To the Graduate Council:

I am submitting herewith a thesis written by Johnnie Williams entitled "Keys to Strengthening the Development Capacity of Community Development Corporations." I have examined the final copy of this thesis for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Master of Science in Planning.

Joseph M. Prochaska
Major Professor

We have read this thesis and recommend its acceptance:

Accepted for the Council:

The Graduate School

KEYS TO STRENGTHENING THE DEVELOPMENT CAPACITY OF COMMUNITY DEVELOPMENT CORPORATIONS

A Thesis

Presented for the

Master of Science in Planning

Degree

The University of Tennessee, Knoxville

Johnnie Williams

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DEDICATION

To the Memory of

Dr. James Benjamin Ragland and my father, Sellers Payne,

two people who taught me to believe that the sky is the limit,

and to my husband, Samuel Ebong,

who is helping me to reach it.

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ABSTRACT

Organizational development is the most critical factor in the development process of the Community Development Corporation. The lack of organizational capacity is probably at the root of the vast majority of unsuccessful CDC efforts. Assessing the capacity of these organizations is both important and complex. Recognition of this need motivated the initiation of this evaluation of four CDCs in Tennessee. This study centered on the examination of these CDCs' organizational capacities relative to their impact on project development. The CDCs' elements of capacity were measured through on-site visits, interviews, and mail questionnaires. In addition to reporting the findings on the modern CDC's capacity based on this sample group, alternative roles for the CDC and strategies for achieving increased development capabilities are discussed.

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CHAPTER 1

INTRODUCTION

Community development first became a national concern in the late 1950s following the exodus of the White, middle class to the suburbs. This decentralization of the urban population is said to have induced or hastened the problems of the central city--raising crime rates, eroding the public school systems, diminishing the tax base, creating massive unemployment, and, in general increasing dirt and ugliness. As a growing number of cities began to experience this suburbanization, numerous governmental programs were implemented in response to this "urban crisis." To make matters worse, the turbulence and riots of the 1960s further exacerbated the declining conditions of the nation's urban centers. With the continued "worsening" of the conditions of the inner-city community, it became clear that governmental intervention alone would not provide a solution to the problems of these areas. A new strategy for "enhancing the capacity of these communities to address their own social and economic problems"[1] was needed.

The strategy that emerged was the idea of "community-based development." Up until the mid-1960s, decisions with respect to what, where, and how to develop the central city community had been made by outsiders. Through community-based development, however, the

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[1]Roger J. Vaughan and June Sekera, "Development for Whom: A Critique of Federal Development Policy," in Public Policies for Distressed Communities, eds. F. Stevens Redburn and Terry F. Buss (Lexington, Massachusetts: Lexington Books, 1982), p. 77.

poor and disadvantaged residents of the central city community would be involved in the decisions affecting the quality of their lives, which was thought to be a means for creating the allegiance and commitment in the community to sustain long-term development efforts.

As such, by definition and stated intent, community-based development represented a "process by which members of a specifically defined geographic area, through collective action, improve their social, economic, and political conditions over time."[2] It usually means more than simply opening a new factory, or implementing a government-sponsored employment program, or injecting one-time capital into the community; rather, it is the institutionalization of a process that provides community residents with the ability to manage their own environment. In other words, community-based development is human resource development--"teaching people how to engage with others so that the greatest amount of human development occurs."[3]

Efforts to build and sustain community-based development hinge on a number of variables:

1. Attention must be given to the wants and desires of the people involved and to the areas of endeavors set by the people involved.

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[2]Neal R. Pierce, "Local Private-Public Enterprise: Context and Trends," in Expanding the Opportunity to Produce: Revitalizing the American Economy through New Enterprise Development, eds. Robert Friedman and William Schweke (Washington, D.C.: The Corporation for Enterprise Development, 1981), p. 176.

[3]Donald W. Littrell, The Theory and Practice of Community Development: A Guide for Practitioners (Columbia, Missouri: Extension Division University of Missouri--Columbia, 1976), p. 3.

2. People must be able to become active, meaningful participants in a development process and have considerable control over the process.
3. The concept of self-help is vitally important to the community development process.
4. The community must be viewed as a total being as opposed to division into community sub-units.[4]

Laying these basic foundations increase the probability that community development will be a self-perpetuating process in the disadvantaged, urban community. To further ensure the perpetuation of community development, many urban communities have established formal organizations to express and advocate their priorities. The most prominent approach has been the Community Development Corporation (CDC),[5] which ideally is "a locally based, owned, and controlled organization--sometimes operated for profit, usually not--directly involved in initiating and managing community development programs."[6]

As an institutional form, the CDC has an avowed objective "to break the cycle of poverty in low-income communities by arresting tendencies toward dependency, chronic unemployment, and community deterioration."[7] To achieve this objective, the CDC is concerned with

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[4]Ibid.

[5]Stewart E. Perry, Federal Support for CDCs: Some of the History and Issues of Community Control (Cambridge, Massachusetts: Center for Community Economic Development, [1973]), p. 4.

[6]Bennett Harrison, Urban Economic Development: Suburbanization, Minority Opportunity, and the Condition of the Central City (Washington, D.C.: The Urban Institute, 1974), p. 154.

[7]Harry Edward Berndt, New Rulers in the Ghetto: The Community Development Corporation and Urban Poverty (Westport, Connecticut: Greenwood Press, 1977), pp. 3-4.

creating jobs, income, and economic and political power. In this way, the CDC contrasts sharply with the for-profit and human service orientations of most private and public enterprises. CDCs pull together the financial and technical resources of both the public and private sectors to provide services that make it potentially more responsive than either the public or private sectors to the community's needs.

As organizations responsive to their communities' needs and goals, over the past years, CDCs have become involved in a range of programs, including:

> The acquisition of existing businesses, the development of new businesses, investment in the physical assets of the community, assistance through loans and technical service to community entrepreneurs, and participation with private sector interests in joint ventures.[8]

Notwithstanding their differing programmatic interest, CDCs adhere to a common philosophy of addressing the needs and goals of their respective target communities, which may be the only common thread between them.

Generally speaking, "no two CDCs are exactly alike--as no two communities are alike. Each CDC reflects specific local and often widely differing needs and goals within the community."[9] Consequently, CDCs vary in constituency size and types as well as in legal structure. For example, the Bedford-Stuyvesant Restoration Corporation (the first

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[8] Ibid., p. 3.

