatically, nearly doubling (from an average of 4.5 CDCs per NCDI city to 8.3 per city).

■ **Increase in Budgets and Diversification of Programming:**

By 1999 about one quarter of the CDCs in NCDI cities that were able to produce at least ten units of housing per year had sufficient operating budgets (averaging one million dollars or more) and staff (employing an average of 23 people) to undertake a diverse array of activities—affordable rental and ownership housing plus at least four of the following activities: community facilities development,

homeownership counseling and other support programs, commercial and business development, youth development, workforce development, community organizing, health clinics, child care, and open space programs.

■ **Local Recognition and Reputation.**

The number of CDCs with strong local reputations for efficient production, governance, and management—the top tier groups—grew from an average of 2.1 to 3.8 per NCDI city.

CDC Sectors

CDC *sectors* comprise the complement or corps of CDCs in a given city. In 2000, the intermediaries ranked the CDC sectors in the 23 NCDI cities on a more sophisticated set of six indicators of *organizational quality* (effective project delivery, strategic alliances, command of information technology, measures of community leadership, internal governance and management, and adequate funding and staff).

In the judgment of the Urban Institute and the intermediaries, the capacity building efforts heavily supported by NCDI during the 1990s helped substantial numbers of these cities to migrate rightward across the table, from “weak” to “moderately strong” and “strong” and from “moderately strong” to the “strong” columns. More CDC sectors in more cities are more competent.

Specific indicators of this growth in the competence of CDC sectors:

■ **Budget Growth:** The aggregate operating budgets of CDC sectors in NCDI cities roughly doubled in size between 1991 and 1997 (the last year such data were gathered). In the cities with large CDC sectors, budgets almost doubled while in cities with small sectors budgets grew by almost two-and-one half times.

**Strength of CDC Sectors
in NCDI Cities in 2000**

Cities with Weakest CDC Sectors

Columbus
Dallas
Los Angeles
Miami
San Antonio

**Cities with Moderately Strong
CDC Sectors**

Atlanta
Bay Area
Boston
Chicago
Denver
Detroit
Indianapolis
Kansas City
Newark
Philadelphia
Phoenix
St. Paul

Cities with Strongest CDC Sectors

Baltimore
Cleveland
New York City
Portland
Seattle
Washington, DC

Source: Urban Institute, *op.cit.*, 2002

CAPACITY BUILDING EFFORTS BY NCDI AND THE INTERMEDIARIES

The Urban Institute has concluded that “the strongest improvements in community development systems in the 1990s were in their capacity building components.”

Before the 1990s, CDCs had to seek many small annual grants from foundations, city government corporations, and other sources. Based solely on personal contacts and their funding relationships, CDCs had to find and pay for training and other technical help from a wide variety of consulting firms, nonprofit technical providers and other sources. Funders rarely demanded that CDCs demonstrate concrete outcomes in return for support, and even those that did had no good way to help CDCs build their capacities. As a result, many CDCs struggled to keep their doors open and had frequently earned a reputation for poor performance. CDC leaders said they spent so much time seeking funding that they had little time either to pursue their program goals or to manage their efforts well.

NCDI played a major role in responding to this dilemma by encouraging the use of

■ **Total development costs** of real-estate projects by CDCs in the 23 NCDI cities similarly doubled during the decade, from \$400 million in 1991 to \$800 million in 2000.

■ **Investor Confidence:** Even in cities where a few prominent CDCs collapsed from overreaching or mismanagement, local financial institutions, government, foundations, and others continued to support development activities by the remaining CDCs, testifying to their judgments that the CDC sectors as a whole were still sound investment vehicles.

its funds for longer-term general support grants, consulting assistance, training, and seminars focused on upgrading CDC financial, personnel, information, and asset-management systems. During the decade, local LISC and Enterprise offices ramped up their abilities to design and deliver technical assistance and other capacity building programs to CDCs. As a result, even the weakest CDC sectors at the beginning of the decade improved—and CDC staffs were increasingly freed from the money-chase to concentrate on developing and managing projects and services.

