

Working Together: Building Capacity for Community Development

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Abstract

Community development partnerships (CDPs)—local intermediaries that gather support from foundations, corporations, and the public sector—are giving increased attention to building the capacity of community development corporations (CDCs). This article evaluates CDPs' efforts to help nonprofit CDCs increase their capacity to revitalize low-income communities. We identified five types of capacity and conducted interviews and focus groups with CDPs and CDCs across the nation. The nature of capacity and capacity building among CDCs, the ways partnerships help increase CDC capacity, what the partnerships and CDCs learn from each other, and how they could better gauge the effectiveness of capacity-building support were discussed.

We learned that CDCs and CDPs have forged an effective alliance and continue to work together: Community organizations require help in building capacity, and local partnerships provide the requisite funding, technical assistance, and other elements to help them grow and serve their neighborhoods.

Keywords: Development/revitalization; Neighborhood; Nonprofit sector

Introduction

For decades, community development corporations (CDCs) have built affordable housing and carried out other projects and services designed to improve the economy in low-income neighborhoods and the social well-being of poor people.¹ Although there has been some

¹ Throughout this article, we discuss CDCs as they are commonly understood: nonprofit, community-based organizations that work in geographically defined areas or neighborhoods with a high concentration of low-income residents. CDCs are community controlled and pursue a comprehensive vision of community change to revitalize economic, physical, and social conditions to benefit local residents. CDCs pursue multiple strategies for change, mobilize public and private resources for development, and build community alliances. For pedagogical purposes, we also use the terms "community organizations" and "neighborhood groups" to refer to CDCs, although there are many such groups that are not CDCs.

debate about the degree of success CDCs have enjoyed, most knowledgeable observers give these community groups high marks for their work.²

Over time, CDCs have tried to increase their capacity (or ability) to carry out their missions. Like private firms, these nonprofits attempt to learn from their own experiences and by observing the successful strategies of other organizations. As they gain proficiency, CDCs invent new ways of functioning—they may reorganize themselves internally, relate differently to other organizations, or deliver new services. Successful CDCs continually examine their practices and operations to find better solutions to neighborhood problems and improve service delivery. In exemplary cases, CDCs have evolved into “learning organizations,” maintaining a shared vision with their community, developing personal mastery within their staff and board, and examining and challenging commonly held assumptions. Furthermore, they encourage team learning and engage in systems thinking (Senge 1990). In all instances, successful CDCs try to acquire information and learn from others in the field.

We report here on CDCs’ efforts to increase their capacity, with the focus on those CDCs that have the help of community development partnerships (CDPs).³ These collaboratives are local intermediaries that attract funds from local, regional, and national sources and allocate them to a limited number of CDCs working to renew low-income neighborhoods.⁴ In this important respect, the CDCs we studied are clearly better positioned than most other community-based organizations that do not have the organizational and financial support of citywide and national partners. Yet it is essential to understand the CDP model to determine if in fact it provides a good vehicle for the development of community development organizations.

Since the mid-1980s, CDPs have focused increased attention on CDCs’ need for organizational development and operating support. These partnerships have made deliberate efforts to increase the abili-

² For criticisms of CDCs, see, for example, Lemann 1994, Rohe 1995, and Stoecker 1997. Other analyses of CDCs include Bratt 1997; Gittell, Newman, and Ortega 1997; Goetz and Sidney 1995; Keating, Rasey, and Krumholz 1990; Peirce and Steinbach 1987; Stoutland 1998; Vidal 1996; and Zdenek 1987.

³ For a discussion of the Ford Foundation’s CDP strategy, see Ford Foundation 1996 and Nye and Glickman 1996. We use the terms “CDP,” “partnerships,” and “collaboratives” interchangeably in this article.

⁴ For this study, we define CDPs as those with a particular emphasis on building CDCs and providing them with operating support. This is in contrast to citywide “housing partnerships” that are primarily focused on increased housing production. These definitions are not exclusive, and some of the CDPs in this study also provide support for housing production (e.g., Atlanta, Cleveland, and Pittsburgh).

ty of neighborhood corporations to be more effective community developers. Many CDPs are organized with support from the Ford Foundation.⁵ As associations of local funders, however, these partnerships are homegrown vehicles designed to provide coordinated assistance to CDCs. Community foundations administer some CDPs, some are independently organized, the local offices of the Local Initiatives Support Corporation (LISC) manage several, and others collaborate with the Enterprise Foundation for services.⁶ These collaboratives share the common belief that operating support should be linked to CDC performance and accountability.⁷ These collaboratives argue that by becoming more skilled, CDCs should be better able to produce benefits for their neighborhoods.

This article summarizes our findings from interviews and focus groups; we met with representatives from a wide range of CDCs and CDPs across the country who discussed their experience with capacity building. We examined the following issues:

1. The nature of capacity and capacity building among CDCs
2. The ways in which the partnerships attempt to increase CDC competence
3. What CDPs learn from providing support to CDCs and what CDCs discover about their own capacity needs
4. What funders expect from the growth of capacity resulting from their support
5. How both types of organizations measure (or propose to measure) CDC capacity

Between November 1996 and July 1997, we met with representatives of more than 50 CDCs in seven cities (Boston; Cleveland; Detroit; Los Angeles; Philadelphia; Portland, OR; and Washington, DC).⁸ We also spoke with more than 40 CDP representatives in these cities, and

⁵ At the time we carried out this research, there were 18 sites with partnerships that had received Ford funding. Ford has since funded some partnerships in additional places.

⁶ Partnership cities with LISC offices include Boston; Cleveland; Detroit; Los Angeles; Miami; New Orleans; Newark, NJ; Philadelphia; San Diego; Seattle; and Washington, DC. Partnerships with Enterprise Foundation participation include Atlanta; Baltimore; Cleveland; Miami; and Portland, OR.

⁷ With support from the Ford Foundation, the CDPs have convened annually since 1990 to share ideas and best practices in developing capacity. In 1998, the Community Development Partnership Network formalized the association of these collaboratives. The Neighborhood Partnership Fund in Portland serves as network leader.

⁸ We later carried out five case studies (in Cleveland; El Paso, TX; Minneapolis; Philadelphia; and Portland, OR) and a survey on the work of CDCs in 17 Ford CDP cities, as well as in some cities without CDPs (Glickman and Servon 1999).

with the CDP in New Orleans.⁹ In addition, we held a one-day roundtable discussion with eight partnership directors (mostly from the East Coast, including the directors from Camden and Newark, NJ, and Pittsburgh).¹⁰ All of the interviews were conducted on a confidential basis.

Our methodology included a set of structured¹¹ focus groups in which we interviewed CDP and CDC executive directors and other senior staff. The meetings with CDCs were held separately from those with CDPs to ensure confidentiality and openness. The comments people made were cross-checked with other participants to ensure consistency and agreement. The quotations given as illustrations were selected because they represented the best expression of consensus on given issues. We interviewed more than 100 people over the course of more than 300 hours and believe that the views reported here accurately represent the ideas that came out of these sessions.¹² In addition, we conducted lengthy discussions with other local experts. For instance, we spoke with local staff members of community development organizations, such as LISC and Seedco, and with local public officials, business leaders, and academic experts. These conversations helped provide additional insights into community development issues.

In the next section, we describe what the partnerships see as their role and what CDCs hope to gain from the partnerships. Table 1 presents a snapshot of what CDCs need from CDPs and what CDPs in turn provide. We then summarize observations on capacity from the perspectives of the CDCs and the partnerships, using the typology developed by Glickman and Servon (1998), which divides capacity into five interrelated categories: resource, organizational, networking, programmatic, and political. In the next section, we present a preliminary assessment of the success of the CDCs and the partnerships in

⁹ The partnerships interviewed include the Boston Neighborhood Development Support Collaborative; Cleveland's Neighborhood Progress, Inc.; the Detroit Community Development Funders Collaborative; the Los Angeles Collaborative for Community Development; the New Orleans Neighborhood Development Collaborative; the Philadelphia Neighborhood Development Collaborative; Portland, OR's Neighborhood Partnership Fund; and the Washington, DC, Community Development Support Collaborative.

¹⁰ We have also had discussions with staff and members of the board of the Camden Development Collaborative as part of another project and incorporated information from those discussions into this article. In addition, we have taken advantage of information gleaned from the case studies of the CDPs in Cleveland; Philadelphia; and Portland, OR.

¹¹ That is, we asked a consistent set of questions of each of the focus groups. The questions differed only in terms of references to local conditions.

¹² We shared earlier drafts of this article with the participants and incorporated their comments into this version.