[9] Profiles in Community-Based Economic Development (Cambridge, Massachusetts: The Center for Community Economic Development and the Cambridge Institute, [1971]), p. 15.

federally funded CDC) was established to assist an area of Brooklyn containing well over 400,000 residents; while CDCs, like the East Central Citizen's Organization of Columbus, Ohio, were established to assist populations less than 7,000 people.

Another way in which CDCs have changed is that today, not all CDCs are Black. The East Boston Community Development Corporation (EBCDC) was organized in a predominately Italian, working class community. The Denver CDC was established to operate in four largely Mexican-American neighborhoods in that city. A more popular non-Black CDC is the Kentucky Highlands Investment Corporation (KHIC). KHIC now serves a multicounty, predominantly white Appalachian population.

From a legal standpoint, CDCs are not restricted to nonprofit structures. They may also be for-profit or cooperative corporations. Unlike the nonprofit CDC, the for-profit CDC may be formed by a group of incorporators to carry on business for the benefit of its stockholders. The key feature of the for-profit CDC is that it can distribute profits directly to the community in the form of dividends. A cooperative is "an association of people (frequently incorporated under state law), acting as consumers or producers, who wish to carry on either or both these activities through a central organization."[10] A cooperative CDC differs from both the for-profit and nonprofit CDC in

[10] Susan Horm-Moo, Alternative Models for CDCs (Cambridge, Massachusetts: The Center for Community Economic Development, [1974]), p. 2.

that its members (or common stockholders) are expected to participate in the CDC's day-to-day operations.

The Purpose of the Study

For more than a decade, now, CDCs have been "the bedrock of the present day public-private phenomenon."[11] As third party organizations, CDCs have been able to combine the best qualities of both the public and private sectors in planning, stimulating, financing and, when necessary, owning and operating businesses that will provide a better life for the residents of low-income, urban areas. Using governmental funds and the technical and managerial experiences of private corporations, CDCs have implemented a number of substantial development projects in disadvantaged communities. A few examples will illustrate their development potentials:

> A shopping plaza, an electronics plant, a sewing plant; a chain of small supermarkets and a housing project in Philadelphia; a rubber plant, two restaurant franchises, a housing project development of a combination shopping plaza and housing project--the first of its kind in the country--in Cleveland, Ohio; a housing project and an electronics plant that cleared a sizable profit in its second year of operation in Rochester, New York; investments over $4 million in separate business, several housing programs, and commitments from the New York banking community for a $100 million mortgage pool for ghetto home buyers in Bedford-Stuyvesant.[12]

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[11]Pierce, "Local Private-Public Enterprise," in Expanding the Opportunity to Produce, eds. Robert Friedman and William Schweke (Washington, D.C.: The Corporation for Enterprise Development, 1981), p. 171.

[12]Harrison, Urban Economic Development (Washington, D.C.: The Urban Institute, 1974), pp. 168-69.

Ironically, as the problems of the nation's inner-city communities have become more acute, public and private funds for CDC projects have become increasingly scarce. Reduction in federal spending on domestic programs, along with the shift of grant making powers from the federal government to the states under many of the block grants, have made acquiring funds for community development in low-income areas very competitive. In addition, downturns in the economy have all but paralyzed the economy of the depressed areas in which CDCs operate, thus limiting their ability to compete. Consequently, many CDCs have failed under the pressure. The surviving and new "start up" CDCs have, however, had to adapt to these hard economic times. They have responded by designing new approaches to long-term community and economic development (e.g., created for-profit subsidiaries). Through ingenuity and hard work, CDCs have withstood the economic challenges of the 1970s, leading one to believe that maybe the most difficult challenges facing CDCs in the 1980s are not external. Adverse economic conditions have made CDCs "well aware of the need to adapt to changing external factors, they do not always realize that they must make periodic adjustment in response to their own internal evolution."[13] As CDCs pass from one stage to the next, if they are to continue to service their target communities, they must then be able to reassess the ways in which they operate and be able to make organizational changes appropriate to their "stage of development."

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[13]The Planning and Management Assistance Project, "Passages: Organizational Life Cycles," Conserve Neighborhoods, May-June 1982, p. 220.

The principle purpose of this study was to examine the various stages of development of the modern CDC and determine how they impact the CDC's ability to effectively undertake development projects. Four CDCs across Tennessee were identified as representative models of today's urban CDC. Using this sample group, this study characterizes the CDC's stages of development as a number of key elements important to its growth. These key elements are important to the CDC's ability to develop the internal capacity necessary to effectively carry out community development work. They represent "dynamic occurrences involving multiple changes in organizational outlook, knowledge, experience, and range of specific capabilities."[14] By noting changes in these elements, this study assesses the sample CDCs' competency and capacity to carry out certain development projects in their target communities. Additionally, it examines ways in which both the sample group and their sources of aid can build the CDC's development capacity. It is hoped that this study provides the sample CDCs as well as other CDCs with some insight in assessing their development potentials and predicting impending problems. It is further hoped that this study helps in defining the current and alternative role(s) of CDCs in the development of the disadvantaged, urban community. It should be especially noted that "because of the vagueness of the CDC mandates, the magnitude of the problems they are expected to address, and the

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[14]Neil S. Mayer and Jennifer L. Blake, Keys to the Growth of Neighborhood Development Organizations (Washington, D.C.: The Urban Institute Press, 1981), p. 4.

relative paucity of their resources,"[15] this study did not attempt to define a successful CDC. It merely attempted to point out why some CDCs are more advanced and proficient in development efforts than others.

Methods and Procedures

The study which follows begins with an historical overview of CDCs, focusing particularly on the concepts that fostered their evolution in this country. Following this overview, profiles of four CDCs across Tennessee will be presented. These profiles represent CDCs which, at the time of this study, exhibited the following characteristics:

- Served an urban community
- Represented a predominantly Black population
- Possessed a defined organizational structure
- Had legal status as a nonprofit corporation
- Received diverse funding
- Had a paid, full-time staff with defined roles

Of the four CDCs, three were located in Memphis, and one in Chattanooga--both of which represent large metropolitan areas with similar demographical features. Other CDCs in Tennessee were located in rural areas or small towns.

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[15] Robert Mier and Wim Wiewel, "Business Activities of Not-for-Profit Organizations," Journal of the American Planning Association, Summer 1983, p. 317.

A comprehensive interview with the senior staff members of each CDC was the primary instrument used to obtain information for these profiles. Additional information was obtained from site visits, organizational publications, local newspapers and other secondary sources.

The next portion of this study takes a comparative look at the elements of capacity for the sample group and assesses their stage of development relative to carrying out revitalization work. This portion of the study also discusses more advanced levels of development for each element of capacity to help in determining useful sources of aid or technical assistance.

