Beyond Housing: Growing Community Development Systems

Avis Vidal
Wayne State University

Langley Keyes
Massachusetts Institute of Technology

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Avis Vidal
Wayne State University

Langley Keyes
Massachusetts Institute of Technology

The Urban Institute
Metropolitan Housing and Communities Policy Center
2100 M Street, NW
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Executive Summary

This report explores how the community development system—the structure of, and relationships among, the providers of finance, expertise, and political influence needed to carry out community development functions—has begun to move into activities other than housing. Prepared as part of the assessment of Living Cities: the National Community Development Initiative, its purpose is to help practitioners, funders, policymakers, and applied researchers understand the opportunities for, and challenges to, "growing" or extending the community development system beyond housing, the traditional focus of community development corporations (CDCs). As part of the national assessment of Living Cities, senior members of the assessment team visited each of the 23 Living Cities cities in 1999. Based on that 23-city assessment, we identified emerging system-wide approaches (adopted by the constituent elements of local systems) to support four activities—commercial real estate development, business development, community organizing, and workforce development—and examined them in six cities (Exhibit 1).

In the exhibit, commercial real estate development refers to creation, renovation, or other improvement of facilities or public infrastructure to encourage growth and profitability of neighborhood commercial businesses and a more diverse and higher-quality assortment of retail services. Business development refers to financial and technical help to growth and profitability of retail, commercial, and industrial enterprises that provide neighborhood services and/or provide jobs. Community organizing is recruitment, training, and engagement of neighborhood residents and business people to secure, and sometimes help provide, improved public and private services. Workforce development includes efforts to educate, train, place, and/or support low-income persons in jobs.

### Exhibit 1: Cities and Activities in the Analysis

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For each activity in the respective cities, we analyzed (1) the impetus for current engagement in the activity by CDCs and the broader community development system, (2) the actions taken to adapt a community development system constructed to produce housing to meet the needs of the activity, and (3) the challenges that have emerged in the process of adapting the system to the new activity. To organize this exercise we developed a framework in which we defined the community development system developed to produce housing in terms of three characteristics: (1) functions: specific things the system provides: money, technical assistance, political power; (2) structure: the vertical and horizontal networks of organizations through which
those functions are performed; and (3) relationships: the ties among the participants, often forming networks of relationships through which information, values, mutual obligations and other contributors to effective action are conveyed.

**Four Activities**

After presenting a brief profile of the community development system in each of the six cities, the report looks across the cities in terms of the four activity areas identified as having moved toward system-wide initiatives. The analysis focuses on the challenges and lessons represented by the move into an area beyond housing and the demands that move has made on the “original” community development system. Those challenges and lessons are highlighted as follows:

**Commercial Real Estate Development**

- Extending the community development support system to commercial development involved two related tasks: (1) crafting a full spectrum of financial instruments; and (2) identifying one or more sources of subsidy dollars to bridge the gap between the high costs of developing inner-city commercial properties and the debt that can be supported by commercial rents in these markets.

- Of the cities studied here, Cleveland offered the more systemic array of support instruments for CDC commercial development. Chicago had many CDCs active in this arena and resources that support their work, but those resources were not as systematically structured.

- While the functions required for commercial real estate development and housing production are similar, the content of those functions differs significantly. Consistent city participation and a technically-capable entity able to structure program support contributed importantly to enabling CDCs to **move to scale** in this type of work.

**Business Development**

- Three critical elements can be found in community development systems that were adapting to meet the requirements of business development. First, CDCs were cooperating with each other in the use of specialized expertise. Secondly, intermediaries were acting creatively. And third, new local funding sources were being identified and created.

- Delivering business development support required relationships with a segment of the banking community not involved in housing development and an understanding of a new set of commercial lending requirements and policies. While these relationships did not automatically flow out of alliances forged for housing production, doors were opened and connections made based on the working relationships evolved for the housing agenda. However, in some cases there was no such natural transition and thus new networks and connections had to be built.

- Practitioners with the right combination of skills were scarce, a major reason why all but the largest and most specialized CDCs needed to cooperate in employing them.
Community Organizing

- The core challenge in extending system support to community organizing was finding willing funders. Since public sector support seemed unlikely, foundations appeared to be the principal option.
- In each of the three cities analyzed, outreach by intermediaries surfaced funding to invest in increased citizen participation. The rationale for such investments and the specific programs they supported differed from city to city, but all had been expanded and enjoyed growing local legitimacy as part of the CDC agenda.

Workforce Development

- Of the four activities considered here, workforce development posed the greatest challenge to community development systems designed to develop housing. The funding, knowledge, and relationships needed were completely different from those needed to develop housing. In addition, the workforce development system in most cities was totally separate from the community development system.
- Making inroads into that workforce system can be politically difficult—in some of the cases examined, prohibitively so. Successful entry required tapping the expertise of seasoned participants in the field, and this was more of a “stretch” for the system in some places than in others.

Community Development Systems and New Activities: A Comparative Analysis

The final section of the report returns to the three elements of the community development system—function, structure, and relationships—and looks across the four activities described above to summarize lessons about systems change.

Function

- The functions needed by any new activity drive the types of structures and relationships that are needed to conduct it effectively. Different functions make new demands on structure and relationships.
- Looking across the four activities, it is striking how little of the financing and subsidy function of affordable housing is transferable. New approaches and programs are required for all four activities.
- Training and technical assistance are requisite no matter what the activity, although the content, and hence the identity of the provider(s), varies. The need for this type of support is typically taken for granted in activities that are technically or financially complex, but can make equally important contributions when CDCs move more heavily into "softer" areas like community organizing.
- Efficient access to property and proficient land use and development regulatory mechanisms are as important to commercial real estate development, and sometimes to business development, as they are in housing. This function is irrelevant to community organizing and workforce development.
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Structure

- The networked structure of the community development system—the interrelationships among the constituent elements of systems that allow easy exchange of information and other resources—has proven remarkably flexible in responding to the demands of new activities. Three important emerging themes are the usefulness of having existing city-level participants in the system assume new functions, or selectively adding new participants at the systems level; the critical role of the intermediaries in developing programs; and the value of CDC collaboration across the neighborhood boundaries that traditionally separate them from one another.

Relationships

- Relationships continue to matter. Moves into new arenas involve risk-taking. Trust and shared vision among participants, built up over the years, facilitate such steps. But just as observed in the functions and structure of systems, the whole set of relationships in the “original” community development system cannot be mobilized for each new activity. Rather, the personal connections needed to carry out any activity—for example, among foundation, intermediary, and CDC staff in community organizing—must be adapted to new tasks. Workforce development is the most dramatic example of an activity requiring more than a reconfiguration and marginal expansion of the traditional participants.

- Across all the cities, the absence of a financial interest in participation left some players "on the sidelines" for some new activities—with the banks not directly involved in community organizing and the foundations playing at the margins in commercial real estate. However, we found no signs that these developments disrupted the system's preexisting relationships. In fact, it seems highly unlikely that any of the major participants would support movement into a new field of activity if that expansion were so strongly opposed by one of the players as to threaten the support system for housing.

Reflections on Beyond Housing

Based on our exploration, it seems clear that moving to scale in any other arena than housing—starting with strong housing production capability—means taking maximum advantage of the existing community development system. Three functions are critical to such a move: (1) a capable national or local intermediary with strong relationships throughout the community development system and the willingness to move beyond the players in that system; (2) individual CDCs working collaboratively—or at least using shared approaches—across neighborhoods; and (3) new players at the city-wide level joining to meet the needs of the new activity.
Introduction

This report examines how the community development system—the local configuration of neighborhood-based community development corporations (CDCs) supported by a network of city-level organizations and national intermediaries that enables the CDCs to effectively produce affordable housing—has begun to move into activities other than housing. It looks closely at six communities where community development corporations (CDCs) are branching out into commercial real estate development, business development, community organizing, and workforce development. It explores how community development systems are changing to meet the demands of these new pursuits.

The Policy Context

Although CDCs gained national stature largely because of their housing development activities, many have long engaged in activities beyond housing, and many that currently focus on housing say they would like to expand the range and scale of their non-housing activities. Major investors in CDCs and CDC-sponsored housing appear increasingly intrigued by the possibility that CDCs could leverage their housing accomplishments for greater community impact. Funders committed to improving poor neighborhoods commonly cite a shortage of strong community organizations to take on challenging community-building tasks. Using CDCs to deliver a broader range of programming has obvious appeal.

Given this strong foundation, why has system-wide expansion into other activities been so limited? First, rapid expansion in housing has itself precluded other activities by straining CDC management capacity—requiring groups to add staff, master new tasks and programs, and build new systems for managing property, money, and information. Second, serious setbacks experienced by a few highly respected CDCs have cautioned the field against taking on too much. Third, in cities where community development is still relatively new, the task of building both core CDC competency in housing and a strong support system remains unfinished.

This report suggests another reason, too: expansion at scale beyond housing awaits development of formal support systems for these new activities. Some cities are experimenting with such expansion. For reasons discussed below, these places are best thought of as the "leading edge" innovators rather than the rule among the Living Cities cities; in most places, systems development efforts remain focused on housing, even though one or more local CDCs may have broader portfolios. The central policy question is: How can a community development system designed to
support CDC housing production be modified to meet the demands of new activities?

**Research Methodology**

As part of the national assessment of Living Cities, senior members of the evaluation team visited each of the 23 Living Cities cities in 1999. They explored with knowledgeable local stakeholders the extent to which multiple CDCs engaged in a wide variety of activities other than housing. They looked at how the local community development system was—or was not—changing to support those activities. They sought to understand the rationale for such changes, the processes undertaken, and the outcomes to date. They found system-wide approaches emerging to support four activities: commercial real estate development, business development, community organizing, and workforce development. Perhaps not surprisingly, system-wide support for the expanded activities tended to cluster in cities that have been traditional leaders in the CDC field—Boston, Chicago, Cleveland, and New York. The assessment team also found promising approaches in other cities, leading to the inclusion of Kansas City and Seattle (Exhibit 1). Researchers analyzed the impetus for expanding into the new arena, actions taken to adapt the community development system to support the activity, and the challenges involved in adapting the system.

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**Exhibit 1: Cities and Activities in the Analysis**

**Analytic Framework**

Evaluating what is needed to expand a system from affordable housing to other activities first requires understanding the elements of the system itself. We define the community development system as the local configuration of neighborhood-based community development corporations (CDCs) supported by a network of city-level organizations and national intermediaries that enables the CDCs to effectively produce affordable housing. Conceptually, the system has three interdependent attributes—functions, structure, and relationships—as shown in Exhibit 2. The functions vary, depending on the activity. Over time, local organizations that can help with the required functions form structured relationships. These enable the system to perform the functions well.
Functions of the Community Development System

An effective community development system typically provides the following:

- **financing** of various types—predevelopment funds, equity, debt, subsidy dollars, bridge loans—delivered relatively efficiently and in adequate supply;

- **programmatic development** that packages those funds, from varied sources, in predictable, accessible ways;

- **core operating support** for the CDCs, sometimes linked to organizational development targets or performance benchmarks;

- **training and technical assistance**, as needed;

- **efficient access to property** for development, and proficient land use development and regulatory mechanisms;

- **political support.**

A community development system offering these supports in a sustained and adaptable way yields a growing inventory of affordable housing that is well-built, well-managed and well-regarded in the neighborhood. The system also produces competent CDCs that are embedded in and responsive to their neighborhoods.