Table 1. Working Together: The Relationship between CDPs and CDCs

Type of Capacity	What CDCs Need	What CDCs Provide
Resource	<ul style="list-style-type: none"> • Stable, long-term operating support • New funding sources • Fees from projects • Better fund-raising skills 	<ul style="list-style-type: none"> • Multiyear operating support • Fund-raising assistance from local and national funders in addition to the CDP • Help in attracting new donors to community development • Coordination of local funders • Assistance with bank commitments for CDC housing loans
Organizational	<ul style="list-style-type: none"> • Managerial support and training • Ability to attract and retain skilled staff • Well-developed personnel policies • Competitive compensation and benefits • Staff and board training • Leadership and board development • Financial and internal management systems 	<ul style="list-style-type: none"> • Organizational benchmarks to promote best practices • Organizational assessments and strategic planning • Staff and board training • Performance-based funding for businesslike operations • Financial management systems and training • Support for CDC consolidation/mergers
Networking	<ul style="list-style-type: none"> • Networks with other CDCs and nonprofits • Networks with firms and training organizations in the region • Joint development projects with for-profits • Expansion of board networks in the community 	<ul style="list-style-type: none"> • Networking help among CDCs and between CDCs and for-profits and nonprofits • Community development education for funders
Programmatic	<ul style="list-style-type: none"> • Housing development and management • Economic development and retail trade • New programs in workforce development and finding jobs for local residents • More active efforts in community organizing 	<ul style="list-style-type: none"> • Limited amounts of predevelopment risk capital • Support and training for housing and other asset management • Limited support for community organizing • Growing support of economic development projects and workforce development programs • Establishment of community standards for production • Technical consultants for housing production and preservation
Political	<ul style="list-style-type: none"> • Greater recognition and support of community development by city government • More responsive public agencies and city development programs • More activity on the part of CDPs in promoting reforms with the city • Better public relations and communications strategies 	<ul style="list-style-type: none"> • Liaison with downtown interests • Behind-the-scenes negotiations with governments and private investors • Support for CDC trade associations • Increase in public awareness of neighborhood-based development

increasing capacity and submit their recommendations for measuring the effectiveness of the investment in capacity. Finally, we report on the lessons learned and offer some conclusions.

The role of community development partnerships

Most partnerships defined their primary purpose as improving CDC capacity and thereby increasing the production of affordable housing. Hence, most collaboratives target their assistance toward increasing CDC competence in housing development. The extent of partnership funding to CDCs varies, depending on the availability of local and national resources, the variety of program objectives, and the maturity of the CDC industry in the city.

In cities where CDCs are inexperienced and do not have large staffs (for example, New Orleans), the CDP role is to help them hire and train staff, create community standards for production, and increase the general public's understanding of neighborhood development. In other cities, CDPs' roles have evolved to serve newly identified CDC needs, expanding beyond their initial purposes, as greater trust developed between funders and CDCs. Recognizing that many CDCs are engaged in a broad range of neighborhood revitalization strategies, a number of experienced partnerships have broadened their purview to encompass more comprehensive approaches than housing production alone. They frequently include economic development, commercial development, and community-building goals in their mandates.

In exchange for their assistance, partnerships require increased oversight and accountability for CDC performance. Most of the partnerships seek to improve performance by promoting "best practices," making CDCs more "businesslike" in their operations, and helping them be more strategic in setting priorities for their neighborhoods. Partnerships want to change the system of public support for community development from one based on entitlement to one based on performance. They attempt to make comprehensive, systemic alterations in the structures of support for CDCs that will result in greater housing production and delivery of services in low-income neighborhoods. By bringing the many players in the community development support system together on their boards or steering committees, CDPs more easily identify the components and bottlenecks in the system and design more successful strategies. The most effective CDPs corral all of the relevant actors in their programs and include them in analyzing and designing new approaches.¹³

¹³ If a major participant (such as an important CDC or the city government) is omitted from the partnership, its work may be hindered, and its support may not be enough to help CDCs improve their production.

Collaborative structures differ from city to city. Partnership boards are drawn largely from the funding institutions that contribute to the CDP program and are composed mostly of business and foundation executives. Some of these people have had no previous experience in community development; they must first learn about the issues that concern communities and CDCs. With their focus on organizational growth issues, CDPs represent an approach to community development that many funders are not accustomed to, one that requires close contact and a long-term relationship between the grantee and the funder. In some cities, such as Los Angeles and Detroit, the partnership is “a collaborative of funders.” The initiative is top-down: CDPs serve CDCs, but the latter do not take part in the CDP decision-making process. In some sites, CDP boards include community representatives who speak for their neighborhoods. Boston funders report a closer connection between themselves and CDCs than existed before the formation of the partnership. As one funder told us, “It is a more mature collaborative relationship between the CDCs and NDSC [Neighborhood Development Support Collaborative]. We have evolved beyond grant making to work with the CDC association in a new approach to plan strategically.”

Despite the differences in structure and programmatic scope, CDPs all aim to increase CDC capacity to serve low-income neighborhoods more effectively.

What CDCs need

In our interviews, we found that CDCs across the country identified many common needs for building capacity. They must have stable core operating support, help in finding new sources of funding to support their projects, assistance with strategic planning, training and technical assistance, more forceful advocacy for a neighborhood agenda with city governments and other “downtown” actors, and help in publicizing community development and other CDC activities to the corporate and philanthropic communities and to the general public (see table 1).

What the partnerships provide

The partnerships recognize that their most important contribution to CDCs is reliable long-term funding (see table 1). Collaboratives agree that increased operating support allows CDCs to be more financially stable and capable of taking on larger projects. Partnership funders observe that another essential CDP function is providing CDCs with funds for a variety of purposes from a single, coordinated source. Collaboratives, thus, give grants for core operating support, audits,

community organizing, technical assistance, and training. The partnerships see their money as risk capital that helps develop the CDCs' infrastructures. CDPs coordinate the contributions of the city's various participants and supporters of community development.

The partnerships believe that they also play an important role in attracting new funding for CDCs from local foundations and corporations that have not previously supported community development. New donors contribute either through the local partnership or directly to the CDCs. The CDP seal of approval gives community organizations greater credibility, which helps them raise money independently from other funders.

The partnerships offer funding for organizational assessments and consultants to facilitate CDC planning and also make training and technical assistance grants to help develop the managerial and technical capability of CDC staff and boards. In some cases, CDPs help review personnel standards and salary scales for CDCs in their region. Detroit's CDP paid for financial audits and for upgrading computers with financial management systems that it believes will help CDCs' capacity in the future. In Washington, DC, and elsewhere, one of the collaboratives' most effective programs furnishes customized technical assistance and training.

Often in more indirect ways, the partnerships help CDCs increase their networking with other nonprofits and for-profit organizations and develop greater political support.

Perspectives on CDC capacity

The CDCs we studied ranged from sophisticated associations to relatively young, nascent organizations. To some extent, their capacities and their support needs differ according to their experience. Younger CDCs seek mentors to help them learn how to execute successful strategies. They want to better understand the best practices of mature organizations so they can build their competency more quickly and efficiently. In particular, newer groups are interested in innovative housing development techniques and are looking for ways to improve their internal organization and extend their network within their city and region. At the same time, mature CDCs try to identify new practices that they can adopt and promote locally. In addition, they want public agencies and funders to recognize their experience and sophistication and allow them greater flexibility in determining how to use resources for larger, more complex projects. As they seek ways to respond to welfare reform and its impact on residents, CDCs continually look for good models of economic development and employment services programs. One of the most vexing problems

CDCs face, regardless of their organizational maturity, is that they are trying to deal with systemic, structural problems in the economies of cities. Quite clearly, most of the long-term economic trends—the decline of manufacturing, changes in international trade, concentration of poverty, and other demographic shifts—are beyond the control of neighborhood groups. This makes their jobs especially daunting, particularly since they receive support for a relatively short time. The short-term nature of the funding—and the fact that it is performance based—demand measurable results. Some CDCs wonder whether they are capable of fully addressing the overwhelming and complex problems of the cities—especially in light of the political and economic disconnection between many cities and their more affluent suburbs (Rusk 1993). They recognize that they lack the resources and experience to tackle the severe neighborhood problems brought on by market failure and private disinvestment. In response to changes in welfare policy and differing philanthropic interests, some CDCs are increasingly involved with workforce development and the role that community-based organizations can play in helping urban residents gain access to employment in the region. Still others see themselves as part of a long-term strategy to remake their communities. They believe that, after decades of work, they can show that their efforts have succeeded in changing their neighborhoods for the better.