Data on the capacity and competency of each CDC was obtained from a mail-out questionnaire to each CDC. Portions of the data were also obtained from an informal telephone survey of local community and business organizations (e.g., Urban League, National Association for the Advancement of Colored People--NAACP, Chamber of Commerce, etc.).

The final portion of the study focuses on the current role of the CDC in its community, and recommends some alternative roles and strategies for achieving increased community development. This portion also examines the planning process as it relates to the CDC as well as recommends means for strengthening the development capabilities of the CDC.

CHAPTER 2

HISTORY OF COMMUNITY DEVELOPMENT CORPORATIONS AN OVERVIEW

To understand how CDCs evolved in this country requires more than a history of their economic and legislative origins; it also requires a knowledge of the concepts underlying the CDC program. Though often thought of as an innovation of the 1960s, the CDC program is an outgrowth of several concepts that have been around for centuries. Some of the concepts that have been more instrumental in shaping the CDC program are "self-help,"[16] "equality of opportunities," and "citizen participation." Among this group, self-help is perhaps the most prominent and deeply rooted in the program. It can be said, in fact, that the idea of self-help served as a catalyst in bringing about the ideas of equality of opportunities and citizen participation. Nevertheless, each of these three concepts is dependent upon the other two in accomplishing the overall objective of the CDC program.

The Theoretical Basis of the CDC Program

The ideal of self-help, as mentioned earlier, was around before the ideas of equal opportunities and citizen participation had any social significance. Self-help was a major societal principle as far back as the

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[16]Self-help in this context is somewhat of a misnomer because it is not the selfish pursuit of individual advancement, but a cooperative endeavor to improve the total community's well-being.

preliterate cultures known as the "folk society."[17] In the folk society there was no role for the economically unproductive. Each member of the group (with the exception of young children) was expected to fulfill a mutually beneficial function within the group. Because the societal structure was so tightly integrated, survival depended on solidarity--"any break in the intricate pattern of interrelationships and responsibilities was seen as a threat to the whole group."[18] An example of this type of culture was the primitive Eskimo society that practiced the abandonment of the elderly when they could no longer perform their assigned duties within the group.

The folk tradition of self-help carried over into the early Christian cultures. But as Christianity became more pervasive, the view of self-help as a personal obligation to the tribe's survival gave way to a more ethereal view. Christian societies viewed the individual's contributions to the larger society as a virtuous act. In this way the work ethic evolved. The work ethic held that "to work is a virtue and not to work is a crime."[19] It was not long, however, before this view of work and self-help became an obsession. The faithful considered it a religious obligation to work and share the "fruits of their labors" with

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[17]Elizabeth A. Ferguson, Social Work: An Introduction, 2nd ed. (New York: J. B. Lippincott Company, 1969), p. 49.

[18]Robert Redfield, "The Folk Society," American Journal of Sociology, January 1947, pp. 293-308, cited by Elizabeth A. Ferguson, Social Work, 2nd ed. (New York: J. B. Lippincott Company, 1969), p. 49.

[19]Harry Edward Berndt, New Rulers in the Ghetto (Westport, Connecticut: Greenwood Press, 1977), p. 5.

the less fortunate. This charitable practice discouraged the less-inspired from assuming the responsibility for their own condition. It prompted widespread begging and vagrancy, both of which became commonplace practices in the early Christian societies.

It was not until after the Reformation Period in the sixteenth century that legislation was passed to restrict begging and vagrancy. By this time, the Church's power had dwindled, giving way to the State. The State was left with a large class of beggars and in order to relieve its welfare rolls, it was necessary that the State enact legislation to force the poor to work. These laws ignored a need for structural changes; they were premised on the belief that the poor were poor through their own fault and not through any shortcomings of the government. These laws encouraged self-help and the work ethic as means to independence and social status, but did not really provide a mechanism through which the poor could begin to help themselves. By the early 1600s it became obvious that the poor needed assistance in gaining the capabilities to make it on their own. In an attempt to assist the poor in becoming viable components of society, the State initiated a series of measure that have since become known as the Elizabethan Poor Laws of 1601. Many scholars argue that the Poor Laws were the basis for both the English and American modern welfare programs. At any rate, the Poor Laws were a first attempt on the part of the State to segregate the poor based upon abilities. These laws were designed to help the able-bodied poor to help themselves, while providing welfare assistance to the truly needy.

As the British Empire began to spread across the globe, so did its doctrines. Even the new frontier, America, adopted many of the English mores and practices. From the beginning, the concept of self-help in America resembled that of England and other European cultures. Many of the settlers brought with them the institutions and attitudes of the countries they had left behind. The European views of self-help continued to be reinforced in America by the "larger than life" images of the frontiersmen. Because America symbolized, and really was, an unconquered wilderness, it was believed that everyone had an equal change to secure independence and social status through individual hard work. This belief represented the emergence of the idea of equality of opportunities. For the first time in the history of civilized man, there was the opportunity for each individual to carve out his own destiny. It was this idea of equality of opportunity coupled with the idea of self help that gave rise to the American tradition of "democratic individualism,"[20] which is characterized in the following quote:

> It is through individual enterprise that we seize those rights of liberty and opportunity that we cherish--the freedom to take our lives into our own hands and pursue prosperity by our own lights; the chance to take risks on our own behalf. And the more people who assume risk and responsibility, the more citizens there will be with a direct stake in fortifying democratic government.
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> There has always been an analogy in the American mind between the competitive markets and democratic processes, for both are healthiest when they are open to the greatest variety of participants and ideas.[21]

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[20]Robert L. Heilbroner, The Making of Economic Society, 5th ed. (Englewood Cliffs, New Jersey: Prentice Hall Inc., 1975), p. 284.

[21]Robert Friedman and William Schweke, eds., Expanding the Opportunity to Produce (Washington, D.C.: The Corporation for Enterprise Development, 1981), p. xi.

This spirit of democratic individualism fostered the entrepreneurial drives that propelled the country up to and through the Industrial Revolution. Though many would argue that slavery was a contradiction of the ideas of self-help and equal opportunities, the opposite has also been argued. Slavery in American has been argued by many as being merely an instrument for this entrepreneurial drive. Slavery, in this sense, was "an institution established to pursue some worklike and instrumental task,"[22] as is common among many institutions. At a microcosmic level, the idea of self-help was widespread among the slaves. To bolster slave labor, slaves were taught that "only hard work and thrift could give them safety in the hostile society in which they lived."[23] By the end of the Civil War in 1865, the country was well into the Industrial Age with little room and opportunities for newcomers, like the recently freed slaves. Consequently, Blacks in America were further disenfranchised from the economic and political mainstream.