Structure of the Community Development System

A community development system has many players—including foundations, banks, city agencies, intermediaries, and CDCs. The overall structure consists of networked organizations at the city/state and at the CDC/neighborhood levels. Intermediaries link the two levels, as shown in Exhibit 3.8

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### Exhibit 2: Elements of the Community Development System

<table>
<thead>
<tr>
<th>Function</th>
<th>Structure</th>
<th>Relationships</th>
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<tr>
<td>Financing</td>
<td>Functional supports are delivered through vertical and horizontal networks:</td>
<td>The network ties among the participants, formed and sustained on four bases:</td>
</tr>
<tr>
<td>Programmatic development</td>
<td>at the city level</td>
<td>o long-term relationships of trust and reciprocity</td>
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<td>Core operating support</td>
<td>at the CDC/neighborhood level</td>
<td>o shared vision</td>
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<tr>
<td>Training and technical</td>
<td>through intermediaries linking the two levels</td>
<td>o mutual interest</td>
</tr>
<tr>
<td>assistance</td>
<td></td>
<td>o financial nexus</td>
</tr>
<tr>
<td>Efficient access to property</td>
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<td>Political support</td>
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The City-Level Network

The organizations active at this level commonly include banks, corporations, foundations, and local government. Although the phrase "city-level" is used here for ease of reference, these institutions often have ties to organizations outside the city (e.g., a branch of a bank has ties to the parent corporation). These organizations also may receive resources, with accompanying operating constraints, from outside the city (e.g., city government receives program funds from state and federal governments).

City-level organizations are a local source of financing for CDCs, as well as the agents of the legal, policy, and programmatic framework (e.g., land use regulations and federal housing policies) within which CDCs do their work. City-level organizations become part of a local community development system when they form relatively stable operational ties with one another (thus becoming a functioning network) and use that network to develop mechanisms to support CDCs. As the system adapts to support other activities beyond housing, most of the organizational changes occur at the city level.

CDC-Level Networks

CDCs participate in the community development system to the extent that they develop the organizational capacity to produce housing and tap city-level resources. To become more effective, CDCs build and/or join two networks. The first is the network within the CDC's own neighborhood.
A CDC’s legitimacy hinges on its ability to remain embedded in its community with enduring, productive ties both to residents and to other local organizations.

The second network, less often discussed but potentially just as important in building a strong community development system, is the network among CDCs. Given day-to-day pressures, CDCs can become inward-looking, focused on the concerns of their neighborhoods. They can perceive one another as competitors for a fixed pool of resources from city-level organizations. However, in more sophisticated community development systems, CDCs create their own networks, usually membership associations, through which they cultivate an understanding of mutual interests and concerns. These associations also help CDCs gain greater influence over the system itself.

*The Intermediaries: Linking City-Level and CDC-Level Networks*

Individual CDCs have long had one-on-one relationships with city-level organizations. They request grants from foundations, for example, or seek building and occupancy permits from the city, or apply to banks for loans. In a growing number of localities over the past 20 years, national and local intermediary organizations have emerged to facilitate the exchange of ideas, information, and resources between the city-level institutions and CDCs.

The defining characteristic of a community development intermediary is that it aggregates resources from a variety of sources, packages those resources in useful ways (often in discussion with both funders and CDCs), and distributes them on a "retail" (i.e., one-on-one) basis to CDCs. As part of this process, intermediaries monitor project quality and progress and may provide technical assistance.

Intermediaries have established a solid track record. By assuming responsibility for project quality and financial soundness, they have attracted additional funds, both locally and nationally, to support the field's growth. Intermediaries engage in dynamic interaction with multiple actors at both the city and the neighborhood levels.

*Relationships in the Community Development System*

The institutional framework for relationships in the community development system for housing “is a hybrid—drawing on both economic interest and civic mindedness.” More specifically, the connections among the organizations grow out of long-term relationships of trust and reciprocity, shared vision, mutual interest, and financial nexus.

In cities with productive community development systems, CDCs, intermediaries, and city-level institutions employ people who have worked with each other for years and have often moved from one level of the community development system to another. In addition to personal relationships, these practitioners have a common understanding of, and support for, the role of CDCs in revitalizing inner-city neighborhoods. They have an interest in seeing the CDCs succeed. Moreover, the bottom line of a financial nexus introduces an element of economic self-interest. Big money is invested in CDC developments. The complex system of financing for affordable housing ensures that a number of actors at the city and intermediary levels are concerned with—indeed, depend on—competent CDCs.
Collectively, the four dimensions of relationships are the social capital—the glue that binds together, reinforces, and maintains linkages among the city-level organizations, CDCs, and intermediaries. The strength of each link in the network varies from city to city, and each community adapts in different ways. But whatever the precise configuration, these linkages contain significant social capital that takes real time and effort to produce. To expand successfully into new activities, the support system must "stretch" to accommodate. The more "stretch" required, the more difficult adapting the system is likely to be.
The six cities highlighted in this report have all developed reasonably well-functioning systems to support CDC housing production. In each system, good performance by the local CDCs in housing has helped to convince funders that expansion into a new activity is warranted. The distinctive aspects of each system are summarized below.

**Boston**

Boston was one of the earliest cities to develop a working community development system for housing. The long-term professional relationships and strong structural elements at all three levels of the network have enabled the system to provide critical financing, subsidy, and core operating and political support. The system has adapted well to the CDC field’s growing sophistication and to changes in federal housing policy. Boston was first among cities to launch a formal CDC capacity-building program, which led, in turn, to the formation of a local intermediary. For many years, Massachusetts’ CDCs have also had an effective state-level association. Expanding the system beyond housing to support more comprehensive community change has been a major theme in Boston over the past decade.

**Chicago**

Chicago's CDC community is second in size and depth only to New York’s. Local CDCs formed the Chicago Rehab Network (CRN) 25 years ago. With roughly 40 members (not including all of the city's significant CDC housing developers), CRN has become a proactive and effective technical assistance and advocacy organization. While all of the elements of a sophisticated community development housing production system are in place in Chicago, they are not as neatly integrated as in Boston or Cleveland. In addition, Chicago’s local government has not been as consistently supportive, although the city currently provides funding to about 140 “delegate agencies” in the neighborhoods, some of which are CDCs.

**Cleveland**

Among the 23 cities in the Living Cities portfolio, Cleveland is the “poster child” of community development systems. As in Boston, many system participants have been active in the field for a long time, and relationships are well developed. Former CDC directors have served in prominent positions as the city’s senior staff person for housing and community development and as director of the local intermediary. Three strong intermediaries—LISC, Enterprise, and Neighborhood Progress, Inc. (NPI)—augment a cohesive city-level network. These intermediaries have developed a complex but workable system for funneling public and private resources to the neighborhoods, primarily to develop and rehabilitate residential property.

**Kansas City**

Kansas City’s community development system has expanded in recent years as the initial focus on Kansas City, Missouri broadened to also include Kansas City, Kansas. Local CDCs include a few mature organizations, a few mid-sized groups, and
more newer and smaller CDCs. Only in the last few years have CDCs in each of the two central cities formed associations to discuss common concerns. Housing production, historically modest and uneven, has been rising steadily, but the limited capacity of the quasi-public agency administering city funds for CDCs has slowed development of the production support system. Priorities at the time of this research included implementing a new performance-based CDC capacity building program.

**New York**

New York has the nation’s largest brigade of CDCs, and local government has played an especially strong role in the community development support system. In the early 1980s, the city began making major investments in housing. It relied heavily on CDCs and other nonprofits to rehabilitate and return to private ownership a large inventory of city-owned vacant housing stock. Developing this housing was the bread-and-butter activity of many local CDCs for more than a decade. Both LISC and Enterprise worked with the city to shape the programs that supported this effort. New York CDCs have always been involved in more than housing. The momentum to move beyond housing has increased as groups have completed their work on formerly city-owned housing in their neighborhoods and the funds that supported the rehabilitation of that housing (and generated developer fees) are no longer available.

**Seattle**

Seattle’s CDC system is new compared with the other cities in this report. Fifteen years ago, area-wide nonprofit organizations and neighborhood groups working on homelessness developed the bulk of Seattle’s assisted housing. Strong CDCs joined the housing system later on and a number now have solid track records. The city has always been a central player, offering consistent and strong project support to nonprofit housing developers.
Moving the Community Development System Beyond Housing

Each of the six cities featured in this report has taken steps to expand at scale into one or more CDC activities beyond housing. This section examines four areas: commercial real estate development, business development, community organizing, and workforce development. It introduces each activity, presents the functions required of the system to enable CDCs to perform the activity well, analyzes how systems have adapted, and summarizes major challenges.

Commercial Real Estate Development

Of the four activities examined here, commercial development is the most similar to housing. Like housing, it centers on developing real property—in this case, buildings occupied primarily by business establishments. Commercial development has traditionally been important to CDCs that view physical improvements more broadly than just residential structures. In expanding into commercial property, neighborhood developers have had to overcome the misconception that housing and commercial development are alike because both involve real estate. True, the functions provided by the community development system for housing and commercial development are similar—financing, subsidy, technical assistance, access to property, and political support. Nevertheless, the resources and mechanisms to support housing production cannot be converted directly to the commercial real estate sector. Part of the growing wisdom among practitioners has been recognition of the critical distinctions between these categories of real estate.

The central difference is the availability of financing mechanisms and subsidy dollars. Designing local affordable housing programs is complex, but federal models and resources structure the task. By contrast, until recently federal policy provided no commercial real estate equivalent of the Low-Income Housing Tax Credit or the HOME program. The allocation of New Markets Tax Credits in 2003 introduced a federal tool CDCs and others can use to help support commercial real estate development and business development, although it is still too early to assess its performance. However, the subsidies it provides are smaller than those provided by the Low-Income Housing Tax Credit, so it is likely that even for activities that employ the new tool, financing and subsidy mechanisms for commercial real estate will continue to be developed locally.

Beyond financing, housing and commercial real estate development also differ in the technical expertise required. To undertake commercial development, CDCs must understand the dynamics of different kinds of markets and learn to serve different tenants. As in residential development, city government can help provide access to property. The city also can be critical to site assembly, since new retail developments are typically larger than those they replace.
Individual Cleveland CDCs have engaged in commercial real estate development for decades. Only recently, however, has the community development system created a comprehensive financing and subsidy mechanism for commercial buildings. As illustrated below, Cleveland has an unusually rich set of mechanisms for supporting CDC-sponsored commercial real estate development. In particular, its system has successfully evolved to meet commercial real estate needs in two areas: neighborhood retail development and in-town shopping centers.\(^{12}\)

Rehabilitating neighborhood retail corridors is the commercial competency that grows most naturally from CDCs’ housing experience. Typically, a CDC purchases a commercial structure, improves it, and rents the space to one or more merchants. Many older commercial buildings in Cleveland's neighborhoods include retail space at street level, with one or more floors of residential space above. Because banks generally consider such small mixed-use developments too risky to finance, the city and NPI (the local intermediary) have collaborated to finance the acquisition and rehabilitation of neighborhood commercial buildings. The participation of these two key partners has, in turn, enticed some banks to join in these projects.

Cleveland CDCs also use Re-Store (the local Main Street Program) to organize neighborhood merchants and help them improve their commercial districts.\(^{13}\) CDCs act as facilitators; a successful effort often results in formation of an independent local merchants association.