What kinds of new capabilities do CDCs need to be successful in improving their neighborhoods? The following section reports the perspectives of the CDCs and the partnerships on various types of capacity. To organize our findings, we employed a typology dividing CDC capacity into five interrelated categories (Glickman and Servon 1998):

1. *Resource capacity.* CDCs must acquire and manage funding from grants, contracts, loans, and other sources.
2. *Organizational capacity.* The capability of CDCs' internal operations determines the ability to succeed. Several variables affect this kind of capacity: management styles and staff skills, CDCs' size and experience, the role played by the board of directors, and fiscal capacity (the ability to manage finances).
3. *Networking capacity.* CDCs' ability to interact and work with other institutions, both inside and outside the community, is important to their success. Networking capacity represents the important external relationships that CDCs develop and maintain. CDCs grow by networking with other community-based organizations and with private firms, philanthropies, educational groups, and political actors.
4. *Programmatic capacity.* This component includes services offered by CDCs, such as building and managing housing; taking on economic development projects; offering technical assistance; and engaging in leadership development, cultural, and educational activities.

5. *Political capacity.* CDCs try to represent neighborhood residents credibly and advocate effectively on their behalf in the larger political arena. Their ability to command recognition and support beyond the neighborhood has important ramifications for success.

Resource capacity

CDC resource needs. CDCs across the country told us that they need stable, long-term operating support, access to new funders, the ability to generate fees from their projects, and better fund-raising skills to develop their resource capacity (see table 1). Multiyear support, such as that provided by CDPs, gives CDCs stability and enables them to add staff with more skills. With additional funding, CDCs can increase the scale and scope of their projects and reduce the time required for development. More resources allow organizations to branch out into new program areas. To increase their resource base, CDCs require assistance in developing fund-raising skills and in finding new sources of support. They also look to the partnerships to introduce them to new funders.

A CDC's financial condition is a clear gauge of its capacity—a strong balance sheet and adequate cash flow are essential to its organizational stability. CDCs recognize the need to diversify their funding and reduce their dependence on grants if they are to remain financially healthy. Many are increasing their self-sufficiency by earning project fees from developing housing or commercial real estate. However, with government subsidies decreasing, community-based organizations are able to build fewer and smaller housing projects, so project fees are harder to generate. Some CDCs work jointly with private, for-profit developers to increase the scale of development projects.¹⁴

More mature CDCs reported greater success in recent years in generating their own risk capital from development fees and asset management. The unrestricted nature of these internal reserves gives CDCs the flexibility to invest in projects or programs without the delay of filing an application for predevelopment capital. Their projects develop faster, and they have a greater ability to act on opportunities that require quick responses. They believe they have become more entrepreneurial because of the added freedom made possible by long-term operating support and their own success in the housing marketplace. A Boston CDC director remarked, “With a stronger fiscal capacity from successful projects, we have built internal reserves. Now we

¹⁴ Some CDCs carry out joint development projects with for-profit firms; many others want to engage in joint ventures with private developers to increase the scale of housing projects.

have a greater ability to absorb risk. We are able to generate capital internally from fee income and are more self-sustaining. Plus, we can move on new projects more quickly.”

Partnership support for resource development. As table 1 also shows, partnerships respond by providing multiyear operating support and assisting CDCs in making contacts with other funders for philanthropic, corporate, and, in some cases, public dollars. The partnerships realize that access to financial resources is key to CDCs’ success. CDPs see themselves as vehicles for delivering a range of resources to CDCs and for increasing the pot of funds and the number of contributors to CDCs. Partnerships offer a stable source of core operating support, usually for three to five years. In addition, CDPs provide support for strategic planning, organizational assessment, technical assistance, training, predevelopment, community organizing, economic development, and other special purposes. These activities enable CDCs to come to a single source for many of their “soft” grant needs (nonproject funding)—financing that is otherwise difficult to find.

One of the more accomplished CDPs, Boston’s NDSC, has “different funding streams tailored to the needs of CDCs as they have evolved, including updates for strategic plans, board development, project predevelopment, lines of credit, technical assistance, and training in asset management and financial management.” NDSC is also involved with new programs in economic development, community organizing, and human capital. Portland’s Neighborhood Partnership Fund (NPF) built an industry by tailoring its resources to support new and emerging CDCs in a city where previously only one CDC had built substantial amounts of affordable housing. Having helped to get several CDCs off the ground, NPF funding now stresses organizational management and community organizing.

Many experts see CDPs as nonpolitical, fair, and neutral entities that effectively allocate resources. Funders believe that efficiency and effectiveness in deploying resources is especially important in light of reduced public funding. Since partnerships demand performance and production from CDCs, they are perceived as promoting efficiency.

In most cases, CDPs want their funding to be “additive”—to increase funding by existing donors and gain support from new ones. They have often achieved this goal. In some cities, CDPs were able to encourage new donors to support CDCs directly. For example, NPF sees its role as the “United Way for housing” in its community. NPF serves primarily as a pass-through for funding, keeping its own overhead and staffing low. Some Portland-area funders, such as the Meyer Memorial Trust, have given funds directly to CDCs; their increased awareness of and confidence in CDCs are a result of community orga-

nizations' association with NPF. Boston's collaborative was successful in finding a long-term source of funding for CDCs by getting the local United Way to add CDCs as affiliates. The Philadelphia Neighborhood Development Collaborative (PNDC) helped CDCs get greater access to corporate support and legal, accounting, and professional services in that city. Partnerships also help convince national funders (such as the Ford Foundation or the National Community Development Initiative) to support community development in a city for the first time or persuade them to increase their giving. CDPs occasionally revisit the agreement for additive support with their funders to ensure that members continue to regard the collaborative funds as new money. Some CDPs with corporate members have found it difficult to continue increasing funding to CDCs because of frequent shifts in corporate priorities for giving.

The partnerships' and CDCs' role in increasing private resources for community development has become more difficult because of consolidation in the financial industry.¹⁵ The many banking mergers mean that local banks with a history of cooperation with CDCs have been replaced by anonymous decision makers at the acquiring bank's headquarters office, often thousands of miles away. Nevertheless, the Community Reinvestment Act has kept banks involved (some reluctantly at first) in community development, and banks have often found collaboratives to be useful vehicles for their local investment dollars. Because of the participation of financial institutions in the partnerships, some CDCs were better able to get commitments for bank financing for their projects than they were before. For example, by participating in the Washington, DC, collaborative, financial institutions learned more about CDC project-lending opportunities and, as a result, increased loans to CDCs. Participating banks achieved greater understanding of community development organizations and issues and were rewarded with more businesslike presentations by, and stronger financial positions of, CDCs.

CDPs maintain that CDCs will improve their financial condition by diversifying their revenues and developing more regular sources of income. It is not the goal of partnerships to provide all the needed funding; they could not, even if they wished to. Since CDP funding is usually temporary, over time CDCs must find a way to replace those resources. Collaboratives want CDCs to become more effective fundraisers, augmenting partnership funds with funds from other sources. Partnerships also want CDCs to diversify their funding by increasing the portion of their operating budgets that comes from fees and revenues, thus making their operations more sustainable and less

¹⁵ For example, in Portland, local banks were taken over by banks from California and Minnesota, so that there are no longer any substantial lenders with local bases. Bank mergers affected all the cities we studied.

dependent on outside sources. As other sources of funding for CDCs have declined (especially federal funds channeled through the cities), some CDPs want to ensure that the more limited funding available is used carefully.

Clearly, having many funders making joint decisions about CDC monies raises the stakes for CDCs. There are fewer alternatives outside the partnerships for CDCs that are not selected or whose funding is cut off. Since collaboratives bring philanthropic and corporate interests together to make decisions, these financial supporters know when a grantee is having problems and can develop an appropriate, timely response; consequently, problems do not fester. From funders' point of view, the collaborative process results in more informed discourse. A Philadelphia partnership member asserted, "Tough love has resulted in better decision making."

Organizational capacity—CDC needs

CDCs identified organizational capacity building as the single most essential component of their efforts to grow and succeed. They argue that there is a great need for support for staff and board training and for help in setting up better management systems within their organizations. Many community-based organizations face growth-related issues. They are concerned with increasing the number and qualifications of staff in both technical and support roles, adapting technology to make themselves more efficient, and improving their financial management and accounting systems (see table 1).

Managerial support. Many CDC directors came to their jobs from positions as project developers, social service professionals, or community organizers. Few have extensive managerial experience in running a nonprofit development organization. The more CDCs grow and mature, the more they need experienced management—particularly an experienced executive director—to oversee and lead the staff. This is especially true given CDCs' desire to maintain multicultural organizations, involve more neighborhood people, and encourage teamwork. CDC directors want to develop better personnel policies and receive more help with human resource management. They also want training in team management and implementation of total quality management practices. Further, CDC directors reported that they frequently need assistance in fund-raising, communications, and public relations.