The Great Depression of the 1930s, however, brought back a heightened sense of fairness as the entire country grappled with the problems of a failed economy. The legislation passed during this period, termed the "New Deal," was designed to bring federal support

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[22] Roy Simon Bryce-LaPorte, "The Slave Plantation: Background to Present Conditions of Urban Blacks," in vol. 5: Race, Change, and Urban Society, eds. Peter Orleans and William Russell Ellis, Jr. (Beverly Hills, California: Sage Publications, 1971), p. 262.

[23] Berndt, New Rulers in the Ghetto (Westport, Connecticut: Greenwood Press, 1977), p. 5.

to the rescue of the poor. The programs implemented during this period were in the tradition of self-help and equal opportunity. They also reflected the philosophy of American capitalism, individualism, and the work ethic. The New Deal legislation gave each person who had been stifled by the depressed economy a "bootstrap" opportunity to participate in the national recovery.

The next aggressive effort by the federal government to help the poor did not occur until the 1960s during the Kennedy-Johnson presidential era. The programs launched during this period were designed to be a frontline attack against the cycle of poverty that had settled into the nation's inner-city communities. The growing tension in these areas was the primary element instrumental in refocusing federal attention to the problems of the poor. The major philosophical difference between the programs of the 1960s and the 1930s is that the former attempted to add a new dimension in order that the benefits would be greater and longer lasting. This new dimension, citizen participation, was based upon the belief that the poor were supposed to know best what their problems were, and with adequate federal help, would find ways to solve them. Combining citizen participation with the concepts of self-help and equality of opportunities resulted in a community-based economic development programs, like the CDC program.

Legislative and Economic Support of CDCs

In 1966, Senators Robert F. Kennedy and Jacob Javits cosponsored an amendment designed to promote more aggressive antipoverty programs in the nation's low-income communities. This amendment, which became effective July 1966, was the Title I-D of the Economic Opportunity Act of 1964, or more simply stated, the Special Impact Program (SIP).[24] It was through the authority originally provided by the SIP amendment that the CDC concept first received legislative support. At first, the Office of Economic Opportunity (OEO) resisted the idea of a community-based economic development program. So, when Congress passed the SIP amendment, OEO gave the CDC program to the Department of Labor. The Department of Labor, in the first year, used "the money and authority to start one comprehensive project in Bedford-Stuyvesant, but the rest of the money went to finance a manpower program that the department was trying to launch nationally."[25] After the first fiscal year (July 1966-June 1967), Congress expressed dissatisfaction with the progress made, saying in effect that "the money and authority was being misused and urging that the agency do more of the Bedford-Stuyvesant type of project, not manpower programs."[26] This perceived misuse of appropriated funds and loose interpretation of the law prompted Congress in 1967 to take additional legislative action to insure the implementation of more community-based economic development projects. This additional legislative action resulted in the passage

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[24] U.S., Congress, House, Economic Opportunity Amendments of 1966--Part I-D--Special Impacts Programs, 89th Congress, 1st session, 1966, Journal, 8 November 1966, p. 5.

[25] Stewart E. Perry, Federal Support for CDCs: Some of the History and Issues of Community Control (Cambridge, Massachusetts: Center for Community Economic Development, [1973]), p. 4.

[26] Ibid.

of the Title VII of the Economic Opportunity Act.[27] Title VII was labelled "Community Economic Development," instead of "Special Impact." It retained much of the language of Title I, Part D, but "it specifically required OEO to provide support for comprehensive community economic development programs by locally controlled groups, 'community development corporations.'"[28]

With the authority of Title VII, OEO along with several other federal agencies by 1970 had fostered the establishment of more than forty CDCs in thirty states. The best funded of this group was the Bedford-Stuyvesant Restoration Corporation (BSRC)--the country's first and largest CDC. In fact, "by 1970 BSRC had received about $20.4 million from the federal government and $6.2 million from private sources since 1967."[29] The list of federally funded CDCs spans more than a decade to include such prominent CDCs as the Kentucky Highlands Investment Corporation, the East Los Angeles Community Union (TELACU), and Mississippi's Delta Foundation.

Although federal support was a major factor in the startup of most CDCs, it was not the only element responsible for the growth and development of the CDC program. Private support was critical to the survival of the program. As early as 1974, CDCs had begun to

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[27] Community Economic Development Amendment, Statutes at Large 90, sec. 557, 1238 (1968).

[28] Perry, Federal Support for CDCs (Cambridge, Massachusetts: Center for Community Economic Development, [1973]), p. 11.

[29] Bennett Harrison, Urban Economic Development (Washington, D.C.: The Urban Institute, 1974), p. 155.

interface with many of the nation's largest corporations in search of assistance not being provided by federal efforts. The private, for-profit corporation proved to be a valuable source of technical assistance, loans, and procurement opportunities for CDCs. Fiscal year 1974, however, brought the dismemberment of OEO as well as the emergence of the Community Services Administration (CSA). For the first time since the initial legislative sanctioning of the 1960s, lucrative Title VII monies were no longer available to CDCs. CDCs were being forced to turn to other, less committed federal agencies such as the Small Business Administration (SBA), the Economic Development Administration (EDA), the Office of Minority Business Enterprise (OMBE), and the Farmer's Home Administration (FmHA). Many CDCs collapsed under the pressure of increased competition for "seed money" and administrative funds. Aid from the federal government, despite support from other agencies, has decreased considerably. Private support for CDCs has fluctuated with the economy. Today, CDCs are funded at the federal level primarily by EDA, while nongovernmental funds are provided predominantly by foundation grants.

The CDC program, at the time of its establishment, was not designed to reverse single-handedly the decline of the nation's inner cities. Prior to the CDC program, there had been considerable Federal intervention into the problems facing these communities. And concurrent with the CDC program, Congress also sanctioned several other Federal initiatives to combat the problems of the inner-city community. The most prominent of these efforts were the post World War II urban renewal policies, the Demonstration Cities and Metropolitan Development Act of 1966, and the Black Capitalist Movement of 1968. Activities generated by these Federal initiatives fell into three general categories:

1. establishing programs which could respond to the credit and housing needs in urban neighborhoods;
2. using regulatory agencies to enforce and stimulate private investment, hopefully in cooperation with financial institutions; and
3. defining and incorporating the role, and importance of citizen participation in the creation and maintenance of policies and programs relevant to the residents' neighborhoods.[30]

The CDC program, however, was the first attempt to pull together these three objectives into one program's goals. Not only did it attempt to bring about the physical rehabilitation of distressed communities, but it was also committed to the social and economic development of the area. The CDC program was, at the time of its establishment, a significant initiative in that it aimed at inner-city development with the priority of keeping the residents as an integral part of the decision-making process.