Developing shopping centers poses significant issues of capacity and expertise. To help address these challenges, NPI and major city-level funders created a new subsidiary—New Village Corporation. Under this structure, NPI finances retail development, and New Village Corporation acts as a joint venture partner. NPI usually partners with a CDC, but it sometimes joins with for-profit developers on large projects requiring more private equity than the community development system can raise. The city provides gap financing when necessary, as does the Cleveland Tomorrow Equity Fund,\(^{14}\) another city-wide partner.

The joint-venture structure has enabled NPI to build a strong capacity to execute sophisticated commercial developments anywhere in the city. Within these joint ventures, New Village Corporation is flexible about the division of roles and responsibilities. The CDC partner takes on as much responsibility as its internal capacity can support and participates in the development fees accordingly.\(^{15}\)

Local and national intermediaries constructed Cleveland’s commercial development supports, now a national model, with critical financial and programmatic help from the city, banks, foundations, and corporations. The support mechanisms offer a set of flexible and predictable instruments for CDCs to implement commercial revitalization.

### Commercial Real Estate Development—Chicago

Chicago CDCs have engaged in commercial real estate development since the 1970s. However, unlike other cities where CDCs became involved in commercial projects and then shifted focus, Chicago CDCs have remained consistently active
in the commercial arena. Many of the CDCs involved in commercial projects are former members of the Chicago Association of Neighborhood Development Organizations (CANDO), a strong and experienced city-wide coalition that engaged in policy development and advocacy and provided technical and financial assistance for commercial and industrial redevelopment for many years. CANDO closed its doors in 2002 after losing city funding, but Chicago CDCs continue to work actively in this arena. Technical assistance is available from numerous sources, including several of the city’s universities, and LISC provides both grants that allow CDCs to pay for technical assistance and scholarships so CDC staff can receive training.

Private financing for commercial development has gradually become more accessible. Chicago banks have become increasingly comfortable lending for inner-city neighborhood shopping malls with strong anchor tenants. In the late 1990s, a strong economy drew more small private developers into commercial development and opened the possibility of joint ventures with small minority developers. This continues to be the case, although the level of activity reflects the state of the local economy. As in Cleveland, many Chicago neighborhoods have mixed-use properties ripe for redevelopment. Once wary of lending for these properties, banks have begun to compete for such projects.

City government supports CDC-sponsored commercial developments in Chicago, but less systematically than is the case in Cleveland. The city can sometimes be very helpful with land assembly, provides land right-downs, and commonly uses Community Development Block Grant (CDBG) funds to assist commercial projects. The city also makes unusually heavy use of tax increment financing to support neighborhood projects. LISC offers a package of financial instruments, including recoverable predevelopment grants. Despite these elements, patient money for site assembly continues to be an important missing piece of the Chicago support system, which functions more like a tool kit than a real system. As one veteran observer noted: “The Chicago system is that each [deal] is hand-crafted. It's very cumbersome, but the key people can make things work” because of the relationships they have developed over the years.

Commercial Real Estate Development—Challenges and Lessons

Extending the community development support system to commercial development involves two related tasks: (1) crafting a full spectrum of financial instruments; and (2) identifying one or more sources of subsidy dollars to bridge the gap between the high costs of developing inner-city commercial properties and the debt that can be supported by commercial rents in these markets. In both Chicago and Cleveland, institutions brought together to deal with financing issues have provided technical assistance to CDCs, although each city has taken its own approach. The cities differ in the extent and form of local government support for CDC commercial development and in the local intermediaries’ role in providing technical, financial, and partnering assistance.

Moving from a “deal oriented” approach to commercial development to a systematic orientation is a major challenge for the community development system. Many commercial opportunities are one-of-a-kind. Support for ongoing commercial development—putting together a sophisticated array of instruments to
assist complex deals—requires discipline and the prospect of a stream of developments over time.

Among the Living Cities cities, Cleveland offers the most systemic array of support instruments for CDC commercial development. Chicago straddles the line between having a system in place and focusing on individual deals. Boston, originally one of the cities explored for commercial development, has had difficulty moving beyond individual, one-of-a-kind deals. As such, it offers an important contrast to Chicago and Cleveland. Across Boston’s community development system, there is a shared vision of the importance of signature commercial developments in neighborhoods and wide agreement that these projects have “stimulated the revitalization of commercial centers, brought essential goods and services to communities, and re-built confidence.” With limited city support and the lack of a consistent partnering intermediary, Boston CDCs have had to generate support for commercial real estate developments on a case-by-case basis.

As these cities demonstrate, while the functions required for commercial real estate development and housing production are similar, the content of those functions differs significantly. Filling the gaps in financing, subsidy, and technical support requires consistent city participation and a technically-capable entity that is able to build a commercial development support program. That entity may or may not be a participant in housing development.

**Business Development**

Business development—offering financial and technical assistance to entrepreneurs and small firms—has been on and off of the CDC stage since the movement began. During the 1970s, federal Title VII funds supported direct investment in new CDC-owned firms. CDCs generally viewed such investments through the lens of community control. When that federal funding ended, business development activities became harder to support. In the 1980s, the emergence of national intermediaries fueled rapid CDC expansion into housing production. The high financial risks of starting businesses, compared to housing, became more apparent, giving potential funders pause. Today, CDC investments in businesses generally remain off the stage because of the risk involved.

CDC business development activities consist mainly of helping small business owners and prospective entrepreneurs obtain technical assistance and financing. These services are either offered through referrals or provided by CDCs themselves. Business development requires different technical expertise than housing or commercial real estate development, as well as different kinds of financing. Subsidy is not always required for business loans, but funding sources must be identified to pay for technical assistance. Access to property is generally not needed, although it can be important for industrial retention. And while city support can be important, especially for industrial retention, some business development can be done well without the city’s participation.

**Business Development—Chicago**

Industrial retention is a major priority in Chicago. Partly in response to intense lobbying by CANDO members, the city adopted land use protections for industrial properties. The city has also developed a city-wide industrial land use plan, under which 12 of 22 industrial corridors have developed their own local plans. The Chicago Brownfields Initiative led
the City to take an out-front role in urging changes in federal brownfields legislation, which made reuse of these properties more feasible.

Some larger CDCs—mostly former CANDO members—have contracts with Chicago’s Department of Planning and Development to work on industrial retention. These CDCs help firms that need space and planning and land use support to find appropriate technical assistance and financing.

Banks welcome these CDCs’ participation because the CDCs understand bank lending policies and can help prepare prospective borrowers, reducing banks’ marketing and transactions costs. As with commercial development, financing and technical assistance formerly provided by CANDO are now being provided by others, although in a less integrated fashion.

**Business Development—Boston**

The Community Economic Development Assistance Corporation (CEDAC) was established in the mid-1970s by the Commonwealth of Massachusetts to focus on community economic development. Transformed in the 1980s to provide technical assistance and funding to nonprofits in low-income communities for housing and other real estate development, in the nineties the organization has ridden, and often directed, the wave of CDC attention to economic development.

Through a variety of initiatives (some joint, some independent), LISC, the Massachusetts Association of Community Development Corporations (MACDC) and CEDAC combined to launch and maintain what has become an economic development funding strategy. While there may be some dispute among the organizations as to who was most responsible for connecting the initiative to both foundation and corporate funding and CDC concerns, the usual Boston balance between competition and cooperation among players has been sustained. The leaders of all three agencies have known each other and worked together for years; they enjoy a level of trust blended with self-interest that characterizes the local system as a whole.

One example of their collaboration: CEDAC and MACDC launched an Economic Development Capacity Building Initiative in June 1995. CEDAC, by providing technical assistance, was instrumental in helping the CDCs formulate their concerns and agenda. LISC then raised money and provided funding for the economic development strategies developed by six Boston CDCs as the basis for figuring out its role in the emerging economic development agenda.

In the last seven years, two networks of Boston CDCs have “built an impressive track record of delivering valuable technical assistance, brokering and providing small business loans for neighborhood based businesses.” MACDC manages the larger network—the Community Business Network (CBN) – which has obtained significant funding from LISC. The other network—the Neighborhood Business Development Center (NBDC)—is managed by Nuestra Communidad Development Corporation on behalf of five CDCs and has received LISC funding on terms similar to those offered to CBN.

Working with current and prospective entrepreneurs, CBN provides customized technical support, training workshops, referrals to other assistance providers, and access to capital. The CDCs offer the services through a system of three lead CDCs and a network of affiliate CDCs. “Lead CDCs employ a full-time business development
staff person who provides technical assistance, referrals and loan packaging services. Affiliate CDCs use their own staff on a limited basis to conduct outreach . . . and conduct the initial client intake,” but rely on dedicated staff from the lead CDCs for more specialized functions.23

This cross-CDC collaboration is a significant development—a clear signal that CDCs and their funders recognize that the resources and expertise available at the local level are insufficient to let each CDC conduct every activity on its own. The collaboration also suggests that Boston CDCs increasingly understand the importance of scale and market in economic development and that neighborhood boundaries need to be crossed—and neighborhoods combined—to aggregate sufficient market area.

Collaboration has, however, raised issues about perceived inequality in the distribution of control and organizational prestige. The relationships between lead CDCs and their affiliates have the built-in potential for tension and have taken some time for the CDCs to learn how to manage. Nevertheless, both CDCs and funders are satisfied with the CBN model. “Most stakeholders are impressed by the extent of collaboration among CBN members and believe that the sharing of resources, information and experience among CBN members has increased CDCs’ business development capacity.”24

CBN’s experience has also illuminated some of the challenges involved in building networks to maximize CBN’s effectiveness. For example, in the early years the CBN providers did not make good use of “outside” technical assistance even though it was readily available.25 This has improved over time. A gap also exists in the lending relationships with Boston’s two largest banks, which acquired CBN’s strongest original lending partners, disrupting old relationships.26

Finally, concerns have emerged about fragmentation of business development resources between the two networks—CBN and NBDC—and two loan funds.

Despite these challenges, knowledgeable observers believe Boston’s neighborhood business assistance initiatives have staying power. CDC collaboration across neighborhoods has been a big factor in success to date. Another key element is LISC’s ability to bring to bear its reputation for technical quality and work effectively with key city-wide funders. The future of CDC business development depends on maintaining and expanding current alliances, particularly among funders.

With links to CBN, the Neighborhood Commercial District Revitalization Program (NCDRP) is a further example of business development in the Boston CDC world. Initiated in June 2001 by LISC, the initiative provided two-year grants of $494,000 to three partnerships of community development corporations and the Boston Main Streets program funded by the City of Boston. The linking of the Main Streets program with CDC efforts constituted a critical “coming together” of the city with CDC business development efforts, a link which replaced long-standing competition with cooperation. Two of the three are also members of the CBN. NCDRP represents a creative linking of CDC experience in real estate and small business development with the Main Streets connection to local merchants and expertise in business district planning. Boston LISC has encouraged the NCDRP partners to work with the Community Business Network described above.

The first two years of the initiative were judged a success and LISC renewed its financial support to
the existing partnerships. In addition to real estate and business development, retail district safety is a key component of the NCDRP approach, leading two of the three partnerships to cultivate relationships with the Boston Police Department under LISC’s Community Safety Initiative. Here is another example of closer cooperation between City Hall and the CDC world beyond the long-standing nexus of housing.