Staff development. CDCs affirm that their experience and the expertise of staff, as well as their number, are essential estimates of their organizational potential. The addition of technical staff members who are able to manage housing development, construction, or commercial

projects is a critical feature in a CDC's ability to increase production. A Detroit CDC reported, "The collaborative grant allowed us to hire a construction manager, and we were able to go from three to seven houses a year."

Some CDCs note that the difficulty of finding people with appropriate qualifications limits their ability to move forward, while others found retaining employees a critical issue. The low salaries and meager benefits that CDCs are able to offer, coupled with huge workloads, make it difficult to attract and retain qualified staff. CDCs point out that it takes as long as two years to train someone who begins work with little or no development experience. Unfortunately, once trained, many of these people leave for higher-paying jobs with public agencies or private developers. When retention increases, however, capacity grows. Some Boston CDCs note that because of the large pool of graduate students in the area, they have been able to hire a number of experienced people and maintain greater staff stability. A CDC project manager remarked, "Our staff have all been here for more than three years, so we have a better understanding of the neighborhood, and we can work as a team because we have learned how to work together."

Larger staffs help CDCs expand their production and services. However, the realities of funding and development cycles make it difficult for them to maintain staffing stability and, therefore, organizational soundness. Some CDCs note that they cannot add staff gradually; they must hire and fire in spurts whenever funding increases or declines. Long-term support from CDPs allows CDCs to keep staffing stable. CDCs also identified organizational depth as an important staff issue. Greater depth allows a CDC to have more than one person in a department; this helps reduce stress and burnout and provides for succession. To increase flexibility, many CDCs rely on consultants for certain technical aspects of development; this arrangement gives them the skills they need without expanding their workforce.

CDCs suggest that they have several successful strategies for retaining staff. They offer flexible hours and a pleasant environment, invest in training, involve staff in organizational planning and decision making, and give people more prestigious job titles. Obviously, however, more money for higher salaries would help retention efforts greatly.

Leadership development. Increasing leadership in the community, especially through board development, is another CDC organizational goal. Los Angeles CDCs reported a need for more support for board development. Many CDCs also want to bring CDC boards together to build a citywide voice for neighborhoods.

Financial management. Developing financial management and accounting systems is critical, especially for growing CDCs. With com-

plex financing arrangements and multiple funding sources, CDCs need sophisticated systems to manage their operations and produce housing and required financial reports. Having a knowledgeable chief financial officer (someone whose experience goes beyond basic book-keeping) is an advantage that many of the larger and more mature CDCs have gained, often with partnership support. Managers (and board members) are also learning to analyze financial reports and make cash flow projections so critical cash shortfalls can be avoided. However, CDCs often require upgraded computer hardware and software to support these systems, as well as staff training to maintain and analyze the data.

Organizational capacity—partnership support

Increasing CDCs' organizational capacity is a major function of the partnerships. Although, as one CDP director noted, "We don't have a model for what the ideal CDC looks like," many partnerships have developed or adapted performance benchmarks for CDCs that cover best practices. Early on, Boston's NDSC and the Pittsburgh Partnership for Neighborhood Development formulated lists of CDC performance objectives that identified good practices in the areas of defining the mission statement, staffing, governance, financial management, tenant and community relations, housing development, and management. Many of the CDPs that formed later drew on these lists to design their own performance benchmarks. Cleveland's Neighborhood Progress, Inc. (NPI), developed a comprehensive self-assessment tool for CDCs that evaluates performance in legal matters, financial management, human resources, facilities, governance, and planning. It also includes standards for information technology, fund development, community relations and advocacy, and program property management. The New Orleans Community Development Collaborative further refined the tool to help new CDCs identify where to focus organizational assistance.

In each city, differences in CDCs' experience and maturity have required CDPs to develop appropriate models for diverse CDC operations. Organizational benchmarks for new or emerging community organizations are unlike the standards for more experienced ones. Some CDPs work with both mature and emerging CDCs and have tailored their support and standards accordingly. For example, in Washington, DC, the Community Development Support Collaborative asks CDCs to identify their place in the nonprofit organizational life cycle and to relate their funding to the needs of that cycle. As shown in table 1, CDPs support the following:

Assessment and planning. CDPs have made significant contributions to organizational development by requiring greater use of perfor-

mance assessments and strategic planning. (See Portland Neighborhood Development Support Collaborative 1997.) CDCs hire outside consultants to conduct organizational evaluations as a condition of receiving CDP operating support grants. These assessments give CDCs individualized analyses of their operations and specific recommendations for improvement. CDCs can then develop strategic plans and request operating funds to implement them. These procedures also give funders a guide for establishing priorities of core support and calculating expected outcomes from the grants. As a rule, CDPs reported that these appraisals were useful to CDCs and successful in pinpointing ways to improve their internal operations.¹⁶ Funders told us that strategic planning has improved performance by helping CDCs determine community needs, set priorities, and identify projects that will have the greatest impact on the neighborhoods.

Staff development. CDPs recognize that the small size of most CDC staffs limits the ability to grow and take on larger activities; further, it adds to the stress on executive directors and to the instability of the organizations. Thus, several CDPs have helped CDCs hire a “number two” manager to focus on internal management systems and provide for more stability in management succession.

Because of their awareness of CDC staffing problems, partnerships frequently focus on personnel issues. This helps CDCs develop career paths within the organization and the industry. Increasing the diversity of CDC staff is also desirable. Recently, a national program, the Human Capital Development Initiative,¹⁷ focused on CDPs as the principal delivery vehicle for grants to help CDCs attract and retain qualified staff. Some CDPs see a need to define or suggest appropriate staffing patterns for CDCs according to their level of development. They also provide training for CDC staff.

A number of CDPs support management training for CDC executive directors. Cleveland’s NPI organized a sophisticated management consulting and training program called Quantum Leap to give CDC executive directors new skills. The Detroit collaborative convened CDC directors in a community development organization advisory group as a way to help them share experience and information. Few CDPs offer organized peer-to-peer training programs, but some informal relationships have developed among participating CDCs.

¹⁶ In some cases, the organizational assessment consultant also stayed to help CDCs implement recommendations. Some CDPs allowed CDCs to engage the consultant of their choice (usually from a preapproved list) and to direct the assessment within a generally defined scope.

¹⁷ The Human Capital Development Initiative is managed by the National Congress for Community Economic Development with funding from the National Community Development Initiative and the Ford Foundation.

As CDCs branch out beyond housing development, CDPs are concerned about what the new requirements for CDC staff will be and how to plan for them. Some believe that neighborhood groups need to share staff in economic development or some other specialty. As the director of the Boston collaborative noted, “CDCs need to define the right staffing pattern; they can’t just move a person from housing to economic development as they shift focus.”

Financial management. Many community development partnerships provide support to CDCs to help them upgrade their financial management systems, a critical part of the infrastructure needed to expand production. This support is one of the most concrete, specific forms of assistance CDPs offer CDCs. Partnership support for financial management has included funds for technology upgrades (software and hardware), training in financial analysis for staff and boards, budgeting and cash flow projections, financial audits, and the addition of dedicated financial management staff. Collaboratives in Pittsburgh and Boston offered CDCs financial management training. With improved internal financial and reporting systems, the CDPs noted that CDCs were better able to qualify for bank loans—both for lines of credit for operations and for project financing.

Community representation. Some CDPs support policies designed to increase the level of neighborhood representation in CDCs’ governance and programs. Several partnerships provide support for CDC board training. Many stress the importance of developing the skills of CDC board members, whom they view as representatives of the neighborhood and volunteer leaders. CDPs acknowledge that strong CDC boards composed of active community residents are essential to providing continuity and vision; they help CDCs survive staff turnover and changes in political administrations. As a new CDP, the New Orleans collaborative reported, “Broad-based community involvement in the CDCs and leadership development are very important. However, this will take time. The understanding that CDCs need to involve and be accountable to the community residents is still a new concept here.” In the more established CDPs, however, it is hoped that the drive to make CDCs more businesslike and professional will not create a chasm between CDCs and their communities.

Networking capacity—CDC needs

Many community groups reported increasing collaboration with other organizations. They are learning to rely on one another’s strengths and thereby avoid duplicating services. Nearly all CDCs said that they wanted to develop networks with other CDCs (see table 1). Their goals also included working with other nonprofit agencies in the neighborhood and increasing their interaction with private sector

businesses and funders. Several CDCs noted that working in coalitions is common practice but takes a lot of time and effort.