The Urban Renewal policies of the late 1950s and early 1960s, on the other hand, were not concerned with the comprehensive redevelopment of inner-city communities. Urban renewal focused primarily on the physical development of these communities. It was used to clear slum areas--"areas where housing inventory is old, densities are high, and

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[30] Karen Kollias, Neighborhood Reinvestment: A Citizen's Compendium for Programs and Strategies (Washington, D.C.: The National Center for Urban Ethnic Affairs, 1977), p. 7.

mixed land uses are prevalent"[31]--"on the belief that the problem lay in the quality and design of the physical environment."[32] The narrowly defined urban renewal intervention had disastrous consequences. "Many dwellings were demolished but not replaced, poor residents were displaced into even more densely populated tenements, and many centrally located slums became prairies, waiting for eventual commercial or upper-income development."[33] For example, the Urban Renewal programs are said to have destroyed 300,000 more houses than it replaced.[34]

The Housing Act of 1968 introduced a number of new provisions to mitigate the negative impact of urban renewal. It required that "projects in predominantly residential areas allocate at least 20 percent of their new housing to low income families."[35] It further provided rehabilitation grants and loans to communities not yet under the bulldozer so as to reduce the number of areas designated as renewal

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[31] Harrison, Urban Economic Development (Washington, D.C.: The Urban Institute, 1974), p. 144.

[32] Roger J. Vaughan and June A. Sekera, "Development for Whom: A Critique of Federal Development Policy," in Public Policies for Distressed Communities, eds. F. Stevens Redburn and Terry F. Buss (Lexington, Massachusetts: Lexington Books, 1982), p. 81.

[33] Mark Lindberg, "Partnership for Community Problem Solving: Failure and Promise," in Public Policies for Distressed Communities, eds. F. Stevens Redburn and Terry F. Buss (Lexinston, Massachusetts: Lexington Books, 1982), p. 260.

[34] Robert Cassidy, Livable Cities: A Grassroot Guide to Rebuilding Urban America (New York: Holt, Rinehart, and Winston, 1980), p. 27.

[35] Harrison, Urban Economic Development (Washington, D.C.: The Urban Institute, 1974), p. 146.

zones. Yet, the Act only lessened the expansion of urban renewal, the disruptive effects of urban renewal continued to impact the development of these communities for many years later.

Realizing the shortcomings of many of the urban renewal efforts, Congress passed the Demonstration Cities and Metropolitan Development Act of 1966,[36] which has become known as the Model Cities legislation. The Model Cities legislation concentrated public and private resources in a comprehensive five-year attack on the social, economic, and physical problems of slums or blighted communities. The cities participating in the program received 80 percent of the cost of planning comprehensive programs to upgrade the levels of housing, education, health and medical treatment, employment and job training, income, and social services in the targeted community. The targeted community was a geographical area defined by each city making application to the U.S. Department of Housing and Urban Development (HUD). Qualifying areas became eligible for a panoply of federal grants-in-aid. Model Cities differed from Urban Renewal in that qualifying applicants were also required to provide reasonable provisions for citizen participation. It was thought that Model Cities legislation "could honeycomb the ghettos with opportunity structures, so that the poor could emancipate themselves within the interstices of federal guidelines."[37] Through

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[36]U.S., Congress, House, Demonstration Cities and Metropolitan Development Act of 1966, 89th Congress, 1st session, Journal, 8 November 1966, p. 34.

[37]Charles Hampden-Turner, From Poverty to Dignity: A Strategy for Poor Americans (Garden City, New York: Anchor Press/Doubleday, 1974), p. 108.

Model Cities a battalion of capable, dedicated, and articulate professionals from the streets of the ghetto who could accurately identify the problems of the community emerged. The "human capital" produced by the Model Cities programs is said to have been the biggest benefit derived from the program's efforts.

The political, social, and physical conditions of the inner-city communities continued to decline despite a host of programs designed to ameloriate these conditions. Civil disorders erupted in one central city after another during the period between 1965-68. In early 1966, many business leaders and Black activists banded together to promote what they thought was the real solution to poverty. They maintained that the "real solutions to the problems of poverty would come through business development."[38] With this growing emphasis on business development, many business leaders were beginning to embrace terms such as "compensatory capitalism," "green power," "minority entrepreneurship," "ghetto self-determination," and "community economic development." This new idea of Black capitalism, however, did not obtain national prominence until the 1968 Presidential campaign, when "Richard Nixon adopted it as a slogan to represent his interest in the development of minority entrepreneurship."[39]

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[38] Profiles in Community-Based Economic Development (Cambridge, Massachusetts: The Center for Community Economic Development and the Cambridge Institute, [1971]), p. 5.

[39] Harrison, Urban Economic Development (Washington, D.C.: The Urban Institute, 1974), p. 157.

At least three reasons were given for advocating such a strategy. First, there was the simple question of equity. Blacks and other minority groups had been disproportionately excluded from ownership of businesses, even within their own communities. Secondly, it was felt that Black capitalism would improve the consumer welfare within the targeted areas. By fostering larger, more efficiently managed businesses, consumer welfare would be heightened in that consumers would be able to buy higher quality merchandise at a relatively lower price. Finally, it was hoped that expanded Black capitalism would relieve the political tension in these communities. All in all, Black capitalism or minority entrepreneurship was "to get as many individual minority entrepreneurs into business as possible."[40] It proposed to do this through technical and managerial assistance and debt financing. While Black capitalism has had limited success in catalyzing ghetto economic development, by no means has it been the panacea its proponents had hoped it would be.