**Business Development—Cleveland**

Historically, two Cleveland community-based organizations have focused on industrial development and retention: (1) Midtown Corridor, Inc., a CDC-like organization targeting an historic East Side industrial corridor; and (2) Wirenet, an association of businesses—initially all in a specialized niche of the metalworking industry—formed to provide business development services on behalf of three West Side CDCs. The city also sponsors a variety of loan funds for business development. These include a micro-lending program and an industrial property disposition program that offers tax-foreclosed industrial properties to firms interested in expanding or relocating in Cleveland.

Cleveland's CDCs have highlighted industrial retention as a business development priority. Cleveland has a rich industrial history and a legacy of high-quality manufacturing jobs in specialized industrial sectors. Industrial uses remain widespread in many Cleveland residential areas. Numerous CDCs have worked to retain this employment base, but only the very largest could support staff to concentrate on this activity.

Ten years ago, at the urging of the Cleveland Neighborhood Development Corporation (the local CDC association), the city launched the Cleveland Industrial Retention Initiative. Under this initiative, the city's Office of Economic Development hires staff to work full-time on neighborhood linkages and industrial retention—including business support services, early identification of firms considering relocation or expansion, and referrals to training, technical assistance, and other resources. The city does not provide direct lending or property development. However, agency staff members do work out of the offices of a designated CDC and provide services on behalf of a geographic cluster of CDCs. As in Boston, interested CDCs share specialized professional services that none could effectively provide individually. Unlike Boston, however, the Cleveland staff is hired and paid for by city government.

Even with these activities in place, industrial firms continue to leave Cleveland or bypass the city for other locations. The industrial property disposition program is popular with business owners, and properties are disposed of quickly enough to suggest active unmet demand. As a result, a shared local awareness has emerged that more could and should be done. CDCs commonly know when a local firm is seeking new or additional space, but they lack the flexible financial resources needed to engage effectively in site assembly. CDCs sometimes inform the city of these intervention opportunities, but Cleveland, too, has limited in-house capacity to undertake large, complex site assembly and development projects. In response, CDCs have approached NPI for help.

NPI has answered by creating its own internal business development capacity. NPI’s services, which must be requested by a CDC, are outlined in a formal agreement that typically includes a CDC capacity-building component. Services include technical assistance, site assembly, gap financing,
financing for industrial sites, and assistance with marketing plans. Financing is offered through NPI's financial affiliate, Village Capital (capitalized by foundation program-related investments and grants), and often packaged with additional funding from the city and/or county. The extent of NPI's business development activities will become clearer over time, but NPI is clearly committed to meeting a widely acknowledged need in a way that is responsive to CDCs.

Business Development—Seattle

Seattle has taken a distinctive approach to meet a growing demand for community-based business development. It created a new nonprofit organization—Community Capital Development (CCD)—to offer business lending and technical assistance to small and start-up firms referred by CDCs. The structure allows many funders to participate in business development in an expanding number of ways.

The impetus for CCD evolved after CDCs became involved in commercial revitalization and discovered that local entrepreneurs—especially young firms—could not participate in upgrading their neighborhoods without specific effort on the part of the CDCs. Typically undercapitalized, these firms lacked the financial and business sophistication required to attract financing. There was broad agreement that helping these local firms would strengthen the community.

Unclear, however, was how the support could best be provided. CDCs wanted to remain focused on real estate development, where their expertise was strong. Having several CDCs build business development capacity would be inefficient. Small CDC-based business assistance would be duplicative and could not consistently offer the high quality services that a larger and more specialized entity could provide.

Even as the community development system considered these issues, the Seattle Office of Economic Development began to focus on a business loan fund that had received unfavorable media coverage. As a city fund, it could not attract private and philanthropic dollars to expand the base of services covered by its Small Business Administration (SBA) sponsor. The fund also lacked the capacity to offer technical assistance. As a result, it could not adequately serve the very firms CDCs wanted to help.

The city issued a Request for Proposals (RFP) to identify an entity to manage the loan fund. LISC used the opportunity to engage city leaders and staff in a serious discussion about how to strengthen local business lending. As a major participant in the local CDC operating support collaborative staffed by LISC, the city had developed trust in LISC's discretion and ability to deliver. The idea emerged to develop a centralized entity to deliver business development services. This approach had appeal because the local players had previously worked together successfully to develop a specialized entity.

CCD formed in 1997 to offer loans and a range of technical assistance to entrepreneurs in distressed Seattle neighborhoods. Its loan fund draws from a variety of private sources, which enables CCD to create more flexible products and serve a wider range of customers than traditional SBA loan products.

CCD is well positioned to stay informed about CDCs’ concerns and about neighborhood activities. CCD’s director formerly ran a well-
regarded CDC, and several CDCs are represented on CCD’s board. CCD annually makes about 30 to 35 loans and assists 250 small business owners. CDCs refer about half of CCD’s clients. As in Boston, by acting jointly, Seattle CDCs have gained access to—and a degree of management control over—high quality business support. CCD continues to work with local banks to develop new products.

**Business Development—Challenges and Lessons**

Three critical elements can be found in community development systems that are adapting to meet the requirements of business development. First, CDCs are cooperating in the use of specialized expertise. Second, intermediaries are acting creatively. And third, new local funding sources are being identified and created.

Delivering business development support requires relationships with a new segment of the banking community and an understanding of a new set of commercial lending requirements and policies. While these relationships do not automatically flow out of alliances forged for housing production, doors are opened and connections made based on the working relationships evolved for the housing agenda. However, in some cases there is no such natural transition and thus new networks and connections must be built to help neighborhood businesses gain access to financing.

Technical assistance is critical to ensure that entrepreneurs can develop quality business plans and market analyses. Practitioners with the right combination of skills are scarce, which is a major reason why all but the largest and most specialized CDCs need to cooperate in employing them.

As Seattle and Cleveland demonstrate, city government can be very helpful in providing access to capital and technical assistance. While local government participation is not as critical in business development as it is in commercial real estate, the city can make significant contributions. Local government participation is especially important in places—like Chicago and Cleveland—where industrial retention is the focus of business development because the city often owns the vacant industrial property that firms need to expand. The city can also play a critical role in site assembly. Specialized loan programs remain the domain of banks and bank-owned CDCs, sometimes working in concert with intermediaries.

**Community Organizing**

A significant percentage of older CDCs have their roots in the organizing activities of the civil rights movement and neighborhood protests against urban renewal and inner-city freeway construction. As the activism of the 1960s faded, organizing became less central to CDCs. The 1970s saw declining political and public support for organizing. By the 1980s, CDCs had become highly focused on real estate development and needed to have good working relationships with the banks and local governments they had once made targets of their organizing. Advocacy remained on the CDC agenda, but mass mobilization fell away as a strategy. CDCs joined their public and private supporters in moving toward collaboration and partnership.

Unlike the other activities examined here, community organizing generates no fee income. It is straightforward to finance, requiring only direct grant support for dedicated staff and supervisors. It presents no lending opportunities for banks and does not depend on the regulatory and funding
practices and competencies of local government—so those players are generally not directly involved. However, it is important that banks and government have no cause to oppose community organizing so that these important players remain engaged in the community development system’s support for housing.

Successful organizing requires training and technical assistance, but the skill sets differ entirely from those required for housing development. Moreover, unlike housing or the other activities discussed here, the organizing field encompasses several different approaches to practice. Choosing who will provide technical assistance and training regimes can be more difficult and controversial than in housing because the choice often dictates a philosophical and a pragmatic approach. This can complicate program design and implementation.

In Cleveland, Boston, and Kansas City, participants in the existing community development system identified organizing as an important CDC activity and developed ways to support it financially. Although the details vary from place to place, organizing is generally supported as a way to increase resident participation in community activities, foster more informed citizenship, and keep the CDCs in touch with residents’ views and priorities. The development of organizing approaches that place less emphasis on the confrontational advocacy of the 1960s and more emphasis on consensus building, networking, and leadership development has made it more acceptable to CDC supporters.

**Community Development—Cleveland**

Grassroots activism has deep roots in Cleveland. The Commission on Catholic Community Action began supporting community organizing in the 1960s. By the mid-1970s, the Commission had fostered the creation of 10 community-based advocacy groups; some later created CDCs to promote neighborhood redevelopment more directly. Many present-day community development practitioners in Cleveland—including people in positions of considerable influence at the city level or still working in the neighborhoods—have ties to the direct-action organizing campaigns of that era. Some well-regarded CDCs have maintained active organizing elements over the years, but it has taken thoughtful program development by Enterprise and NPI to expand CDC organizing ranks.

As an intermediary, NPI has always provided indirect support for community organizing through its core operating support program (supported by both Living Cities and local foundations). Each participating CDC prepares a strategic plan for its neighborhood and receives operating support to help implement the plan, which can include an organizing component. In recent years, NPI has begun to use the level of resident involvement in preparing CDC strategic plans as one component of its evaluation of the quality of the CDC’s plan. Tying local participation to funding has been a clear incentive for the 16 CDCs in NPI’s program to organize in their neighborhoods.

In 1999 NPI expanded its support for the community development field in Cleveland by creating the “Community Organizing and Involvement Program” (COIP), which is operated under the Quantum Leap Program, the organizational and human capacity development program of NPI. COIP has two overarching goals: to increase community involvement in CDC planning and decisionmaking and to increase the
capacity of residents to collectively address issues in their community.

COIP programming is offered on two levels. Concentrated assistance is provided to four CDCs (selected through a competitive process) that includes a $20,000 annual grant to help support the salary of a community organizer, an in-depth assessment to develop a baseline understanding of CDC organizing and community involvement capacity, and assistance in developing an organizational “Change Agenda” that sets out goals and objectives for increasing CDC capacity in these areas. A second level of assistance, made available to all Cleveland CDCs, includes a 12-module Basic Organizer Training Curriculum, individual coaching for Basic Organizer Trainees, an Advanced Organizer Training, a special “Community Involvement” Curriculum designed for Executive Directors and CDC boards, a series of 3-hour topical “Toolbox” workshops offered throughout the year, ongoing technical assistance to Executive Directors and supervisors on recruitment and retention of organizers, and an annual “Executive Policy” Forum for Executive Directors and CDC Board Presidents that addresses a challenge to the field related to community organizing or community involvement.

Most recently, NPI has developed a new loan product that has also indirectly encourages organizing. Administered by the CDCs, the program helps homeowners improve their houses. Since individual homeowners must apply for the funds, CDCs that have well-developed relationships with community residents are best able to identify successful loan applicants. These are generally the CDCs with effective community organizing efforts.

Systemic support for building social organization requires more than writing a check to hire organizers. Cleveland’s portfolio of support for organizing, developed almost entirely by existing participants in the community development system, is the most complete and institutionalized among cities studied. Cleveland’s package includes many elements and approaches that could be adapted to other settings. It demonstrates, too, that the full range of supports for community organizing can be as rich and thoughtful as those for more financially complex activities.

**Community Organizing—Boston**

Community organizing in Boston dates from the early 1960s when several groups mounted strong protests against the way urban renewal was being carried out in their neighborhoods. By the 1970s a climate of advocacy was replaced by a focus on production as emerging CDCs moved into housing development. Even during this period of quiescence there were moments of collaborative organizing among the CDCs. For example, CDCs played a key role creating the bank-funded intermediaries following the Federal Reserve’s 1989 report on redlining in Boston. In the mid-1990s, the community development system began to respond to public criticism that CDCs were losing touch with their neighborhood roots. The result was the Community Organizing Demonstration Program—now called the Ricanne Hadrian Initiative for Community Organizing (RHICO) in memory of its most effective advocate. While banks and the city are not directly involved, the other participants are all veterans of the housing development system.