In some Portland neighborhoods where CDC target areas overlap, the network of CDCs has helped leverage support for overall development because their projects dovetail. In Boston, CDCs reported collaboration or strategic alliances in economic development, small business lending, and home repair lending. For example, one CDC contracts with another to provide small business lending for its neighborhood. In Washington, DC, CDCs often act to coordinate social services in the neighborhoods, without being direct service providers themselves.

The more proficient CDCs report that they are frequently approached by other neighborhood nonprofit agencies to oversee the development of their facilities. This process can strain existing capacity, but it also helps improve neighborhood cooperation and cohesion. CDCs in several cities have served as catalysts for community and neighborhood strategic planning efforts that involved residents and other organizations. Several CDCs have improved their communications within the community and now need support for greater community outreach. CDCs also want to develop better models for joint ventures. They look for both less experienced nonprofits they can assist and private developers who bring to joint ventures market experience from which they can learn. Some CDCs, including those in Cleveland and Portland, are undertaking workforce development strategies that will involve them in networks with employers and training agencies throughout their regions.

CDCs also use their boards to extend their networks in the community. A Boston CDC director said, “To broaden our community base, we ask our board members to share their networks of friends and neighbors. We ask each board member to work on turning out residents at our annual meeting. Some don’t think they have any followers but discovered they did have people to call.”

Networking capacity—partnership support

CDPs encourage and facilitate networking among CDCs and between CDCs and other groups (see table 1). Several CDPs see a need to develop partnerships of CDCs and for-profit developers. They believe that more joint ventures may be a way to increase production. Portland funders would like to encourage more turnkey development by private developers, with CDCs playing a role in the project concept, marketing and resident selection, and management.

Partnerships support CDC efforts to develop formal cooperative relationships with one another and with other organizations. As part of

the comprehensive redevelopment of neighborhoods, some funders believe that CDCs need to “sharpen relationships with other agencies in neighborhoods” and coordinate with the other nonprofits and social service agencies serving residents. With so much work to be done in neighborhoods, networks can “extend the capacity” of many community organizations, noted the Camden CDP. In Portland and elsewhere, new efforts in workforce development will involve CDCs in networks with regional employers, training institutions, and others. In this effort, the Portland partnership is working jointly with the Ford-funded CDP in Seattle.

In the changing funding environment, some collaboratives have suggested that CDC mergers might lead to increased efficiency. CDPs argue that some CDCs are too small and inefficient to produce large amounts of housing and that there is much overlapping turf among them. Proposed mergers evoke strong emotions in neighborhoods and are difficult to implement. Cleveland was the most active (some would say heavy-handed during the early 1990s) in promoting mergers and consolidations among CDCs in the early and mid-1990s. However, NPI, the Cleveland collaborative, encountered much opposition and had difficulty achieving an increase in operational efficiency through mergers.¹⁸ Nonetheless, CDPs reported that, although resistant to mergers, many CDCs have established more formal collaborative relationships with one another in recognition of the limited resources available and the specialized skills that some groups have developed. In several cities, including Boston, CDPs are considering offering incentives for CDC collaboration to achieve greater efficiency. The incentives might include grants that require CDCs to demonstrate collaborative development plans or funding for a shared staff position. In the future, the sense of urgency for CDC collaboration or consolidation may increase if available funding is reduced and some CDCs are not able to produce enough housing.

Programmatic capacity—CDC needs

Housing development is the primary programmatic focus of most CDCs. Increasingly, however, CDCs are undertaking economic development, including commercial retail projects, workforce development, and community organizing (see table 1). Some CDCs also operate educational, social service, and cultural programs.

Housing development. The number and scale of housing projects CDCs undertake are essential to their success. CDCs must exert a

¹⁸ More recently, NPI, arguing that there were still too many organizations in its neighborhoods, tried two additional consolidations during the middle and late 1990s. The results of these consolidations are not yet completely clear, but NPI has tried to continue to support the transitions for the CDCs.

sustained effort and find support to attain a record of accomplishment, establish solid relationships with funders, and navigate complex financing programs. This kind of competence takes practice and time to acquire. A Boston CDC noted that in the first 22 years of its existence, it developed 700 housing units. It now has about the same number of units in the pipeline, due for completion in the next 3 to 4 years. On a smaller scale, a Portland CDC was able to build 5 houses during its first 10 years, but in the following 5 years it built 21.

CDCs are often frustrated in their efforts to expand their housing development experience because different programs are put in place and the subsidies and financing essential to affordable housing development are cut. This makes it very hard to capitalize on past learning and increase the scale of their projects. Smaller projects take the same amount of effort but produce lower fees. In some cities—Boston, for example—CDCs have become innovators in designing new financing models for housing projects. In Detroit and Los Angeles, reduced public funding for housing and changing political winds have made it difficult to garner attention for innovative housing projects or financing models. A Los Angeles CDC director lamented that “trying something new is a tremendous challenge. Innovations take time to explain, and there is often a vacuum of experience or interest in the public agencies to make it happen.”

With larger and varied housing portfolios, CDCs are becoming more capable in property and asset management. Some have used property management as a way to increase income and thus expand their scale of operations while providing entry-level opportunities for neighborhood residents.

Economic development. We found that CDCs in every city identified the need to engage in economic development and job training. The continuing decentralization of regional economies and concerns over the adverse impacts of new welfare legislation on low-income neighborhoods drive this activity. Yet CDCs have less facility in economic development than in housing. “Identifying business opportunities and supporting new business growth are a lot harder than doing a few houses,” a Detroit CDC acknowledged. Since economic and commercial developments are market based, they require close connections with employers and businesses, both in the neighborhood and throughout the metropolitan region. CDCs have relatively little experience here. Some have been reticent about getting more involved in economic development, unsure that they can generate income from economic development projects the way they have from housing. This issue raises questions about supporting these newly developed skills.

CDCs recognize that the staff skills and experience needed for economic development are different from those needed for housing. Often

these staffers command higher salaries, which places pressure on compensation structures. To be active in economic development, CDCs need help in sectoral analyses of local industry and in developing and using databases of neighborhood and regional economies. CDCs want to find models of successful projects and learn more about effective strategies for commercial development. The chief impact CDCs have had on economic development to date has been in the areas of retail real estate and community facility development (such as child-care centers). However, CDCs are increasingly involved in coordinating supportive services like child care, transportation, and job training that enable residents to find employment.

Differences in cities' economies help determine CDCs' roles. For example, in Portland, where there is a rapidly growing economy and a hot real estate market, CDCs are focusing less on inner-city housing because high land prices have made affordable housing more difficult to provide. Instead, they have turned their attention to workforce development, making efforts to place people in suburban jobs. In Detroit, where jobs are scarce, CDCs are looking for ways to connect their constituents with suburban jobs and trying to stop money from leaving poor inner-city neighborhoods. CDCs in Washington, DC, are studying job training and readiness issues for the main employment sectors in the region. Most, however, continue to focus on the hard-pressed, inner-city neighborhoods they represent.

Community organizing. CDCs in most cities told us they need to pay more attention to community organizing, including helping people understand key public issues (such as funding decisions, schools, and zoning), teaching them to run effective meetings, finding other ways of increasing empowerment, and mobilizing residents to take control of their neighborhoods. A Detroit CDC director declared, "Organizing is critical because we work in neighborhoods where the private sector doesn't go. If I rehab a house, five more are abandoned in the same period. The only way I can see to protect our investment is by organizing safe zones." Other Detroit community groups want help in organizing outside the city borders, a challenging task that requires new kinds of metropolitan organizations to build coalitions around land use and tax-sharing issues.

Many CDCs noted the difficulty of raising money for community organizing. CDCs have found that some funders are afraid that organizing is too confrontational and believe that its impact is hard to gauge. Often, CDCs justify organizing efforts in their budgets as part of outreach to tenants in their housing developments. CDCs in several cities reported that they fund organizing internally to the extent they can because they believe it is so important. A Los Angeles CDC director noted that since funders do not support organizing, "We use unrestricted funds and developers' fees that we have control over to sup-

port community organizing.” In Boston, the collaborative and the CDC association have joined together to support a community-organizing initiative that will provide training and funding for CDC organizers. In Portland and elsewhere, CDCs are affiliated with city-wide organizing coalitions.

Programmatic capacity—partnership support

Increasing CDCs’ productivity by building programmatic capacity is an essential rationale for CDPs’ existence. The collaboratives provide technical support and training to help CDCs gain more skill in designing and implementing housing and other programs that serve neighborhoods.