A Critique of the CDC Program

One of the most vocal and influential critics of policies aimed at bailing out distressed areas has been Andrew Brimmer, noted economist and former member of the Board of Governors of the Federal Reserve. According to Brimmer, "investment in the ghetto is inefficient and

[40] Profiles in Community-Based Economic Development (Cambridge, Massachusetts: The Center for Community Economic Development and the Cambridge Institute, [1971]), p. 5.

therefore, socially wasteful, given the unfavorable economic climate."[41] This has been the most common criticism of CDCs among economists, politicians, and other analysts of urban development. The premise of this group of critics has been that the successful improvement of impoverished communities rests on obligations to individuals:

> the welfare of individuals (or families) as the ultimate entity of concern and the welfare of places are mere instruments. Improving individuals by targeting policies toward places is seen, at best, as inefficient and, at worst, as parochial pleading for a public subsidy.[42]

This argument against area-wide subsidies to inner-city communities has provoked three other arguments against Federal support of CDCs. The first argument maintains that accurate targeting of needy communities is a near impossibility. Since the criteria for defining distressed areas determine each congressional district's eligibility for aid, such a process becomes highly political. Experience has shown that the most demonstrative, rather than the most needy areas will receive aid in such a political process. For example, the Model Cities program was designed to aid a few "special cities," but after the political dilution of the program, it was extended to include more than 100 cities. Furthermore, there is little evidence to indicate that federal appropriations will ever grow to match the needs of distressed communities that seek to improve themselves. And on still another level,

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[41] Harrison, Urban Economic Development (Washington, D.C.: The Urban Institute, 1974), p. 164.

[42] Martin T. Katzman, "The Case Against Bailing Out Distressed Areas," in Public Policies for Distressed Communities, eds. F. Stevens Redburn and Terry F. Buss (Lexington, Massachusetts: Lexington Books, 1982), p. 27.

identifying communities which could benefit from governmental aid becomes more of a problem if communities are targeted based on which ones would benefit the most. Targeting communities, in this sense, becomes a triage--and who is to say which areas are capable of deriving the greatest benefit from federal aid?

A second argument that has been used to discourage the proliferation of CDCs focuses on the lack of market potential in the inner-city community--"low-income communities have weak market demand for goods and services and as a result are not able to support a wide range of activities."[43] Because low-income, inner-city communities have few types of market, the potential for market expansion is hampered by the risk factor involved in bringing in new industries into declining areas. This "chicken and egg" problem has no doubt caused a great deal of confusion. More recent attempts to diversify these markets have been either export manufacturing or export services, which have created a limited number of jobs and income in the local community. Since goods and services are exported to wealthier outside markets, the local community looses the benefits that would have been produced as a result of the "multiplier effect."

This, then, leads to a third argument against area-wide support for the CDC program--securing maximum economic and social participation of local residents. In many cases where programs have produced

[43]Belden Daniels, et al., "The Experience and Potential of Community-Based Development," in Expanding the Opportunity to Produce, eds. F. Stevens Friedman and Terry F. Schweke (Washington, D.C.: The Corporation for Enterprise Development, 1981), p. 180.

goods and services that had to be exported out of the target community to survive financially, these programs have failed to gain the support and participation of local residents in that they were viewed as mere business operations. To strengthen this argument, opponents to area development maintain that "national hallmarks of local poverty--high unemployment rates and welfare roles--are not indicators of poor places but of poor people."[44] For this reason, the greatest amount of benefits generated by federal subsidies to these areas should be channelled directly to local residents. The means for guaranteeing inner-city residents as primary benefactors of aid to their communities is to increase their participation in the process. As stated by Julian Bond, the Black legislator from Georgia, a type of community socialism is necessary so that residents of low-income "neighborhoods and communities shall have the major say in who gets what from whom."[45]

Recent Alternatives to CDCs

Only recently has the federal government begun to reexamine which forms of aid are most beneficial in revitalizing the nation's ailing urban communities. Though there is still much disagreement as to how much federal intervention is necessary, there seems to be a growing consensus that government cannot "go it alone." A broad-based,

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[44]Vaughan and Sekera, "Development for Whom," in Public Policies for Distressed Communities, eds. F. Stevens Redburn and Terry F. Buss (Lexington, Massachusetts: Lexington Books, 1982), p. 81.

[45]Ibid., p. 84.

constructive partnership between all levels of government and private industry is needed to secure growth and prosperity for communities. Some of the approaches advocated over the past few years to spur long-term community economic development include the following three strategies:

1. the Enterprise Zone--entrepreneurial islands within urban areas encouraged by preferential tax and regulatory treatment;
2. the National Development Bank (NDB)--designed to secure financing to capital-short distressed areas; and
3. the Reconstruction Finance Corporation (RFC)--provided financial aid and other support to aging, basic industries.[46]

These strategies represent different forms of public interventions with one common denominator--to stimulate private initiatives and investments.

Conceptually, Enterprise Zones[47] can be viewed as fiscal extensions of urban renewal. Instead of seizing land through the power of eminent domain, assuming that developers would flock to ready locations; the Enterprise Zone groups a variety of benefits that are to be made available to impacted areas and reduces the cost of doing business in these areas through preferential treatment. The original suggestions for the Enterprise Zone developed in Britain, and have been brought to the U.S. legislative forefront by Congressmen Jack Kemp and Robert Garcia.

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[46] Harrison, Urban Economic Development (Washington, D.C.: The Urban Institute, 1974), p. 167.

[47] U.S., Congress, Senate, Urban Jobs and Enterprise Zone Act of 1980, Senate Report 7006, 97th Congress, 1st session, 1981, pp. 1012-1184.

Though many opponents argue that Enterprise Zones will create unfair competition for businesses adjacent to the Zone, or drastically reduce federal revenues because of tax suspensions, many proponents argue that Enterprise Zones are excellent tools for stimulating business activities in depressed inner-city areas. Regardless of either argument, the National Development Bank (NDB) strategy would augment the Enterprise Zone's implementation by making capital and loans available to firms desiring to set up in the Zone. The NDB combines several financial incentives to induce businesses to remain in, expand, or locate in low-income communities. The NDB's two crucial assumptions are: "(1) significant capital shortages exist in the distressed area, and (2) private enterprises will modify their locational decisions in favor of distressed areas if financing costs are significantly reduced."[48]

Enterprise Zones and the NDB provide important elements in revitalizing ailing communities "but fall short for declining industries that do not meet banking criteria and for which the tax virtues and depreciation allowances of the Enterprise Zone may be only of marginal utility."[49] The RFC was first formed in 1932 to serve as a financial

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[48]George Sternlieb and David Listokin, eds., New Tools for Economic Development: The Enterprise Zone, Development Bank, and RFC (Piscataway, New Jersey: The Center for Urban Policy Research, 1981), p. 6.