Perhaps the most significant step forward in capacity building was the growth in the number and quality of local operating support collaboratives, which enroll government, business, philanthropy, United Ways, and other funders. In 1991 there were eight such local collaboratives in NCDI cities. During the decade, the local offices of the intermediaries in 13 other NCDI cities used NCDI funds as seed money to stimulate new or to enlarge existing local support collaboratives; and in most cities, the local offices staffed and managed the collaboratives. By decade’s end, the collaboratives had generated two dollars in funding from local sources for each dollar of NCDI contributions. An impressive example occurred in Detroit, where a group of foundations, impressed by the NCDI model, raised \$10 million to capitalize a new collaborative in that city.

The support collaboratives now operating in 21 of the 23 NCDI cities symbolize local stewardship of the community development process. They take a longer view and merge the previously fragmented elements of support for CDC operations and capacity development into a package of mutually reinforcing activities.

For instance, collaboratives typically fund an organizational assessment to guide the development of a CDC's work plan, which it must then follow to trigger release of annual installments of operating subsidy. Such collaboratives require organizational improvements and arrange technical assistance to enable CDCs to achieve them. And they offer support over a realistic, multi-year time frame to better enable solid organizational gains.

Other indicators of the nature, strength, and effectiveness of these capacity building efforts:

■ **Combined Project and Capacity Building Support:** A significant share of the loan funds provided by the corporate contributors to NCDI and used by the intermediaries for real-estate project support was backstopped by the intermediaries' use of NCDI's foundation grant funds for CDC capacity building. Indeed, two-thirds of the CDCs receiving NCDI project support also received NCDI grant support for capacity building.

- *More precisely, 296 CDCs received \$174 million in NCDI real-estate project loans. Of these CDCs, 196 that received \$142 million in real-estate project loans also received \$34 million in NCDI capacity-building grants.*

- *Put another way, every \$3.64 of NCDI loan financing spent by CDC project developers was supported by an additional \$1.00 of NCDI grant funding that helped ensure that CDCs had the organizational leadership, staff capacity, and systems to manage their projects effectively.*

■ **National Initiatives in Production and Services:** NCDI assisted the intermediaries to enter into new kinds of real-estate development through national initiatives—packages of procedures,

regulations, documents, financial products, outreach, and marketing, monitoring and performance assessment that helped CDCs move from their base in rental housing units to home ownership and facilities construction. These were often accompanied by grant funding and technical assistance programs to educate and advise people on home ownership or provide childcare services in either a facility- or home-based venue.

NCDI-Ford Foundation Supported Human Capital Development Initiative

Boston's Human Capital Development Initiative:

By 2000, ten CDCs were selected to receive funding through Boston-LISC's HCDCI program to undertake human capital and diversity assessments and develop human capital plans. The program's primary goal was to increase the number of people of color in professional and management positions in local CDCs. The program worked with local colleges and universities to identify and design courses appropriate in-service training of CDC staff members.

Oakland 2000 Human Capital Development Initiative:

In the Bay Area, LISC collaborated with local CDCs and community colleges to create low-cost training for several CDCs in property management. The goal was to help generate pools of qualified candidates for property management positions from the neighborhoods in which they will work. Over 80 students participated in 16-week courses offered at three community colleges in the area. The curriculum covered topics that site administrators would typically encounter in their work and emphasized leasing and occupancy issues.

St. Paul's Human Capital Development Initiative:

Since implementing its HCDCI program in 1998, LISC partnered with Metropolitan State University to manage a mid-career apprenticeship program designed to attract, train, and retain more persons of color in professional CDC positions. Known as Careership, the program recruited and placed seven apprentices with CDCs during 2000, two of whom later accepted full-time positions in the CDC field.

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■ **National Initiatives in Management:**

The intermediaries similarly used NCDI funds to mount concerted new management improvement programs, the most important of which was the “Organizational Development” initiative under which LISC and Enterprise both set up offices to provide technical assistance and advice to CDCs on improving their accounting and internal management systems.

■ **Human Capital:** In recent years, capacity building has expanded to include broader, systemic efforts to build human capital for the community development sector, for instance, by encouraging institutions of higher education to train the next generation of practitioners. A national program for human capital development was funded by NCDI and The Ford Foundation and initially coordinated by the National Congress for Community Economic Development, the CDC trade association (see box).⁸

THE OVERALL IMPACT OF NCDI ON COMMUNITIES AND CITIES

In something as socially, physically, and economically complex as a neighborhood, it is usually difficult if not impossible to ascribe the degree to which any changes for better or worse were caused by any one set of factors. This is the case with the progress we have cited in this report in the NCDI cities during the last decade; a host of factors were involved, from changes in legislation to changes in the economy to changes of key leadership and more.