The Massachusetts Association of Community Development Corporations (MACDC) and the Neighborhood Development Support Collaborative
(NDSC), the core of the CDC capacity-building system since the late 1980’s, jointly developed and implemented the initiative. The two organizations convened a steering committee of CDC representatives, funders, community organizing professionals, and staff from Boston LISC, NDSC, and MACDC. Important design decisions included the criteria used to select participants, activities that would be considered “community organizing,” the source and content of training and technical assistance for new organizers, and the operating relationship between NDSC and MACDC.

LISC used $600,000 of its Living Cities funds to launch the initiative. NDSC leveraged its relationship with the Ford Foundation, as did MACDC with the Surdna Foundation, to generate additional funding. Local foundations, enthusiastic about the initiative, also contributed. The result was a $2 million, three-year program. Ten CDCs, selected in an RFP process, received staffing grants plus training and technical assistance. An additional five CDCs received training and technical support.

Phase I of RHICO lasted from 1998 to 2001. During that period the participating CDCs aimed to “promote membership development and resident participation, identify and support resident leadership, promote CDC power, and integrate organizing and development functions within CDCs.” Individual CDCs decided how to achieve these goals, and their approaches differed. Some groups use RHICO to try to stimulate social action, including systems change and power redistribution. Others emphasize the program’s ability to foster “participatory community development” driven by residents, not CDC staff.

The accomplishments of Phase I were promising enough to generate the funding for a Phase II in 2002 which will run through 2006.

RHICO II awards two types of competitive grants to participating CDCs: three-year grants of $30,000 to $35,000 per year and, new to RHICO II, short-term mini-grants on an annual basis for specific organizing goals such as integrating organizing with real estate and development, addressing multi-culturalism/multi-lingual organizing, or neighborhood revitalization strategies.

Phase II includes program modifications based on the experience in the first years of the initiative. At the heart of that learning has been the recognition of the need for greater clarity in defining organizing and broadening its definition to capture the full vision that many CDCs have for community organizing. This meant moving from concern for tactics to the larger goals of the CDC in the context of a concrete agenda for change. That change was to occur both within and outside the organization. To be effective in the neighborhood, the community organizing function must be strongly rooted in the CDC itself.

The funding of RHICO II until 2006 indicates the seriousness with which community organizing is now taken. It is very much a part of the CDC agenda in Boston. Technical assistance, peer learning, and coaching are an integral part of the current effort to embed the community organizing concept into ongoing operations of the CDC world. In Boston community organizing has moved from the periphery to the center of the CDC agenda.

Community Organizing—Kansas City

Like other cities discussed in this section, Kansas City experienced organizing in the 1970s, with
some direct local campaign participation by Saul Alinsky. The experience left those targeted by the campaign with a negative impression, which has endured. Some of those targeted then remain influential in the city today.

In 1994, LISC launched its national Community Building Initiative, providing modest support over three years to help CDCs in a number of cities conduct a variety of "community-building" activities. Local sites had considerable latitude to tailor their activities to meet the needs of their CDCs. The program director of Kansas City LISC, a former community organizer, designed a new organizing initiative—Building Blocks.

Building Blocks funded each participating CDC to hire a full-time organizer. LISC brought in senior organizers from the Consensus Organizing Institute to provide initial training and prepare the new Building Blocks program director to give organizers ongoing coaching and supervision. The organizers sought to engage at least half of the residents on each target block in a collaborative block-improvement effort. When the requisite number of residents had signed on and begun working together, typically starting with a cleanup, the block became officially designated as a Building Blocks block. The designation allowed residents to qualify for expedited funding for small-scale improvements, such as speed bumps or sidewalk repairs, financed by the city with CDBG funds.

This initial effort yielded mixed results. On the bright side, blocks that achieved Building Blocks designation improved visibly, and the accomplishments motivated residents to remain active. Some blocks made a connection with their council member that helped them address larger-scale problems, such as faulty storm drainage. However, fewer blocks obtained designation than initially expected, and only two of the seven CDCs completed the three-year program. CDCs dropped out for a variety of reasons, most notably over disagreements with LISC about program management. Some CDC executive directors wanted community organizers to perform tasks other than organizing; LISC viewed this as a diversion of program resources and sought to keep the organizers focused on the task of building resident organizations.

Nevertheless, the LISC Local Advisory Committee (LAC) remained committed to resident organizing and leadership development and has expanded support for them. Significantly, the program's champion on the LAC served for 10 years as the city manager for development and planning. During that time, his agency was the target of an Alinsky-led direct action campaign. Now a member of the LAC executive committee, he describes Building Blocks as an "important function" for LISC to provide—central to identifying and cultivating natural leaders, to nurturing a vigorous and inclusive culture of neighborhood governance, and to leveraging and sustaining physical and economic neighborhood improvement.

Building Blocks remains available as a program option for CDCs that want to use it, and the number that do so have grown to 10. Over 100 blocks have met the Building Blocks criteria, and that number is expected to increase sharply as more CDCs adopt block organizing as a strategy. Two additional programs have expanded local resident empowerments efforts. Four Kansas City CDCs participate in national LISC's Community Safety Initiative, which uses a community organizing approach. In addition, in 1998 Kansas City LISC developed the Building 21st Century
Leaders program. This free 10-session training for resident volunteers builds the skills and relationships needed to bring about neighborhood change. The training is very popular, and many of its more than 200 graduates have become more involved in neighborhood improvement activities—through CDCs, through greater participation or leadership in neighborhood associations, or other venues. Although operated by LISC, it is clearly targeted to build effective citizen participation across the board, not only within the CDC system—a departure from the pattern observed in Boston and Cleveland.

**Community Organizing—Challenges and Lessons**

The core challenge in extending system support to community organizing is finding willing funders. Since public sector support seems unlikely, and organizing provides no substantive role for banks or corporations, unless through appeal to public service they can be convinced to provide financial support, foundations appear to be the principal option. As the Kansas City example illustrates, however, modest yet well-used local government incentives for resident engagement can yield visible physical results in neighborhood improvement.

In each of the three cities considered here, outreach by intermediaries has surfaced funding to invest in increased citizen participation. The rationale for such investments, however, differ. The case for organizing is sometimes framed in terms of assuring that CDCs remain connected (or get reconnected) to residents and their priorities because, it is argued, CDCs with strong community roots produce better, more widely supported, and more enduring projects and activities. Other organizing supporters frame the issue more broadly in terms of leadership development. They endorse organizing initiatives to engage more residents of poor neighborhoods in all aspects of community life. They want community organizing that positions residents to make “the system” work for their low-income communities as well as it works for better-off neighborhoods. In either case the argument for community organizing is rooted in the belief that CDCs must be connected to the people, politics, and institutions of neighborhoods as well as to their physical and economic development.

Although CDCs have long professed that they would like to do more organizing if they could raise money for it, they differ in the details of what, how, and why. For example, CDCs vary—although much less than often alleged—in how they would balance direct action, collaboration, and the tactics in between. They also differ in their views about how best to target organizing efforts (e.g., toward tenants of CDC-owned rental properties, tenants of privately owned buildings in poor condition, or residents of targeted geographic areas) and what the nature of the objectives should be (i.e., organizing residents to engage in community-betterment activities such as crime watches versus organizing to try to get others, such as slum lords, to adopt improved practices). As a practical matter, the experience in the three cities examined suggests that these differences need not be a problem as long as support for organizing allows CDCs to adopt approaches they can implement with integrity.

The Cleveland example, and to a lesser degree the Kansas City experience, highlight the possibilities for building program incentives that enable CDCs to strengthen their community roots. Good organizing, like other elements of community
development, done at scale, requires a combination of training and technical assistance. Funders routinely assume that such support is important when CDCs undertake technical work; the examples here demonstrate that they can have equal value when the focus shifts to “soft” skills.

Developments in all three cities, despite their clear differences, strongly suggest that community organizing—in a different incarnation that it assumed in the 1960s and 1970s—can be combined effectively with development. In these places, community organizing is assuming an integral role in the CDC agenda as locally developed programs expand and gain credibility.

**Workforce Development**

CDCs’ history in job training dates from the 1970s. When the federal government instituted performance-based funding late in that decade CDCs largely exited the field because of the financial risks and cash flow demands that were part of the policy change. Since then workforce development in most cities has been separate from the community development system.  

Late in the last decade, however, workforce development surfaced as a potential area for CDC activity for two reasons—need and opportunity—both of which were sharpened by major federal policy initiatives. CDCs perceived a heightened need to become involved in job training because of the 1996 welfare reform law, which established time limits for receiving welfare benefits and thus raised the premium for residents of CDC neighborhoods being employed.

The opportunity resulted from the Workforce Investment Act (WIA) which fundamentally changed the workforce development system. More people are now eligible for its services. Providers have less influence—and employers more—on system governance. WIA consolidated many federally-funded job training programs into One Stop Centers, which can be operated by a wider variety of organizations than before, including for-profit firms. A voucher system now allows clients to shop for service providers. And, for the first time, the system supports post-placement services.

These changes left seasoned job training and placement organizations uncertain and localities scrambling to implement the new system. While such restructuring provided an opportunity for CDCs to reenter the workforce development field, effective engagement in the function of the workforce development system represented a challenge.

Those key functions are:

- access to reliable funding, typically through WIA;
- training and technical assistance;
- connections to employers or placement services;
- financial capacity to deal with a long waiting period for performance-based payments (and the risk that the payments will not be earned);
- political support, including from city government, which distributes WIA funds.

The above functions differ substantially from those required in housing. Moreover, institutional relationships necessary for success also vary sharply. Indeed, among the four activities explored
here, workforce development requires the greatest stretch from the community development system. Nevertheless, although the entry threshold into workforce development is high, Chicago has demonstrated that community development systems can cross it. Experience in New York, however, illustrates the difficulty of doing so.

**Workforce Development—Chicago**

Two groups of Chicago CDCs engage in workforce development. The first consists of about six organizations that became involved before WIA’s passage. These groups entered the field because workforce development seemed to be a next logical step in their neighborhood strategies. All of them carry out business development activities that are linked directly to their workforce development initiatives. They participate in the Chicago Jobs Council, an alliance of service providers and advocates focused on the importance of jobs with good wages, as well as in collective activities by and for CDCs. For these CDCs, workforce development is grounded in existing relationships at the neighborhood and city levels.

The second group of CDCs involved in workforce development includes more recent entrants into the field. Each moved into the workforce arena under the aegis of a larger effort—originally launched as the New Communities Initiative (NCI) and later expended as the New Communities Program (NCP)—mounted by Chicago LISC. NCI grew out of the recommendations of the Chicago Futures Committee. Organized by Chicago LISC and co-chaired by a vice-president of the MacArthur Foundation, the Committee enlisted local stakeholders in a broad-based assessment of the challenges facing community development in Chicago. The participants recommended a more holistic approach to community development. The recommendations laid the foundation for LISC to broaden the types of support it provides Chicago CDCs.

Based on extensive conversations with the three initial CDC participants, LISC made workforce development NCI’s initial priority. Key city-wide actors supplied political and financial impetus. To assure technical excellence, Chicago LISC collaborated with a seasoned workforce developer—Project MATCH—that was already working with residents of two Chicago public housing developments.