Housing development and preservation. Partnerships help CDCs find technical consultants and professionals to work on their housing projects and create more valuable programs. In Newark and Detroit, CDPs use “shadow developers” to provide technical assistance on affordable housing projects. These consultants can keep projects moving and show CDC staff how to manage the complex steps in urban development. Their assistance includes coordinating project design, permits, construction estimating and bidding, financial packaging, contractor oversight, marketing, and sale or lease-up. As program capacity in housing development has grown, some CDPs want CDCs to increase the size of their projects to become more efficient and to lower unit costs. In Cleveland, the partnership has used three techniques to increase housing development: It has supported CDCs’ efforts, worked with housing intermediaries (such as the Cleveland Housing Network) to increase production, and carried out projects on its own.

CDPs often provide predevelopment funding or risk capital to enable CDCs to undertake the project feasibility analyses needed before financing can be sought from banks. In cooperation with Boston’s HOME program, the Boston collaborative provides early-stage project-related funds for staffing. Other CDPs have used funding from the National Community Development Initiative for predevelopment financing or have created local pools of risk capital for CDC projects. LISC or the Enterprise Foundation as national intermediaries frequently collaborate with CDPs to provide predevelopment funding for CDC projects.

CDPs are supporting efforts to increase the capacity of CDCs to manage the housing they have developed. Training in asset management has been added in several cities. CDP funding for asset management plans has helped draw attention to CDCs’ long-range stewardship responsibility for preserving housing for low-income residents.

Economic development. More recently, CDPs have begun broadening their agendas to support economic development work by CDCs. Cleveland's NPI, which has supported commercial development for a long time, contends that it is "important to integrate programs in housing and economic development." Portland's NPF is helping CDCs devise programs for workforce development, including job training, child care, and other services. Boston's NDSC supports training for CDC staff in economic development and in managing small business and microenterprise loan funds.

Community organizing. CDPs are concerned with community representation in the CDCs and their outreach to neighborhood residents. However, many CDPs are reluctant to provide support for community organizing unless it is related to housing or economic development projects. "We fund community organizing if it is integrated into the program and supports the housing," a Detroit funder reported. However, support for broad-based organizing is increasing. NPF has provided CDC staff and boards with some training in community organizing and supported CDCs' organizing efforts. In conjunction with the Massachusetts CDC association, NDSC is embarking on a new program that offers community organizing training to CDCs and funds organizer positions in some of them. In Pittsburgh and Philadelphia, the partnerships have supported community-planning efforts that have required CDCs to conduct extensive outreach in the community and involve neighborhood residents.

Political capacity—CDC needs

Community groups seek CDPs' help in furthering their community development agendas in the public arena. Political skills vary substantially from group to group and from city to city, although all recognize the need to influence public policy (see table 1). In Boston and Portland, close and supportive relationships with politicians and public officials enable CDCs to work well with the city government. In those cities, effective CDC associations advocate on behalf of the CDCs and help shape policies. Boston and Portland city governments have pooled some of their Community Development Block Grant (CDBG) or HOME funds with CDPs, which are now in charge of designating which CDCs receive funding. One concern about this arrangement raised by the CDCs in Boston is that HOME fund requirements stipulate that NDSC make its operating support more contingent on project development. In Portland, CDCs are concerned that a close association with the city could politicize the NPF's efforts and make it more difficult to raise private funds locally. For example, some observed that local funders might see NPF as having "all that city money" and therefore deem it less in need of other resources.

Relationships between CDCs and city governments are not uniformly positive. CDCs in Detroit and Washington, DC, for example, see city governments as obstacles to development, contending that the bureaucracies are difficult to work with, especially regarding property disposition and the release of project funding. Community groups do not see CDC associations in these cities as effectively representing their interests or working toward solutions to their problems with city bureaucracies. Most Detroit CDCs blamed the city for delaying housing projects with its ineffective processes for land disposition, permits, and funding. CDCs in Washington, DC, noted that the District government has supported them with contracts but rarely releases funds promptly. CDCs also believe that a District government that is not friendly to business frustrates their economic development efforts.¹⁹ Los Angeles CDCs say that Mayor Richard Riordan is not as interested in housing development as his predecessors were. In addition, they find it difficult to influence housing policy and maintain public funding priorities for housing. In Philadelphia, feelings toward city hall are mixed: The housing office is seen as cooperative, but under the city's ward system, CDBG funds are often spent politically, not strategically.

Most CDCs note the need for better communications and public relations strategies. They seek recognition as credible producers and want to increase public awareness of neighborhood issues. CDCs hope to improve their conflict-resolution skills in order to deal with dissent in their neighborhoods and help promote a unified voice on issues concerning their constituencies.

The focus of most political efforts is at the local and state levels. Although federal funding and subsidies are critical to CDC development projects, most of this support is allocated by city or state agencies. Collective pressure to increase federal support for housing and economic development programs is most often coordinated by national coalitions and intermediaries.

Political capacity—partnership support

Funders recognize the importance of political capacity—the ability to influence public policy—and support it indirectly, as shown in table 1. Despite the acknowledged need for CDCs to mobilize local support and advocate for community issues, funders generally want to avoid the overtly political aspects of community development.

¹⁹ For instance, it is difficult for the small neighborhood businesses the CDCs assist to obtain needed permits.

Partnerships see the benefit of CDCs advocating as a group to draw the attention of policy makers to the importance of affordable housing. Many CDPs support CDC trade associations or nonprofit housing networks and expect them to take on an advocacy role with local government. They are seen as the best vehicle for CDCs to develop political influence as a group. As a Los Angeles CDP funder asserted, “It is not our role to do advocacy for public funding—it is the role for the CDC trade association.” In Portland, NPF has supported the Community Development Network, which has become an important advocate for affordable housing in the city. In Washington, DC, however, the Community Development Support Collaborative reported that a coalition of nonprofit housing developers it funded was not as effective as had been hoped because CDCs did not see the coalition as their delegate.

Some CDPs seek to increase CDCs’ political capacity by engaging public officials in the partnership. However, the extent of public sector participation in CDPs varies considerably. In Boston, Detroit, New Orleans, and Portland, representatives of city government are on CDP boards, enabling the officials to learn more about the issues affecting CDCs and increasing the likelihood of their cooperation in trying to make the system more effective. In Boston and Portland, the relationship between private and city funders has evolved into a full partnership. In these cities, CDPs administer public funds delegated by the city government in a cooperative agreement with the partnership. By contrast, in Detroit, the city’s CDP board representative learned that problems in the city administration were frustrating development efforts. Other sites found it difficult to keep city officials engaged in the partnership; consequently, city and CDP funding to CDCs is not coordinated. In Washington, DC, the CDP consciously distanced itself from the District government, which some members described as “dysfunctional.” Therefore, no public representatives are involved in the Washington initiative.

In general, CDP boards do not like to cross the line between influencing public policy and political advocacy. Where a cooperative relationship between the city and the CDP exists, funders more often see themselves working behind the scenes with public officials; they see no need to advocate CDC causes publicly. They believe that the credibility and visibility of the CDP as a nonpartisan, neutral agent is essential to influencing policy. Funders report that CDPs can use their boards to identify obstacles to neighborhood development and build the consensus needed for new public policies. In New Orleans, where community development is not widely understood and CDC capacity is low, the CDP acts as the convener of a citywide housing roundtable that brings together relevant decision makers to discuss issues and policy.²⁰ In Camden, the CDP believes it has a mandate

²⁰ This conclusion was confirmed through subsequent conversations with the local staff members of the national intermediaries Seedco and LISC.

to advocate for CDCs with the city, and it therefore does not accept city funding.

Despite the critical role of federal subsidies in affordable housing and the fact that several of the collaboratives receive funding from the National Community Development Initiative, which includes funds from the U.S. Department of Housing and Urban Development, CDPs do not play much of a role in advocating for federal community development or housing policy. Some have promoted the results of their initiatives with their congressional delegations. Most work through national intermediaries such as LISC and Enterprise to support new federal policies. In the future, the CDP network may offer another vehicle for collective action on federal policy.

Effectiveness of partnerships in increasing capacity

Perspectives on measuring capacity

How do partnerships know whether they are successful in augmenting CDC capacity? How do they measure the results of their investment in CDC infrastructure? The CDPs have all struggled with the question of how to estimate the impact of their funding on CDCs' success. As noted earlier, some CDPs developed benchmarks tailored to individual CDCs. NPF, for example, defined specific CDC performance standards on several capacity dimensions, including mission and strategic planning; project selection, implementation, and monitoring; property and asset management; community relations; financial management; board goals; staff goals; and management information systems (Hoereth 1998). Many of these yardsticks are helpful in determining how increased funding results in changes in CDC organization and eventually in its output and impact on the community.