Clearly, however, there are persuasive indicators that NCDI and its components, resources, and activities were major contributors to the improving condition of urban communities. Some of these indicators are quantitative, some qualitative; there are even

some positive results from rigorous and sophisticated econometric analysis.

■ First of all, of course, the sheer **volume of housing and community and commercial facilities constructed or refurbished by CDCs** as described at the outset of this section clearly represents physical improvement on a major scale in the NCDI communities and cities. In many cases this was the first such construction to occur in decades.

■ And, also described above, the significant beachheads CDCs have made in **providing non-real-estate services** ranging from economic development to childcare also represent important improvements in neighborhood and city life.

■ In the cities with the strongest and most mature CDC sectors, public agencies have increasingly accorded **CDCs a central role in the coordination and delivery of a broad range of government programs in low-income neighborhoods**. Urban Institute researchers found this in almost every NCDI city. This reflects the fact that CDCs are often the major, if not the only entity in these neighborhoods that is accountable to the neighborhood, represents their interests, and has a record of accomplishment in making things happen effectively. Hence, they are a natural choice for an on-the-ground entity to gather the varying strands of federal, state, and local categorical programs for housing and other services. They can respond quicker to local needs than many urban bureaucracies can and they can mix and match government and other programs in ways that the programs themselves can seldom do.

⁸ The implementation and results of this initiative are being documented by the Center for Urban Policy Research, Rutgers University.

■ Field research sponsored by NCDI and conducted by the Urban Institute also found widespread agreement among local bankers, public agency staff, foundation representatives, and other community development practitioners and observers in NCDI communities that **CDCs have made a significant difference in neighborhoods**. In eight cities these practitioners felt CDCs had positively impacted multiple neighborhoods; in 11 cities they practitioners felt CDCs had so impacted one neighborhood; and in four cities practitioners felt CDC impacts were of a block-by-block nature.

■ In some of these communities, some CDCs have sufficiently **improved neighborhood quality to impact the private real-estate market**. In Cleveland, for instance, the county assessor said that real estate values had increased by a greater percentage inside the city than in the surrounding county and that some CDC neighborhoods had experienced increases in real estate value that were twice the city's overall average increase. New econometric trend analysis conducted by the Urban Institute for NCDI confirms this growth in real-estate values that can be attributed in large measure to CDC activity.⁹ For example, in a Portland study neighborhood, home property values increased 60 percent more than they would have without CDC efforts and in the Denver neighborhood by 50 percent. (It is rare in any program arena aimed at improving the conditions of the disadvantaged that such rigorous and sophisticated analysis reflects statistically significant positive results.) This improvement in the attractiveness of neighborhoods has reached the point that in Boston, Seattle, Portland, Cleveland, Chicago, Denver and elsewhere the major problems CDCs now face in some neighborhoods

are gentrification, competition from private developers, and keeping a fair share of housing affordable for residents of modest income.

■ The Institute also found a **strengthening of relationships among government and private-sector actors** in the most mature community development systems. Even in nascent CDC sectors, private-sector leaders became engaged around issues of neighborhood development, and rudimentary collaborations were formed to craft and debate new neighborhood agendas.

■ Observers in several cities pointed out to the Urban Institute evaluators that **more loans for construction were available in CDC communities**, indicating that lenders considered such communities more credit worthy.

■ Finally, it seems clear that presence and activities of NCDI with its nationally prominent funders both **legitimizes community development as a process to policymakers, investors, and others**—and provides credibility to CDCs as the main vehicle to implement that process.

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⁹ For more, see Ken Temkin, Chris Walker, George Galster and Diane Levy, *The Impact of Community Development Corporations on Neighborhoods* (Urban Institute, 2002).

What We Have Learned

NCDI's record of concrete accomplishments during its first decade is both impressive and heartening to us and to all concerned with improving the urban condition. That first decade is a stepping-stone to our second, which we enter with an enthusiasm informed by just over a dozen broader lessons and insights derived from our experience thus far that are worth sharing and contemplating.

The NCDI community development system “works.”

Clearly, the community development “system” that NCDI assembled over the last decade is one of the things that “works” in troubled inner-city communities, dispelling despair by generating real-estate development as well as being a vehicle for other services and initiatives.