As CDC staff began training and planning, LISC arranged for the groups to make a presentation to the commissioner at the Mayor’s Office of Workforce Development, the lead city agency responsible for Chicago’s WIA implementation. After the presentation, the commissioner urged LISC to apply for funding from a pool of CDBG dollars set aside to support innovations in workforce development, which it did, on behalf of the three CDCs and Project MATCH. Usually, community-based groups, not intermediaries, are program applicants. The commissioner’s high regard for LISC, coupled with the strong reputation and track record of Project MATCH, helped the organization attract significant public dollars to support workforce development, although not from WIA.

Positive experience with NCI and continuing local commitment to develop formal supports for a more holistic approach to neighborhood revitalization enabled LISC, with a sizeable grant from the MacArthur Foundation, to convert this Initiative to an on-going program—the New Communities Program (NCP)—that targets 16 neighborhoods. A lead agency in each neighborhood, including some CDCs and some other types of organizations,
receives financial support; a total of six are now engaged in workforce development.38 Some get WIA funding from the City, and some get CDBG funds earmarked for workforce development. Each workforce effort includes a seasoned provider with acknowledged expertise in the workforce field, but the program no longer relies exclusively on Project MATCH. Overall, the Chicago experience with workforce development has been positive enough that efforts are underway both to add new CDCs to the provider group and to expand the programmatic range of their activities by housing workforce development activities in Centers for Working Families that also house other services intended to increase and stabilize family incomes.

The successful entry of CDCs into workforce development rests importantly on two strongly related aspects of the Chicago community development arena. First, historically, the lines between CDCs and workforce development organizations have not been as sharply drawn in Chicago as in many other places. Highly respected CDCs, including Bethel New Life and Jane Addams Resource Center, have long been involved in both business and workforce development, as their participation in the Chicago Jobs Council attests. This successful record creates an environment in which workforce development is seen as part of the legitimate repertoire of CDCs, assuming they acquire or connect to appropriate technical expertise in this arena just as they are expected to do in others. Second, the broadly-based local commitment to holistic community development, including the recognition that CDCs are not the only organizations that contribute to it, creates a climate in which both Chicago LISC and its financial supporters are comfortable supporting non-CDCs when they contribute directly to that holistic community development agenda.

Together, these two factors appear to give the CDC system more flexibility in Chicago than it has in many other cities, even those where CDCs have a long history.

Workforce Development—New York City

Launched in 2000 as a joint venture between LISC and Seedco, an intermediary with deep roots in the workforce development field, EarnFair represented a new delivery system in New York City intended to enable CDCs to expand into workforce development. As initially structured, EarnFair included members of the traditional community development system, but in radically restructured form to meet the programmatic and financial demands of workforce development. In addition, players with deep knowledge of workforce development were added, and new financial and institutional supporters attracted. These included the City Human Resources Administration; the United Way of New York City; the City University of New York; the City Board of Education; and several new banks and foundations.

EarnFair is structured in two parts. At the neighborhood level, 10 community-based organizations (CBOs)—including five CDCs—were to recruit job seekers, conduct assessments, and provide referrals, case management, and job coaching. Known as the EarnFair Alliance, the CBOs brought a key asset—a network of trust-based connections with residents and organizations in their neighborhoods, a linkage not often available to traditional workforce agencies. On the employer side, a Seedco subsidiary structured as a limited liability company, EarnFair LLC, offered administrative and support services for a dependable supply of entry-level workers whom the employer had the right to select and terminate.
The employer provided regular employee supervision—EarnFair did the rest.

EarnFair LLC was to hire welfare recipients and then for a fee “lease” those employees to for-profit and nonprofit business clients. It committed for two years to help participants enter the mainstream labor market so long as they performed adequately on the job. It also “guaranteed” to provide employers with replacement workers when their regular EarnFair employees were unable to work or left their positions. In addition to the “leasing” concept to generate business client fees, the experiment featured a number of other innovative features nested in its complex financial structure; these included: training vouchers, loans, grants, and other government resources including a contract with the New York Human Resources Administration. EarnFair also projected use of a welfare-to-work tax credit syndication program that would try to replicate in workforce development the Low-Income Housing Tax Credit program, which has been so critical to the housing system. The tax credit represented 20 percent of the total initial financing package—a highly significant element that was key to making the program self-supporting over the long term.

EarnFair attempted to achieve several demanding objectives: (1) to use a temporary services model to give disadvantaged workers experience; (2) to provide intensive services to those disadvantaged workers; (3) to utilize the capabilities of CDCs and CBOs to recruit disadvantaged workers, provide some support services, and help with the transition into the workforce; (4) to support these expensive services with government grants and contracts combined with (5) revenues from the temporary services business and (6) syndication of employment tax credits generated.

During its first two years, EarnFair succeeded in meeting the first four objectives but failed to meet the fifth and sixth. The initial working capital was consumed more rapidly than expected: client fees were higher than many firms were willing to pay, especially in the face of the dot.com market collapse, making “the temp service strategy” difficult to sustain, and syndication proved much more difficult than anticipated. As a result, by January 2002 the LISC-Seedco partnership was dissolved. Those working on the program judge it to have provided excellent services to disadvantaged workers. But as a business it failed to win enough customers in a competitive market and as a result could not generate sufficient revenues or volume to make syndication practicable.

EarnFair continues to operate, but with a modified program design and financial structure. A Seedco subsidiary provides a variety of capacity building and other support services to the EarnFair Alliance, which includes all its original members. EarnFair LLC now supports itself with a combination of business client fees and wage subsidies, including both WIA funds and City and State wage subsidies. Tax credit syndication is still under discussion, but not part of the current financial package. Alliance members refer clients to the LLC, but also to other placement entities. Similarly, the LLC recruits workers from Alliance members but also from a diverse array of other seasoned workforce development providers, some of which are CDCs with longstanding workforce development expertise.

Program innovators recognize that the financial stretch involved in moving CDC system into the workforce field was greater than anticipated. Individual CDCs engage in workforce
development, both within and outside of the EarnFair Alliance, but without structured support from the established CDC system.

**Workforce Development—Challenges and Lessons**

The comparative experiences in Chicago and New York point to the importance of connecting the strengths of the existing community development system with the demands of workforce development. Context and history matter a great deal.

The two efforts have important similarities. Both built off of existing relationships—relationships that in some cases extended beyond the usual participants in the CDC system—but also brought new players to the table. The technical expertise of these new participants was critical to enabling new CDCs to move into workforce development. At the same time, CDCs in each city had a long history in the field, closely tied to their housing, neighborhood revitalization, and/or business development activities. As a result, the bridge between community development and workforce development had a history and local acceptance prior to WIA. Finally, in both places CDC entry into this new arena was facilitated by City provision of workforce development funds from sources above and beyond WIA.

Differences between the two cases are critical for an understanding of the contrasting outcomes. In Chicago, a broad-based local commitment among a wide array of city-level and community-level participants to strengthen a holistic approach to community development provided strong support for programmatic expansion. Significant foundation support for engagement in workforce development in a community development context was key. Housing the effort within LISC further bolstered the sense of ownership of this new activity by the CDC system and allowed new support mechanisms to build gradually off that foundation.

In contrast, EarnFair constituted a bold move beyond the functions, structure, and relationships of the affordable housing system. The new constellation of players, drawn together by mutual interest, required considerable time to plan a complex program and to cultivate the trusting relationships, shared vision, and financial nexus required. But it was unable to sustain itself when the initial capitalization proved to be inadequate and the business plan required important revisions. Structurally and programmatically it appears to have reached too far, too fast.

Looking beyond Chicago and New York, it is a comment on the costs of moving into workforce development that the cities with the most fully integrated community development systems among those studied—Cleveland and Boston—have intentionally steered clear. In Cleveland, local stakeholders share the belief that, unlike community organizing and commercial and business development, workforce development moves too far afield from the community development system’s core competencies, institutional alliances, and political support. Despite urging from several CDCs, the Boston community development system has also shied away. Influential players in the city-level network argue that the CDCs "lack any comparative advantage in workforce development and probably could not successfully compete for WIA’s performance-based funding." No one questions the need for bold initiatives in the workforce development arena. And several Boston CDCs have ventured into the arena and have managed to
generate contracts for training residents of their neighborhoods. However, the extent to which the community development system which has so successfully produced housing can be reshaped to the task remains an open issue. The hurdles to entry are high and the challenges to successful performance daunting.
Community Development Systems and New Activities: A Comparative Analysis

This six-city analysis leads to the conclusion that a well-developed community development system for CDC housing can productively expand to support other CDC activities. In some cities, systemic moves have already occurred. The results to date are encouraging. Clearly, the range of activities beyond housing that can be supported is limited—by the commonalities of systems built for housing and by the core financial and technical functions that new activities require.

This section looks across the four activities—commercial real estate development, business development, community organizing, and workforce development—to compare how each has required the community development system to adapt. To make this comparison, this section considers how the move beyond housing transforms the functions, structure, and relationships of the community development system.

The Functions of the System

As described in Section 3.1, a good affordable housing production system addresses the following functional needs:

- **financing** of various types—predevelopment funds, equity, debt, subsidy dollars, bridge loans—provided relatively efficiently and in adequate supply;

- **programmatic development** that packages those funds in predictable, accessible ways;

- **core operating support** for the CDCs, sometimes linked to organizational development targets or performance benchmarks;

- **training and technical assistance**, as needed;

- **efficient access to property for development**, and proficient land use development and regulatory mechanisms;

- **political support**.

Looking across the four activities, strikingly little of the financing and subsidy function of affordable housing is transferable. Instead, new approaches and programs have to be created, even in commercial real estate development and business development. Financing (i.e., loans) is not a term that even applies to community organizing or workforce development. Grants and contracts support these activities. As a result, CDCs’ strong connections with banks and other lenders, forged for housing production, are of limited use in these initiatives. Key players in the community development system can help find sources for new funding, as exemplified by the intermediaries and foundations in Boston, Cleveland, and Kansas City. The federal government is a critical funding source in workforce development, but another set
of local players also competes for these funds, so the dollars are not dependable.

No matter what the activity, training and technical assistance are required—although the content and providers vary. Training and technical support are assumed to be needed for technically or financially complex activities, such as business development. But these supports are also important to successful community organizing. The common ground across all four activity areas is the role of the intermediaries—national or local—in finding and structuring funding.

As in housing, commercial real estate development (and sometimes business development) depends on efficient access to property and proficient land use and development regulatory mechanisms. The land use and regulatory functions are irrelevant for community organizing and workforce development, although workforce development has its own emerging rules, regulations, and systems that will need to be mastered, and possibly streamlined, to support more effective participation by CBOs.

Political backing—the active and consistent support of local government—can make an enormous difference in the success of CDC initiatives beyond housing. The central role of the City of Cleveland in NPI’s efforts to promote business and commercial real estate development stands out. By contrast, until relatively recently the lack of city support in Boston hindered commercial development efforts. City support is particularly central to workforce development because the city is the conduit for WIA funding.

### The Structure of the System

The networked structure of the community development system has proven to be remarkably flexible in responding to the demands of new activities. At the core, the city-level and CDC-level networks bridged by local and national intermediaries have remained intact. Looking across the new activities and across cities, the cast of characters and the details of their roles change, but these changes are almost always limited to the city-level networks, and in most cases, the differences are not sharply drawn. Three important themes emerge. Having existing city-level participants assume new functions—or selectively adding new participants—is useful when expanding into new activities. Intermediaries play a critical program development role. And collaborative engagement by the CDCs is extremely valuable.