Some CDPs also try to identify more specific measures that can be tracked over time to provide a better understanding of the impact of capacity-building funding on neighborhood revitalization. One such measure is the increase in property taxes generated by CDC projects. The North Carolina Community Development Initiative developed an extensive set of success measures to calibrate the work of its CDCs, which regularly report on their organizational profiles (staff support, operating budget, client characteristics); housing activities (production by type of units, land acquisition, homeownership promotion, property management); economic development activities (nonresidential real estate development, commercial revitalization projects, employment and training); social services (support services, welfare-to-work initiatives); and community organizing.

None of the other partnerships we studied have developed such broad measures. Many CDCs rely on subjective impressions to assess the effectiveness of their support. In evaluating their progress in helping CDCs and supporting neighborhood revitalization, many CDPs reported considerable success. Some CDP funders simply asserted that the neighborhoods “feel different now”—there is evidence of more investment and development activity than before the partnership began. However, while these funders believe greater CDC capacity contributed to neighborhood improvements, they realize that these changes cannot all be attributed to the partnership or to CDCs.

Many CDP participants believe that their efforts have begun to bear fruit. From the funders’ perspective, there have been numerous improvements in CDCs’ operations. A Washington, DC, funder asserted, “CDCs are turning into nonprofit businesses; we are building CDC infrastructure.” As a result of CDP support and technical assistance, another funder added, “CDCs are more strategic in their projects.” In Detroit, the CDP noted, “We have had the biggest impact on ‘developing’ groups, those in the middle that have only one or two staff. We have had less impact on the ‘emerging’ or new CDCs that are slow to install systems, or on the mature CDCs that have too much baggage from past problems to make quick progress.” Some believed that although clear progress had been made, CDPs needed to develop better benchmarking and performance-measurement systems to track the results of their investment in CDCs.

Several collaborative members reported that a greater level of trust had developed between the funders and the community organizations because of their interaction in the CDP. This growing mutual confidence has improved the climate for community development; these funders now see themselves as CDCs’ long-term partners. “We have evolved beyond grant making to collaboratively plan new strategies in economic development, community organizing, and human capital. We have a more coherent strategy,” a Boston funder said. “We’ve become more mature and the CDCs have become more mature,” a Washington, DC, CDP board member commented.

Many funders related that CDCs were not the only ones to have gained from participating in the CDP process. One said, “We are more effective funders as a result of the partnership.” Through their involvement, some funders learned more about community development and were better able to help forge a citywide consensus on the importance of neighborhood issues. “We have developed a common vision of neighborhoods,” a Washington, DC, funder reported. Other joint funding initiatives have gained support more easily because of the relationships built into the CDP framework. “We have been able to undertake more collaboration among funders,” a participant said.

Partnerships also acknowledged that not all of their efforts have been successful. In some sites, for example, arranging for effective training for CDC staff has been problematic. Partners realized that their training should have included more attention to helping CDCs increase their fund-raising skills.

Several CDPs identified long-term problems with their city governments as major obstacles to achieving their goals. For example, in Detroit, one CDP member noted, “The city is a big barrier to increasing development; its contract administration is poor, and grant funding is delayed. The dynamics of the city’s role have to change, especially with the property disposition process.” A Los Angeles collaborative member observed that “the city has no dedicated funding streams for housing and has reduced the block grant allocation for housing.” In Washington, DC, collaborative members believe that much of the decision making about city policy has been taken out of the hands of city officials. It now rests with the federal financial control board, which has little interest in community development issues. The Washington, DC, CDP director commented on the philosophical issue of who takes the lead in policy advocacy: “We look to the CDCs to define the issues.” Philadelphia funders also reported problems with city government, although they thought that PNDC was having a positive effect on influencing public policy. As one said, “The city has been bad about getting vacant land for CDCs. But PNDC has changed the process because it has gotten the CDCs’ act together; the system of acquisition and disposition has improved as a result.” However, at least one CDP admitted that, although it had hoped to influence city support for housing and CDCs, it had not made a concerted enough effort and had not achieved that goal.

In some cities, attracting the necessary human resources to CDCs is another hurdle CDPs face. A dearth of qualified candidates for CDC jobs means projects are delayed and the development process slowed. Funders are less likely than CDCs to report the lack of available talent as a barrier to capacity, however. Some CDPs also conceded that they must become more flexible in adapting to shifts in the environment; they thought that a lack of flexibility had led to missed opportunities in taking advantage of other funding.

Suggestions for measuring capacity

As more time and money are invested by local collaboratives, neighborhood groups and the partnerships look for more precise methods of calculating the impact of their funding on CDC infrastructure and capacity. At present, there are no consistent data compiled by CDCs or the intermediaries, so it is difficult to establish common benchmarks for performance or to assess the impact of CDPs’ strategies as

a whole. A common set of measures could help produce a picture of how CDCs increase capacity and what their impact on their neighborhoods is. Both CDCs and the partnerships prescribed a variety of ways to think about measurements that are useful to consider and that we hope to use in later stages of our research.²¹

Most CDCs want their performance to be judged by what their constituents value. CDCs increasingly realize how using outcome data helps them improve their programs and services as well as add support to their funding proposals and reports. For example, one CDC uses the goals defined by residents of its housing projects to gauge how well it performs. An analysis of the rates of rent collection in its apartments by one Washington, DC, CDC unexpectedly showed that formerly homeless tenants were more consistent in paying their rent than those for whom credit checks had been done.

Benchmarks should identify improvements in CDC capabilities over time. Changes in capacity should be compared with baseline data to show the progress and impact of CDCs' efforts. This implies regular updates of the outcomes. A Washington, DC, CDC noted that it is trying to collect appropriate information on the businesses and services in its neighborhood to establish baseline data against which it can compare future development activities. A Los Angeles CDC recommended that funders use qualitative measures of CDC performance tailored to each group's level of experience. Establishing what a reasonable time frame for analyzing data is and devising a system for attributing the outcomes to CDC actions are difficult issues (Stewart 1997).

CDC and partnership suggestions for measuring capacity are summarized in table 2. We followed the five categories of capacity building used in this article and added another, termed quality of life. This last group includes some of the impacts that might flow from better community development activity: increased property values, reduced crime, fewer vacant housing units, improved public services, and better employment prospects for residents.

For example, measures of fiscal strength—such as growth in financial reserves and assets—were recommended by some partnership board members under the resource capacity category. For the organizational component, measurements involving the training of the executive director and the development of job descriptions and job ladders were given considerable attention. For networking capacity, measures of the extent of collaboration with other CDCs and other social service

²¹ We subsequently carried out a survey of 219 CDCs. Many of the suggestions discussed in this section helped inform our set of questions. See Glickman and Servon 1999.

Table 2. Suggested Measures of Capacity Building

Type of Capacity	Measures
Resource	<ul style="list-style-type: none"> • Measures of fiscal strength, such as growth in unrestricted reserves, assets, and income • Businesslike operations and business plan; strong financial and management systems • Diversity of funding sources and revenues • Ability to attract more bank financing to the neighborhood
Organizational	<ul style="list-style-type: none"> • Well-trained, experienced executive director who is a public spokesperson for the neighborhood's vision • Competent staff paid competitive wages • Appropriate job descriptions and professional development opportunities (e.g., job ladders) • Strategic plan that addresses community needs • Well-trained board members who live in the community • Up-to-date computer hardware and software (especially management aids)
Networking	<ul style="list-style-type: none"> • Extent of collaboration with other CDCs and social service organizations • Contracting with other organizations for specialized services • Number and size of joint ventures with both for-profits and nonprofits
Programmatic	<ul style="list-style-type: none"> • Number of new and rehabilitated housing units • Speed of project completion • Number of units and other assets under management • Number of neighborhood people trained and new businesses and jobs created
Political	<ul style="list-style-type: none"> • Measures of community participation and accountability (number, attendance at public meetings, voter registration) • Neighborhood leadership development (number of community leaders and public speakers) • CDC committees that involve residents • Public money spent in the neighborhood • Funding for the community development industry as a whole
Quality of life	<ul style="list-style-type: none"> • Increased property values, fewer vacant houses/lots • Reduction in crime • Increase in community pride and identification • Improvements in public services • Number of residents with full-time jobs, union apprenticeships

organizations, as well as joint ventures with for-profits and nonprofits, were suggested by both CDPs and CDCs. The programmatic section focused on housing units—how many were built or rehabilitated, how fast projects were completed, and so on. There were calls for measuring various types of political capacity, such as types of community participation, neighborhood leadership development, and the like.