Each “piece” of the NCDI community development system brings something valuable to the whole—national funding at scale, intermediaries with competence and local reach that make the detailed decisions, community development corporations (CDCs) as local delivery mechanisms that both represent and are responsive to the communities where they work, and local funding and support mechanisms that multiply the national funding and build local ownership and responsibility for community revitalization through CDCs.

NCDI also demonstrates that diverse funders can work effectively together. NCDI combines public and private, for-profit and non-profit lenders and grant-makers whose financial tools complement each other. Individual funders have largely subsumed their particular interests and procedures into the common effort and value what they learn from each other and the NCDI experience. The result is an investment pool with few

use restrictions that can be deployed with a minimum of administrative costs.

The NCDI system also works because decision-making is quicker and bolder when partnership representatives are the heads of their respective organizations. And regular meetings over several years allow the heads of funder organizations to get to know each other well and to cultivate personal knowledge and confidence about a type of business. Risk is more realistically understood, taken and managed among such partners.

The involvement of national funders leverages local resources.

Investments by such national financial institutions in local neighborhoods lend legitimacy to local community development issues and activities, thus stimulating increased investment by local actors. Further, neighborhood improvements created with grants and below market rate loans eventually stimulate private market investments. Financial institutions and other private investors thus find that neighborhood investments can be opportunities to do good and do well. The result, in several cities over the last decade, has been discernable, even measured, improvement in neighborhood real estate markets where CDCs worked.

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It is important to focus both on project results and on organizational development.

Perhaps the most important strategic decision of NCDI has been to pursue both outcomes and competence building. The NCDI community development system not only builds buildings where there were few built in decades; it also builds community institutions that are effective where so many other community organizations had atrophied. This powerful combination is possible because NCDI can make both loans and grants available for the work of the intermediaries and CDCs. Loans fill critically important predevelopment and construction financing vacuums while grants build CDC capacity to utilize the loans effectively, while also supporting other social programs that contribute to the broader community revitalization that is needed to protect real-property investments.

Intermediaries are essential as operating vehicles—and having two of them is healthy.

Intermediary organizations are critically important accelerators of CDC rates of production and success. And, CDC capacity to produce is greatly enhanced by the technical assistance, performance standards, and pooling of resources provided by local and national intermediary organizations.

Further, as stated at the outset, a consortium with lean staffing and a board of directors comprised of busy people from national funding institutions requires that local decision-making and day-to-day operations be delegated to intermediaries that mobilize resources and expertise and apply them with some consistency locally.

Working with two such intermediaries that are in many ways similar but in some ways different brings a healthy competition and diversity of perspective to the NCDI community development system. NCDI has focused on broadening the capacity of these seasoned intermediary organizations and helping them to be responsive to changing local issues.

CDCs can be an effective vehicle for neighborhood revitalization and an effective alternative delivery mechanism for government-funded programs.

Neighborhood based and controlled, CDCs can develop the competence required for complex real-estate projects, social and other services, and even comprehensive community renewal along many dimensions at once. CDCs can knit the myriad, disparate streams of categorical programs from national, state, and local sources together, mixing and matching their resources to fit local needs. Such CDC effectiveness increasingly commends itself to support and investment by philanthropic, corporate, and government funders. In particular, local governments are turning to CDCs as preferred delivery mechanisms for services, a development NCDI's Urban Institute evaluators found in every NCDI city.

While CDCs can be effective at both property development and such broader social programming, doing both presents distinct management challenges.

Property development is a “project” and “deal-making” business; it is episodic and deals with financing, land, zoning, assembling financing, construction, selling or renting, etc. Both intermediaries and most CDCs have developed styles and cultures that reflect those characteristics.

In sharp contrast, community organizing, youth development, job training, child care, and other social programs are “services” of a more continuing, “process” nature that deal with numerous individuals over sometimes prolonged periods. The two categories of activity provide very different kinds of organizational challenges and stresses.

Not surprisingly, CDCs were increasingly called upon over the decade to engage in non-real-estate activities. CDCs are still often the most competent, well-connected, and well-reputed entities in many of these communities; and some argue that it is probably more effective to help a CDC start a new social service than to start a new organization to do so. But running both real estate development and social and other services is a management challenge calling for different planning, start-up periods, and other operational time frames—and different organizational structures, personnel, management styles, and performance goals, incentives, and measures. CDCs responded to these demands and opportunities in two ways. While some added social and other services to their

direct programming, others pursued such activities by adopting the role of a local neighborhood intermediary or catalyst, i.e., convening, broking, partnering, assisting, and coordinating other organizations to provide such services.