#### City-level Networks

The four types of city-level players in the community development system—foundations, local government, banks and corporations—provide essential financial support for housing production. None of the non-housing activities examined here requires all four sets of players. Syndicators and income tax credit purchasers, for example, drop out when housing is not the activity. Banks, too, expand their participation only when new activities provide them suitable roles. Each of the four new activities examined here can enlist one or more new participants.

Foundations remain critical for mobilizing new activities, and their convening role—in addition to their financial support—can be invaluable. In Chicago, the MacArthur Foundation’s serving as the chair of the Chicago Futures Committee helped
to create a mandate for a more holistic approach to community revitalization. In Boston, foundations supplied crucial dollars for community organizing. In Kansas City, foundations were key in sustaining the Building Blocks program. As grant makers, the foundations’ role in economic development has been modest across the cities studied, with one caveat. Foundation contributions do support CDC capacity building, which can lead to improved economic development performance.

Local governments play a multi-faceted role in CDC activities beyond housing. Cities are important because they have regulatory authority over buildings and land use. They shape local programs that draw on federal funds. They can make grants and loans. City support makes an enormous difference in commercial real estate development, when large sums of money and higher than normal risk may well be involved. In Boston, local government has moved beyond a competitive view of CDCs and has included them as part of its Main Street Program. In Cleveland, NPI, the local intermediary, and the city commonly partner with CDCs in financing the acquisition and rehabilitation of commercial property. City support is less essential for business development, since CDCs and intermediaries can sometimes directly access federal or private-sector funds that are not as readily available for neighborhood commercial revitalization. Promoting industrial retention, however, does require city participation.

Although community organizing does not require city dollars, city-administered programs can help CDCs organize targeted neighborhood improvement activities, such as safety watches, community policing, and code enforcement. As the Kansas City experience illustrates, even very modest incentives for residents to organize can make an important contribution.

Local governments do have major new responsibilities in workforce development under WIA. These activities, however, are generally overseen by city agencies that have little or no experience with CDCs. At a minimum, expanding the CDC support system into workforce development requires cultivating new relationships in local government. Doing so successfully will almost certainly require engaging one or more highly regarded experts in the workforce arena as part of the price of admission.

Banks are central to commercial real estate development and business development. Bank lending is at the core of these activities, as it is in housing. CDCs' track record in housing, their experience with the banks, and the presence of the intermediaries all help in opening bank doors for commercial real estate and business lending. However, the relationships are not directly transferred from housing to commercial initiatives. Different bankers are involved, and new relationships must be built, even when banks participate through their bank-owned CDCs.

**The CDC-level Networks**

The most significant shift at the CDC level in the move beyond housing is collaboration among CDCs to deliver services. Under the classic CDC housing model, individual CDCs mobilize staff, technical assistance, and financing to produce residential units in their own neighborhoods. Project-level collaboration occurs occasionally among CDCs around housing development, but is the exception, not the rule. By contrast, CDC collaboration occurs in a variety of ways for economic development and workforce.
development. The most common starting point for
CDC collaboration appears to be the development
of a shared agenda about policy, training needs,
and program development.

For economic development activities, shared and
joint efforts are replacing the go-it-alone approach
of CDC housing. The six cities studied present
numerous examples. CDCs in Boston and
Cleveland share business development staff. In
Seattle and Boston, CDCs jointly purchase
specialized services from a single organization that
serves multiple neighborhoods. Joint venturing
with unconventional partners is underway in
Cleveland, where CDCs collaborate with their
local intermediary, NPI, to develop shopping
centers. Adopting common models to achieve
scale and credibility is an important part of the
Building Blocks story in Kansas City. These
examples suggest that cross-neighborhood
collaboration is an important part of the story of
the expansion of the community development
system beyond housing.

The Intermediaries

Intermediaries—local and national—are the most
critical player in moving a community
development system to support activities beyond
housing. They have been central to all of our
illustrations of systematic efforts to expand the
community development system into new
activities, and have done so in ways that go well
beyond their formal financial roles. The
intermediaries play a pivotal role in connecting
citywide institutions and the CDCs. They provide
carrots and sticks. They broker between City Hall
and the CDCs. They connect and bring in
foundations, corporations, and banks. They
consistently take the central role in designing new
programs, financial instruments, and the like.

Effective national and local intermediaries provide
a powerful foundation for systemic expansion.

Over the course of the growth of the community
development movement, discussions of the role of
the intermediaries have largely been focused on
the large national intermediaries, especially LISC
and the Enterprise Foundation, acting in their role
as national organizations. At that level, their
visible contributions have included attracting
significant new resources, including federal
resources, into the field; and spreading "models,"
such as program approaches to developing
affordable housing, to new localities. This latter
role is well-illustrated in our Seattle example; the
local CDC support system there did not have to
experience the failed businesses of the 1970s to see
the wisdom of creating a new organization to serve
the CDCs' business development needs.

The intermediaries are also the system's major
entrepreneurs in expanding supports for new kinds
of community improvement activities. Significant
learning and investment at the national level,
complemented by lesser investments at the local
level, undergird many program innovations. They
are also the agencies with the program
development resources and the reputation for
technical quality that are important ingredients in
any effort to bring new players into the system.44

The Relationships in the System

The glue that holds the community development
system together is created through long-term
relationships of trust and reciprocity, shared vision,
mutual interest, and financial nexus. This analysis
consistently found that relationships forged to
support CDC housing production could be
leveraged to expand into new initiatives.
Venturing into new arenas involves risk-taking. Trust and shared vision among participants, built up over years, facilitate such steps. In Boston, for example, the longstanding connections among the leaders of CEDAC, MACDC, NDSC, and LISC were critical in building support for community organizing and business development. In Cleveland, the relationship between NPI’s executive director and the city’s CDCs enabled the intermediary to become a joint venture partner in CDC shopping center developments.

As with functions and structure, the whole set of relationships in the community development system is not mobilized for each new activity. Instead, connections are specific to the activity. In community organizing, for example, the relationships involving foundations, intermediaries, and CDCs are most important. Across all the cities, the absence of financial nexus has left some individual players on the sidelines for some new activities—with the banks not directly involved in community organizing, for example, and the foundations playing at the margins in commercial real estate. In a few cases, the shared vision forged among participants in the community development system did not transfer easily to another activity—as illustrated by Boston’s initial unwillingness to support CDCs as agents of neighborhood commercial revitalization. However, there is no indication that these new activities disrupted the system’s preexisting relationships. In fact, it seems highly unlikely that any of the major participants would support movement into a new field of activity if that expansion threatened the existing support system for housing.

As the technical demands of an activity increase, so too does the importance of having effective networks at the city level. Acknowledged "experts" need to contribute, participate, or bless the new effort to assure its high quality and legitimize the activity both for prospective supporters and for existing players with turf to protect. Workforce development is the most dramatic example of an activity requiring new relationships—as illustrated by the moves to bring in Project MATCH in Chicago and Seedco (plus numerous other new partners) in New York. But the challenge of developing relationships among new players also applies to other activities. For example, developing relationships with the commercial bankers is vital as CDCs move into commercial real estate development, and with new technical assistance providers as CDCs venture into business development and community organizing.

**Reflections on Beyond Housing**

The best opportunities for CDCs to move to scale beyond housing are in places where a solid housing production support system can be used as a foundation. In such communities, moving to scale in any arena other than housing requires a capable national or local intermediary with strong relationships throughout the community development system and a willingness to move beyond the players in that system. Individual CDCs must agree to work collaboratively—or at least using shared approaches—across neighborhoods. New players at the city-wide level must join to address the needs of the new activity.

While these conditions are necessary to move beyond housing, they are not sufficient. This report identifies specific feasible and promising investment strategies to grow the CDC field beyond housing—but decisions about where and when to expand raise other important issues. Much more is at stake here than whether or not an individual CDC diversifies. While the needs of
CDCs’ communities are undeniable, so too are the advantages of maintaining the high quality of performance that has enabled individual CDCs, and the field as a whole, to expand. Most of the programs and systems changes highlighted here are relatively new. The fact that many are being expanded is very encouraging, but their effectiveness clearly needs to be assessed.

Even if the promising approaches discussed in this report perform well, encouraging CDCs to take on such new activities may not be the best strategy in all localities. By design the report focuses on CDC-based approaches to deliver services to communities—so it does not examine alternative ways to make the benefits of commercial real estate development, business development, community organizing, and workforce development available in low-income neighborhoods. But as the examples from cities here illustrate, sometimes the best way to extend new services to CDCs’ constituents is for the CDCs to find ways tap the strengths of others on the community’s behalf.
Endnotes

1We define the community development system as the local configuration of neighborhood-based community development corporations (CDCs) supported by a network of city-level organizations and national intermediaries that enables the CDCs to effectively produce affordable housing.

2 Before 2001, Living Cities: The National Community Development Initiative was known as simply the National Community Development Initiative. It was and remains a national effort, initiated in 1991, to increase the capacity and productivity of community development corporations. It is supported by a consortium of funders, including foundations, corporations, and the U.S. Department of Housing and Urban Development; their funds are channeled through two national community development intermediaries, the Local Initiatives Support Corporation and the Enterprise Foundation, for use in specific local programs. Currently, 23 cities receive Living Cities support. Throughout this paper, and to avoid confusion, the initiative is referred to as “Living Cities.”

3 The policy question is framed this way because this analysis is part of the assessment of Living Cities. The activities reviewed in this paper are often undertaken by CDCs, as well as by organizations other than CDCs. Relying on CDCs for these initiatives may or may not be the best approach. However, since extensive investments are being made in building CDC capacity, and because these are the bases for the Living Cities initiative, it seems reasonable to ask whether and how CDCs and their supporters might do more, while at the same time acknowledging that other approaches may also merit consideration.

4 Like housing, all of these activities meet the strict definition of community development—that is, "asset building that improves the quality of life among residents of low- to moderate-income communities, where communities are defined as neighborhoods or multi-neighborhood areas." Ronald F. Ferguson and William T. Dickens, Urban Problems and Community Development (Washington, D.C.: The Brookings Institution, 1999), Chapter 1, p. 5. Commercial real estate development generates physical assets. Business development creates economic (financial) assets. Community organizing and workforce development foster human capital. For a discussion of this definition and its implications, see Ferguson and Dickens, especially pp. 4–6.

5 The process and rationale for selecting these activities and cities are described in Appendix A, which also summarizes the distribution of non-housing activities across the 23 Living Cities cities.

6 This discussion builds on a conceptualization of the community development production system developed by the senior researchers on the Living Cities assessment team and presented in Christopher Walker and Mark Weinheimer, Community Development in the 1990s (Washington, D.C.: The Urban Institute, 1998), Chapter 4.

7 Core operating support is fundamental to the CDCs’ ability to conduct any major area of activity, including those discussed here. Hence it is not discussed in the later activity-specific sections of the report.

8 This representation of the structure of the community development system focuses on its principal relationships. In most places many additional relationships exist as well. For example, many CDCs have their own relationships with individual bankers, foundation program officers, and individuals in local government that are not mediated by the intermediaries.
For example, one or more housing funders in the community development system may have no financial nexus with a new activity. Another institution within the system could take on the financing role. Or a new financial supporter may be brought into the network. In that case, other elements of the relationships (trust, shared vision, etc.) must then be cultivated with that new participant. A similar process would be required for the system to provide technical assistance and other key functional support for the new activity.