[49]George Richard Meadows and John Mitrisin, "A National Development Bank: Survey and Discussion of the Literature on Capital Shortages and Employment Changes in Distressed Areas," in New Tools for Economic Development, eds. Geroge Sternlieb and David Listokin (Piscataway, New Jersey: The Center for Urban Policy Research, 1981), p. 85.

intermediary to forestall the continuing decline of mature American industries by providing loan guarantees to them. During the 1940s, the RFC's scope was expanded to finance defense-related activities during World War II, but the agency was later disbanded in 1953. "Because of the high cost and limited availability of funds to mature industries, many industries--especially those in distressed, inner-city areas--are turning to the federal government for assistance."[50] The revival of the RFC is one strategy currently being considered by Federal officials as a solution to the decaying economy of both the inner city and the nation.

Prospects for the Future of CDCs

Now, that federal support for CDCs has become somewhat weakened, the future of CDCs may seem questionable. Many CDCs have, however, demonstrated a tremendous amount of resilience in the face of a deteriorating national economy and the elimination and cutback of many public and private sources of support. This is taken as evidence of institutional strength and "self-sufficiency" more broadly conceived that the self-sufficiency derived solely from the generation of organizational profits. CDCs have presented an imaginative approach to the resolution of some of the massive problems facing the communities in which they operate. One of the most formidable of these approaches

[50]Sternlieb and Listokin, eds., New Tools for Economic Development (Piscataway, New Jersey: The Center for Urban Policy Research, 1981), p. 6.

has been the creation of for-profit subsidiaries in that these entities have not only produced a means for generating capital for needed community revitalization, but have also provided a mechanism for building political strength.

The continued growth and development of CDCs as institutional forms does not mean, however, that they will not require subsidy. Over the next five to ten years, if current programs and activity levels are to be sustained, CDCs will require consistent outside support. To date, relatively few of the potential profit centers within the CDCs are profitable on the basis of revenues generated from their own activities. At the same time, as community-based organizations, CDCs are compelled to include in their programming and allocations a large number of social and social service programs which cannot expect to receive revenues. The particular role the CDC plays in revitalizing inner-city communities depends on its ability to capitalize on the strengths of its target community and organizational structure.

CHAPTER 3

PROFILES OF FOUR URBAN CDCs IN TENNESSEE

One of the mandates of the CDC has been to develop the political, social, and economic resources of the low-income community as a whole. For this reason, CDCs have undertaken a broad range of development projects. In the housing field alone, they have rehabilitated houses for owner or rental occupancy, encouraged continued home maintenance, managed multifamily housing, converted buildings to cooperative ownership, weatherized homes, and renovated abandoned housing. Beyond these activities, CDCs have initiated community development projects that encouraged the development of new skills, opened up new employment opportunities, increased community ownership of local property, and brought in capital for community improvements.

The strategy of the CDC has been essentially a plan of action aimed at strengthening the community internally. As is evident by the scope of CDC activities, this task has not been possible by working on one problem at a time. Rather, it has required a coordinated attack on many levels. Success in building a strong community has been possible only when the community situation was seen as a whole. And only the broad-based, internally-sound CDC has had the capability to respond to the development needs of the impoverished, inner-city community.

Though the operations of each CDC are as diverse as the problems and needs of the community it serves, there are several internal characteristics critical to its ability to effectively undertake development projects. These internal characteristics include, the following:

- a defined organizational structure;
- legal status as a nonprofit corporation;
- diverse funding sources; and
- a paid, full-time staff with defined roles.

In a sense, these four internal characteristics are primary factors in the establishment of CDCs because they contribute to issues of organizational survival and project development potentials. It is not until after the successful development of several projects that other more advance factors such as leadership, technical, managerial, and political capacity become important to the CDC's ability to undertake development efforts. Each of these four characteristics is especially critical to the survival and project development potentials of the modern CDC.[51] Below are some points that illustrate the importance of each of these four characteristics.

A defined organizational structure is important in that an organization provides for "divisions of labor, power, and communication responsibilities, divisions which are not random or traditionally patterned, but deliberately planned to enhance the realization of specific goals."[52] Additionally, an organization can recombine its personnel through transfers and promotions to maximize its effectiveness. Hence, a defined

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[51] During the Title VII years of the CDC experience (1967-1974), there was ample capital and technical support to foster the development of CDCs. Today, CDCs no longer have the generous "seed money" provided by Title VII, and for this reason, must compete with the legion of other organizations vying for scarce public and private funds.

[52] Amitai Etzioni, Modern Organizations (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1964), p. 2.

organization is in control of its nature and destiny and is capable of providing not only continuity, but also coordinated political muscle--both of which enhance the CDC's ability to effectively bring about community development.

Legal status as a nonprofit corporation qualifies the CDC for private and public funds as well as a number of tax benefits. A nonprofit CDC, as opposed to a for-profit or cooperative CDC, is more likely to receive grant funds. And if a CDC is successful in obtaining tax exemption, "as a charitable corporation, it will be attractive to potential charitable donors because grants to such organizations result in tax deductions for the donor."[53] Also, "profits" made by nonprofit corporations are not subject to certain taxes, freeing a larger percentage of "profits" for use in local development projects. Because of the fund-raising capabilities and tax policies toward the nonprofit corporation, it is usually the most desirable alternative in developing the disadvantaged community.

Diverse funding sources allow CDCs the flexibility that they need in launching a full-scale development effort in the low-income, inner-city community. CDCs' development efforts have historically been limited to those areas where there was specific funding. Flexible funds allow CDCs to concentrate their efforts in those areas which would contribute the most to their organization, namely "the hiring of good

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[53]Susan Horn-Moo, <u>Alternative Models for CDC's</u> (Cambridge, Massachusetts: The Center for Community Economic Development, 1974), p. 3.

core staff, upgrading management capabilities, and contracting for helpful, specialized technical assistance."[54] At even another level, due to the scarcity of both public and private funds for CDC activities, it is too risky to rely on a single source of funding. Adequate and diverse funding sources for a CDC's activities, administrative and otherwise, free the CDC to focus on other factors affecting its survival and project development potentials.

A paid, full-time staff with defined roles may at first seem of little significance to the CDC's development capacity. But when compared to the effectiveness of the informal association of local residents, it is easier to understand the importance of a permanent, more stable team of workers. First, it reduces conflict and increases productive work by allowing for continuity and a division of labor. No one individual becomes overloaded with work simply because of higher motivational levels. Secondly, continuing and expanding the CDC's success in planning and implementing development projects is strongly tied to the full-time availability of staff members. And finally, the permanency created by a paid, full-time staff provides the CDC with a mechanism for evaluating organizational goals and maintaining substained local support for development activities within the community.

For the purpose of this study, it was important that each sample CDC possess all of the four aforementioned internal characteristics.