CDCs are fragile and still developing; they require sustained and sensitive, but rigorous and demanding, support.

The quality of CDCs both within and across NCDI cities still varies widely. A top tier is quite strong and competent, but many others are still developing their skills and capacities and some are quite weak. Some prominent CDCs even collapsed during the decade. This is not a failure of the CDC model or the NCDI investment strategy. CDCs risk failure due to many factors, including too rapid growth or inadequate internal management decisions.

As a general matter, CDCs do best at understanding, representing, and being accountable to their communities. As might be expected, where they need strengthening is in overall management, particularly information, property management, and financial systems. This implies and requires that CDC personnel be better trained in the many skills their professions require and that NCDI and the intermediaries do a better job of applying standards of performance across the NCDI localities. We have made progress here, but there is much more to do. We and the intermediaries need to intensify our focus on these management and organizational development issues and ratchet up the rigor with which we request and review work plans and hold CDCs

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accountable to them—while, of course, continuing and expanding the technical assistance, training, and other capacity building measures that will continue to build CDC competence in these areas.

Local Support Collaboratives are critically important, but their stability and continuity is not yet assured.

Operating support collaboratives have demonstrated their value in building the capacity of CDCs and assuming an appropriate degree of local responsibility and accountability for them. Our independent Urban Institute evaluators found that cities with strong and coordinated collaboratives also have the strongest CDC sectors.

As a group, local funding collaboratives also display variation in strength and competence. Some collaboratives have comprehensive plans, well-developed procedures, and thoughtful approaches to helping CDCs grow in capacity; others are loosely coordinated gatherings of funders that are more responsive than pro-active. It is also not yet clear how permanent such collaboratives are, whether diverse local funders will appreciate that working together is a unique opportunity that multiplies their effectiveness and can provide the sustained support of the local community development process for the many years required to reverse decades of decay.

The NCDI community development system works best where local government, business, and civic leaders are purposeful and organized about community development.

Cities vary in terms of their community development consciousness, postures, and competence and the degree to which they devise and employ broad, sustained community development strategies. The experience of the last decade clearly indicates that differences in such municipal characteristics can be directly linked to differences in CDC production levels.

In a few cities, political, municipal agency, and financial and other business leaders have worked together and with CDCs and other community groups to articulate visions and strategies for their inner city neighborhoods and meshed them with regional development. They rely on and support CDCs in manifold ways, ranging from easing acquisition of properties owned by the city because of tax defaults to providing subsidies for affordable housing. In particular, such cities concentrate resources to create greater impact, making physical improvements more visible and striking by strategically developing multiple properties in a limited area. Such cities also understand that the physical, social, and economic revitalization needed to fully restore a community takes years to achieve.

In many other cities, however, leadership is fragmented and lacks such focus, commitment, and understanding; and CDCs and their neighborhoods struggle with unresponsive bureaucracies and uninformed, inattentive leaders. NCDI, the intermediaries, and CDCs must help such

local policy and leadership structures perceive and understand the potential of more comprehensive and concerted redevelopment strategies.

More broadly, municipal redevelopment strategies in all cities must confront the fact that poor quality public schools not only fail children but also inhibit neighborhood revitalization efforts. New or refurbished homes will be difficult to sell or rent if a family can find comparably priced housing in school districts elsewhere that better serve their children.

The volume of affordable housing and commercial projects undertaken in a community depends directly upon the volume of federal and city subsidies available.

Inner-city real-estate projects routinely have higher costs than suburban projects due to environmental conditions (i.e. removal of asbestos, abandoned oil tanks and other containments), demolition of dilapidated buildings, higher security requirements, and uncertain marketing. For-profit developers—and conventional financiers—tend to shy away from such inner-city projects as too risky and unprofitable to attempt. In particular, front-end funding for predevelopment costs like feasibility studies, property acquisition, and design is hard to raise in such circumstances. Into this breach have stepped non-profit community development organizations—generally CDCs—and their funders. The underlying costs of such projects, however, remain high; and to them are added higher transaction costs because non-profit developers have to use multiple funders with multiple and sometimes more stringent requirements.