Both partnerships and community organizations realize that it is often difficult to measure these variables. And, as noted, few of the partnerships regularly collect data on these success indicators, except perhaps production numbers. CDPs rarely count quality-of-life factors, and most have not yet developed a reporting system that requires CDCs to collect such data either. Several CDCs are required by funders to construct performance measures and thus have begun “to count everything,” as one CDC director told us. CDCs and other nonprofits have found that performance-based funding requires far more

quantification of outcomes than other kinds of funding. This can be an administrative burden and, in turn, has led to the need for more assistance in data management and analysis. Some CDCs have hired staff (or interns) to help with data collection, analysis, and reporting.

In sum, recommendations put forth by CDCs and CDPs for measuring CDC capacity and the impact these organizations have on their communities share many common themes. Both identify housing production (or other physical development projects) as *the* essential, quantifiable measure of capacity. They also recognize strength of CDC staff and finances as indicating competence. Moreover, both acknowledge community participation and involvement as relevant measures of CDC ability.

CDCs have high expectations for themselves and propose performance measures that go well beyond the immediate output of their projects to include social and economic impacts on the neighborhood. The partnerships put somewhat more emphasis on CDCs' physical development and organizational estimates of capacity, including board development. CDPs also identify a number of standards for financial strength and are anxious for CDCs to become more self-sufficient.

Our observations of the many CDPs make it clear that CDC capacity cannot be totally separated from the capacity of a city's entire community development system. Measuring changes in the capacity of one CDC may yield some information on the value of investments in CDC operations. However, CDCs operate in the context of resources, regulations, policies, and priorities determined by other public and private actors. Thus, the real gauge of CDC capacity, one that reflects the ability of community-based organizations to produce benefits for neighborhood residents, must include all aspects of cooperation and support for neighborhood revitalization from the city, financial and other institutions, philanthropic organizations, and local citizenry. CDPs are well positioned to support systemic change for community improvement.

Changes in the local system of community development capacity can be measured by the degree of government support for affordable housing, for neighborhood revitalization, and for CDCs as the vehicle for community improvement. Also indicative of a thriving community development environment are bank financing programs for affordable housing, commercial development, and neighborhood businesses; local colleges and universities that offer research assistance, training, and courses to CDCs and neighborhood residents; corporate recognition and support for neighborhood development activities and CDCs; philanthropic support for CDCs and community-based revitalization strategies; and residents' attitudes about the opportunities for community improvement, as well as their willingness to engage in community activities as volunteers, leaders, and activists.

If improvements in all these aspects of commitment to neighborhoods can be achieved, and if there is support for CDCs and community-based organizations to spearhead development in their own backyards, then we can expect to see significant changes in poor neighborhoods.

Eight lessons learned about capacity building

CDPs reflected on their experiences and shared with us their insights on improving CDCs' work. Several are worth summarizing here:

Patience is both a virtue and a necessity

An essential lesson learned by several of the CDPs is that building capacity takes time. "We must be patient," one funder noted. To become effective developers, CDCs must be accountable to the neighborhood, but developing solid CDC-neighborhood relations is a long-term process. Although it is difficult at times to take a long-term perspective, several funders explained that the partnership's relationship with the CDCs must be for "the long haul." For example, CDPs reported that capacity needs in some cases were much more basic than they had first thought, and they discovered that it is time-consuming to put organizational systems in place. Some of the older CDPs found that, over an extended period, their relationship with CDCs changed and became more cooperative as CDCs participated in program design.

Be more like private firms

CDPs have learned to help community groups become more systematic and efficient—that is, to be more like for-profit firms. Standards for CDC organizational management and financial systems (including job descriptions, audits, and regular financial reporting) have helped make CDCs more professional and better able to accumulate resources beyond the partnerships. A Philadelphia funder told us that "PNDC set uniform standards for the CDCs. This kind of businesslike activity helps CDCs raise money elsewhere." A member of the Detroit collaborative reported that "a new standard of practice was set by the collaborative, a level of CDC accountability with 'big-time' funding" that was previously unknown.

Strategic planning matters

Helping CDCs plan and improve their organizations has been a critical contribution to increasing housing production, especially for the

younger ones. In Portland, where NPF helped several CDCs get started, the focus on a strong organizational foundation has paid off. Portland CDCs have substantially increased the size and scale of their affordable housing developments (Hoereth 1998).

Learn from each other

Funders in the partnerships understand the importance of becoming better educated about community development, although tensions over production and organizational goals remain. A gap between the perceptions of some funders and CDCs about what constitutes “progress”—and the speed of neighborhood change—remains as well. As one Detroit funder told us, “Businesses are now looking for faster results in corporate giving; their giving is more tied to their business strategies. Corporate givers expect results right away and with quantifiable outcomes. But CDCs are satisfied with getting funding just to continue their operations.” At the same time, funders agreed that housing production is still important to CDCs, because it is visible evidence of improvement in the neighborhood and represents a tangible success.

CDCs have learned more about working within the system. They have a better understanding of the ways downtown businesspeople think and operate. Moreover, community-based organizations have more knowledge of the mechanics of the banking and finance system and a better appreciation of the regional context in which their neighborhoods exist. Thus, both groups—which have evolved from different roots—have learned meaningful ideas from each other.

Working more closely with city government helps

In some cities, CDPs learned that involving city agencies in their programs was a positive experience that increased the coordination of resources. In Portland, the city has allowed NPF to play a major role in housing policy. A Boston collaborative representative reported, “Bringing the city into the collaborative is a very positive thing; it could be even more positive, but it is very important. We don’t want to go back to the time when the private money acted alone.” Elsewhere, CDPs learned they could influence city policy for community development chiefly by helping the CDCs “get their act together.”

Conflicts within the CDP model remain

The partnership structure involves inherent power differences between funders that control resources and CDCs that need them. At

times, there are conflicts between the interests of the funders and the interests of the community organizations. The reluctance of the collaboratives to take a more active role in political advocacy for the neighborhoods is only one example of this conflict. CDCs' resistance to becoming more businesslike—despite prodding by the partnerships—is another. However, CDPs have shown a remarkable ability to enlist powerful stakeholders and increase their commitment to the success of neighborhood developers.

Long-term development of CDC capacity remains in question

Partnership efforts to help build capacity have increased CDCs' resiliency. Nonetheless, the long-term success of CDCs is not guaranteed. Like most nonprofit organizations, they will continue to require grant support to cover operating expenses and provide the resources to initiate new projects. Increasing CDCs' ability to generate income from fees helps reduce reliance on outside fund-raising. However, fee income also depends on CDCs' continued ability to compete in an increasingly crowded field for project subsidies and tax credits. Looking farther into the future, as their portfolio of housing projects ages, CDCs will need to find the resources to reinvest in these assets. Nonetheless, partnerships' capacity-building programs help CDCs develop systems and strategies that can make them more durable organizations.

An effective alliance has developed between CDCs and CDPs

Community organizations require help in building capacity, and local partnerships provide the requisite funding, technical assistance, and other elements needed to help them grow and serve their neighborhood constituencies. CDPs and CDCs work together effectively to improve CDCs. CDPs provide much of the support that CDCs need. Relationships are not perfect, but they are effective and improving.

CDCs and CDPs provided insights into the very useful results of these efforts to increase CDC capacity for neighborhood improvement. Partnerships have attracted new donors and increased funding for CDC organizational development. Multiyear support from the intermediaries has helped community organizations by providing a reliable source of core operating funds, technical assistance, strategic planning, and capital support for housing. Training from the collaboratives has developed the skills of CDC staff. Partnerships have been key in helping CDCs develop networks with the business sector and other nonprofits. Moreover, many CDPs also play important behind-the-scenes political roles with local governments on behalf of CDCs to improve the system's capacity for neighborhood development.

Many of the CDCs we studied pursue elements of the five types of capacity building we have discussed. CDCs operate programs in areas such as housing and economic development. They raise funds, both independently and with the help of local intermediaries. CDCs also do more strategic planning than they did in the past, and they are working to improve their internal management systems. Through their planning, CDCs are discovering what they can do and—more important—what they cannot do. Increasingly, community organizations are reaching out to others in the region for technical assistance, training, and job placement. They look for allies within their neighborhoods and elsewhere in their cities to provide services that individual CDCs cannot. These networks, often the outgrowth of the connections of CDP members, help CDCs complement their natural advantages in working at the local level with the resources contributed by other partners. Working together has already increased CDC capacity in many ways; this strategy promises to continue to make these community organizations stronger and more resilient in the future.

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