We use the term "commercial real estate development" broadly to include retail, office, and industrial space. While the private sector commonly distinguishes these uses, the differences among them are not important to this discussion. Most of the commercial development undertaken by CDCs is retail space. This is the type of property that local community development systems have adapted to support. However, some retail developments do contain office space, sometimes including space for the CDC itself, or for other community-serving agencies.

"Big box" drugstores in inner-city neighborhoods are also important in Cleveland and in some other cities. The CDC system has not established mechanisms to participate in or significantly influence these commercial developments. Some groups in Cleveland have affected site selection for some projects. Given ongoing consolidations in the drug store industry and increasing competition for inner-city markets among the remaining chains, this issue is likely to catch on in other places, too.

Common approaches include support for façade improvements, standardized signage, joint marketing and neighborhood events, and, with city help, improved safety, streetscaping, parking, and traffic flow.

The Equity Fund is capitalized by Cleveland Tomorrow, the collaboration of large firms and foundations that spearheaded the revitalization of Cleveland's downtown.

Offering specialized expertise to all CDCs makes particular sense in Cleveland. The city has many CDCs relative to its size, and most are too small to cultivate two or more technically demanding specializations. Moreover, Cleveland CDCs are clearly committed to housing as their central priority. Other cities have adopted a similar approach to support business development. Needed technical capacity cannot be supported cost effectively in every CDC, so the community development system designs a mechanism to build specialized capacity and make it available to multiple CDCs.

Banks favor national or regional chain stores as anchor tenants. Like CDCs, banks also prefer local minority-owned businesses as tenants, but since anchor tenants can command the most favorable rents, opportunities are rare to cross-subsidize smaller tenants, who often need it. This makes achieving community business impact more difficult. Child care centers and health clinics are emerging as attractive tenants, since both generate destination traffic that benefits retailers.

The Retail Initiative (TRI), a subsidiary of national LISC that formerly made equity investments in CDC-sponsored neighborhood shopping malls anchored by chain supermarkets, now does only asset management.

"Patient money" is invested or loaned with the expectation that a return or repayment will take longer than usual.

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18 "Patient money" is invested or loaned with the expectation that a return or repayment will take longer than usual.
Creating and running housing management companies has been a “business” carried out by many CDCs as part of their commitment to affordable housing. This analysis treats these operations as an aspect of the housing agenda rather than a new activity “beyond housing.”


Seidman, p. 21.

The reluctance of technical assistance providers to refer clients to “outside” providers is not uncommon. One response in other contexts has been to separate the process of diagnosing what the client needs from the function of providing those services. See The Urban Institute, Effective Aid to Trade-Impacted Manufacturers: An Evaluation of the Trade Adjustment Assistance Program. November, 1998.

Seidman, p. 25.

NPI also did the research and development work needed to obtain an Urban Setting Designation for brownfields remediation from the state for about two-thirds of the manufacturing area in the city.


Avis C. Vidal, Rebuilding Communities: A National Study of Urban Community Development Corporations (New York: Community Development Research Center, New School for Social Research, 1992). Direct action organizing did not evaporate when the CDCs left the field. Numerous schools and networks remain active in cities across the country, including some cities in this report. However, they typically work through other vehicles, such as coalitions of churches or block clubs, and have little interaction with CDCs.

The differences among various organizing approaches are modest compared to the differences in the demands on organizational capacity and culture posed by housing development versus community organizing. For example, some work primarily by working through existing social relationships and networks, while others explicitly try to cut across major community interest groups to help assure a broadly representative base of resident engagement and support. Nevertheless, proponents of the various approaches typically feel very strongly about the importance of the differences.

Ricanne Hadrian served for several years as director of development at a prominent Boston CDC, where she successfully combined development and organizing. When she moved to the staff of MACDC, she used her strong networks among other CDC professionals to advance the idea of involving Massachusetts CDCs in community organizing.
NDSC was merged into LISC in late 2000 and from that time on LISC has been the operational partner in RHICO.


Clay and Staples, p. 10.

Saul Alinsky is commonly credited with originating the practice of conflict-driven community organizing as a mechanism for increasing the power of the poor; he founded the Industrial Areas Foundation.

The Consensus Organizing Institute is the national community organizing training agency that has most directly and explicitly argued for minimizing the role of conflict in local community organizing efforts.

The job training system could be studied using a variation of the analytic framework employed for affordable housing. However, the three elements of function, structure, and relationships would show a quite different set of actors, networks, and social capital than those in the community development system.

Over time there has been some migration in and out of this provider network as CDCs have tested the “fit” between their organizations and the demands of operating workforce development programs.

During that period, workers received an integrated program of educational services, occupational training, work experience and benefits, case management, help with child care and transportation, and access to the Advanced Earned Income Tax Credit, free checking accounts, and Individual Development Accounts.

The same is true in some other Living Cities cities not studied here. An example is Minneapolis-St. Paul, where the prevailing view is "Why would CDCs get involved in that when we already have a good set of workforce development CBOs?"

A good example is the collaboration between two CDCs with bordering neighborhoods—Fenway Community Development Corporation (FCDC) and the Jamaica Plain Neighborhood Development Corporation (JPNDC). FCDC has a well-developed relationship with the hospital complex in its neighborhood. JPNDC has a successful track record in economic development. FCDC started a “Walk to Work” program for neighborhood residents, recruiting prospective workers, training them in basic skills, and following up after job placement. JPNDC, however, had far more residents who met the program’s eligibility requirements. The two CDCs jointly sought and received non-WIA funds from the city to work in a highly targeted niche market (Spanish-speaking women). They are now shifting to mainstream WIA program resources, much like Chicago CDCs with well-established ties to employers.

As noted previously, core operating support runs across all activities and so is not discussed here.

Foundations do sometimes make program-related investments (PRIs) to support economic development. There is history of PRIs in rural and international grant making. Of the cities studied here, however, foundations played an economic development role only in Cleveland, where PRIs helped to capitalize the business development subsidiary of the local intermediary.
46 Both LISC and the Enterprise Foundation have made significant efforts to broaden support for their respective CBOs in activities beyond those considered here.

47 It can be argued that “reaching out” is an example of Mark Granovetter’s concept of the “strength of weak ties.” When venturing into foreign turf, better to travel with someone—respected and trusted even though not necessarily known well—who knows the territory.
Appendix: Methodology

In keeping with longstanding demands—by CDCs and their supporters—that the community development system move beyond housing, the work plan for the third round assessment of NCDI (NCDI-3) called for a policy paper to examine, “...how local community development industries have responded to broader challenges posed by welfare reform and other issues, including supporting the capacity of CDCs to appropriately address demands for development and programming in broader areas than housing.”¹ This monograph responds to that charge.

Research Goal

In developing this paper’s framework, we pursued one overarching goal: to cultivate new analytic ground by looking at systems-level change. Previous research had documented the great breadth of non-housing activities undertaken by individual CDCs.² Rather than replicate the exercise of listing one-of-a-kind activities, we wanted to analyze efforts to move the community development system as a whole into a new activity. This meant first identifying cities where multiple CDCs were engaged in activities other than housing, and then determining whether or not we could identify emerging systems-levels support for those activities.

Research Approach

We began the selection of activities with a three-pronged reconnaissance that included:

- A review of the NCCED census findings on the number of CDCs that report engaging in various non-housing activities;
- A review of the NCDI-3 proposals prepared by LISC and Enterprise;
- A small number of interviews with key senior staff at LISC and Enterprise about their program development priorities and their views about the future of the field.

On the basis of this initial scan, we developed two descriptions of activity clusters, each encompassing a set of activities that substantial numbers of people in the field (including the CDCs) wanted to see expanded. These activity clusters were:

- **CDCs’ role in improving economic opportunity.** By economic opportunity, we mean local residents’ and entrepreneurs’ access to the mainstream economy. This activity cluster includes commercial and industrial real estate development and business development (sometimes grouped together as “economic
Appendix: Methodology

development”), as well as CDC involvement in micro-lending and community development financial institutions (CDFIs). It also includes workforce development, interpreted broadly in the context of welfare reform, with skills training, job placement, and other programs to allow residents to move into family-supporting jobs.

- **CDCs’ role in empowering residents.** By empowering residents, we mean engaging them in public-benefit activities and structuring venues that give them a meaningful voice in shaping what happens in and to their community. Under this heading, we placed community and tenant organizing (including advocacy), asset mapping and neighborhood strategic planning, leadership training, and facilities development (which primarily includes development of community centers).

We sent these descriptions to the LISC and Enterprise program directors in each of the NCDI cities before the 1999 round of assessment site visits, and we used them as the point of departure for on-site interviews with local stakeholders. The interviews explored the extent to which local CDCs engaged in the activities and the degree to which the intermediaries or other local stakeholders provided systemic support to CDCs for the activities. The results of those interviews, drawn from the 1999 assessment site reports, are summarized in Exhibit A-1. For each candidate activity, Exhibit A-1 indicates cities where more than one local CDC is active.
Exhibit A-1: Summary of Non-Housing Activities by Multiple CDCs

<table>
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<tr>
<th>City</th>
<th>Commercial Development</th>
<th>Business Development</th>
<th>Workforce Development</th>
<th>Childcare</th>
<th>Neighborhood Planning</th>
<th>Community Organizing</th>
<th>Facilities Development</th>
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Source: NCDI-3 Assessment Site Visit Reports, 1999.
Selection of Sites and Activities

Due to budget constraints, we could only conduct in-depth site visits in six cities at most, putting a premium on selecting cities where more than one activity could be analyzed. We applied two main criteria to selecting cities.

First, we wanted to include both activities focused on physical and economic development and activities intended to build human or institutional capital. We assumed that expansion of the community development system beyond housing would likely build on at least some of the strengths developed in producing housing. Examining both “hard” and “soft” development components would presumably provide a range of experience about how new activities might relate to the system's existing skills and strengths (e.g., roots in the community, financial skills and a track record, market orientation).

Second, we wanted to select activities that were arguably sensible targets of opportunity for the community development movement. We looked for activities that many CDCs are engaged in or say they would like to pursue. We sought initiatives that fit with the history and mission of the community development movement. And we wanted activities that intermediaries have clearly shown a willingness and ability to support. In short, we were looking for activities that showed signs of being ripe for expansion.

Some activities and localities dropped from consideration rather quickly. For example, neighborhood planning, although conducted by multiple CDCs in numerous cities, receives support from the community development system only in Cleveland. If we had selected this activity, we would have been unable to do any comparative analysis, which was a key point of the exercise. Some localities fell out because they did not have multiple CDCs engaged in any of the candidate activities (e.g., Miami) or because the engaged CDCs were supported by a single agent rather than multiple members of the community development system (e.g., Los Angeles). Ultimately, faced with a limited range of choices, we selected those places and activities that seemed to have the greatest potential to yield interesting lessons for the field.
Appendix Endnotes

1. Previous rounds of Living Cites research dealt with this issue under the label “community building.” See Christopher Walker and Mark Weinheimer, *Community Development in the 1990s.* (Washington, D.C.: The Urban Institute, 1998), Chapter 5.


3. For example, LISC has devoted considerable effort to developing a set of replicable economic development programs, some of which (especially The Retail Initiative) are moving to scale. Both LISC and Enterprise are working hard to figure out how to help groups in their networks engage in workforce development. Both national intermediaries have also provided some support for community organizing.