Hence, credit enhancement and other kinds of subsidies are essential for reducing the costs of projects so that they are affordable for low-income people and thus can be undertaken in low-income neighborhoods. Coordinated and sustained financial and other support from federal, state, and local development funding must thus remain a high priority if CDCs are to continue their real-estate production. In particular, Low Income Tax Credits, HOME, and CDBG funds must be maintained as the key source for gap financing provided by municipalities to complete homeownership and rental projects in inner-city neighborhoods.

Unfortunately, in several cities, years of capacity building support have generated a corps of CDCs whose emerging and planned projects have outpaced the supply of available public and private subsidies for community development. Some of these cities are limiting the amounts of subsidies available to any one project to spread them across more projects, a process that may have some political dividends but too often forfeits economies of scale and confines CDCs to small-scale projects.

Community development is not understood as a “field,” “discipline” or body of work.

Clear and compelling definitions of the content and value of community development work are difficult to find, with the goals, challenges and accomplishments of the field articulated largely as individual stories. The accumulated knowledge about community development practices is thus largely anecdotal, meaning that performance, accomplishments, and even needs have been difficult to measure in a systematic manner.

One consequence of this is that the

recruitment and retention of personnel is a difficult and continuing struggle. The inability to adequately explain the nature of the work or its importance makes employment in community development less attractive than other fields. Human resources issues have not been given adequate attention, and compensation packages and workplace conditions lag behind standards in other fields.

In particular, minorities remain underrepresented in leadership roles in local CDCs, national intermediaries, banking and other lenders, and philanthropy.

CDCs generally serve communities that are disproportionately African-American, Hispanic, Asian, or heavily settled by other new immigrant groups. Yet, perhaps surprisingly, the upper reaches of all of the elements of the NCDI community development system boast relatively few people of color in leadership and senior decision-making roles. While NCDI and others have mounted human resource development programs to attract and prepare minorities for community development professions, these efforts have had limited impact on this situation.

We need to communicate better.

It is our sense that the successes, the needs, and the potential of NCDI, the intermediaries, CDCs, and their existing supporters are too little known outside the narrow confines of our immediate supporters and colleagues. We have developed something that works to revitalize distressed communities, and that experience carries important implications for federal, state, and local policy and practice. We need to state that message more strongly and effectively.



Equipped with these lessons from the last ten years, NCDI starts its second decade with more partners, greater resources, and a deeper understanding of what works and what does not. We recommit ourselves with a new name as well, “Living Cities: The National Community Development Initiative,” which reflects our focus both on supporting neighborhood revitalization and articulating broader approaches that can sustain and contribute to the livelihood of America’s urban centers. Thus, Living Cities: NCDI will continue to support the work of the intermediaries and CDCs in American cities and intensify our research of that experience to distill its lessons for urban policy.

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A Final Word

We, as NCDI and its funder partners, cannot claim sole credit for the accomplishments and the potential displayed here. This complex NCDI Community Development System—a national funding collaborative, two national intermediaries, 23 sets of perhaps 300 CDCs in as many cities, 21 local operating support collaboratives, and all the local public officials and private leaders who work with us—did not evolve and come together as a result of an NCDI master plan. Nor does the system operate in a hierarchical manner.

Rather, the NCDI System is a constellation of interrelated actors and activities. Many of its elements, activities, and accomplishments were suggested or developed by one or more of its other component parts. In addition, other entities contributed far more resources to the system as it evolved than did the NCDI partners.

But while we cannot claim full credit, what seems clear is that the national and local community development systems would not look like they do today—nor have their accumulated accomplishments, nor have attracted as many additional resources—were it not for the presence of NCDI. While staying largely behind the scenes, NCDI pulled the pieces together, stimulated the creation of some of them, helped improve their capacities, helped them interact and share ideas, and channeled their progress in directions of shared purpose. NCDI was in many respects both an engine and a rudder of this enterprise. That is our most fundamental role and our most significant contribution.

We remain mindful that it is the men and women of the intermediaries, of the CDCs, of the local support collaboratives—and all who support them—who make things happen, literally, on the ground in America's urban neighborhoods. We admire them and are grateful for their commitment and their collegiality. We will continue to work them, and others like them in other cities, in pursuit of our very American mission of building communities that “work” in all the ways that term means.



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