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[54]Neil S. Mayer and Jennifer L. Blake, Keys to the Growth of Neighborhood Development Organizations (Washington, D.C.: The Urban Institute Press, 1981), pp. 62-63.

Additionally, for the sake of comparison, the sample CDCs were further limited to only those CDCs in Tennessee which represented a predominantly Black population and served an urban community. Based on this criterium, this study identified four CDCs in Tennessee: Beale Street Development Corporation (Memphis), New Memphis Development Corporation (Memphis), Tennessee Valley Center for Minority Economic Development (Memphis), and East Ninth Street Community Development Corporation (Chattanooga). The following profiles of these organizations are based on site visits, interviews with chief staff members, and data from secondary sources.

Beale Street Development Corporation

The experience of the Beale Street Development Corporation (BSDC) illustrates the critical difference that a "grassroots" group can make in the physical and economic development of an ailing, inner-city area. The corporation was originally formed around the idea of opening a theatre in the Beale Street National Historic District with the hopes of stimulating the revitalization of the area. The outcome of this group's efforts has been the initiation of a comprehensive redevelopment of the District.

The Beale Street National Historic District, a three block section along the western end of Beale Street in Memphis, is the birthplace of modern Blues and a one-time Black entertainment "Mecca." Over the past two decades, however, it has suffered the ills of urban blight due to massive disinvestments in and around the area. In fact, a large portion of Beale Street's problems stem directly from the problems facing its neighboring areas, the central business district and a high density residential area. The central business district, located north/northwest of the Beale Street District, has been plagued by vacancy rates more than twice the city-wide rates[55]; while the high density residential area, situated just south of the project area, is marked by deteriorating public housing, high unemployment, low incomes, and low educational attainments. And as a result of these declining conditions, both of these areas have not only contributed to the decline of the Beale Street District, but have also created special problems in its revitalization.

Recognizing the special conditions surrounding the Beale Street redevelopment issue, in 1973, BSDC was organized as a nonprofit corporation to help restore the area. Its first project was to build and open a theatre in the area. It was hoped that this would be enough to attract corporate support for the area's revitalization. Unfortunately, the completion of the theatre in 1975 did little to attract interest to the area. When as late as 1978 the area remained undeveloped, BSDC decided to take a more aggressive role in the redevelopment of the area--it became the coordinating body for the total redevelopment of the Beale Street Historic District. On February 4, 1980, armed with $5.2 million in local public funds, BSDC implemented the first phase of the

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[55]Memphis and Shelby County Office of Planning and Development, Memphis Comprehensive Economic Development Strategy, 1980 Edition (Memphis, Tennessee: Office of Planning and Development, 1979), p. 5.

redevelopment of the historic Beale Street area. The redevelopment of the area was divided into two phases. The first phase, completed in mid-October 1983, consists primarily of infrastructure improvements (street improvements, curbs, gutters, sidewalks, utilities, parking, etc.) and entertainment/unique retail facilities. The second phase, scheduled to be completed by late Spring 1984, will consist mostly of retail and limited office space.

BSDC and all related activities function under the guidance of a thirty-five member corporate board, drawn from religious, civic, legal, union, and entertainment organizations (see Figure 3-1). It should be noted that there were no representatives from financial institution serving on the board at the time of this study, though the board was considering the issue. All members of this corporate board serve indefinite terms. Membership is open to anyone interested, providing there is a vacancy and approval by a majority of the incumbent board's membership. The primary responsibility of the corporate board is to set policy for BSDC's operations, while a thirteen member board of directors, chosen annually from the corporate board's membership, oversees and monitors the corporation's activities. In addition to its monitoring functions, the board of directors conducts committee work to deal with special problem issues and appoints an executive committee to serve in the absence of key staff members. The board of directors meets monthly to discuss current activities as well as to decide which items will be brought to the attention of the corporate board, which only meets as necessary.

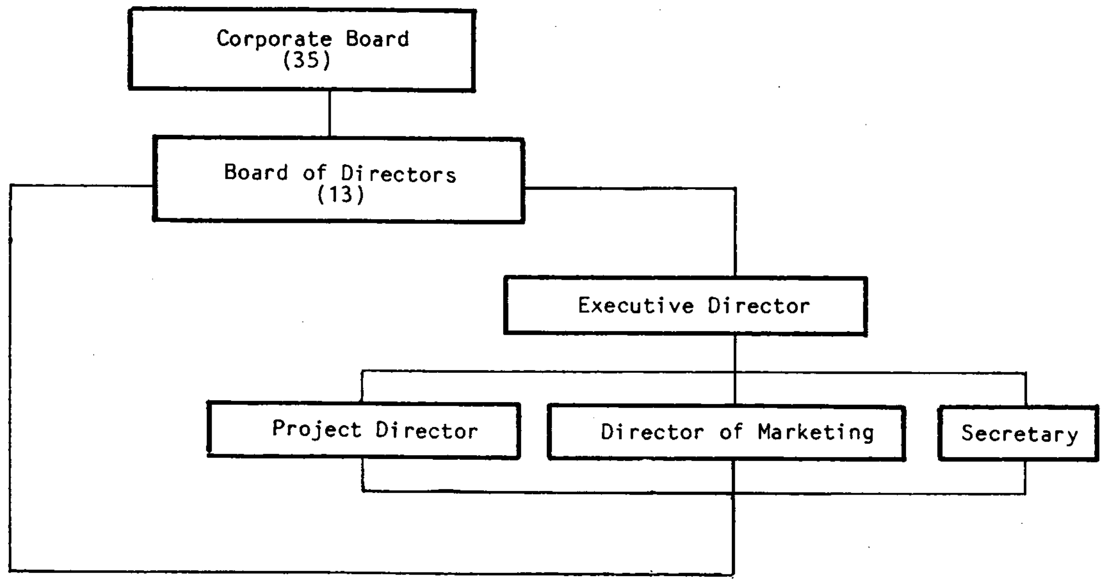

Figure 3-1

Beale Street Development Corporation's Organizational Chart

BSDC is operated by a four member staff (one of whom is on loan from the Tennessee Valley Authority). The staff is divided as follow: an Executive Director, who had had prior experience with the corporation before assuming this position; a Project Director, experienced in construction and business; a Director of Marketing (on loan from TVA), with experience in business, management, and minority economic development; and a Secretary, whose duties are limited to clerical tasks. All staff members report to the Director on a routine basis, and as necessary to the board of directors.

BSDC's organizational objectives embrace two major areas of interest to the Memphis community: the creation of job opportunities for the city's minority community and the restoration of the historic Beale Street District. Its strategies have included the construction of a theatre in the District and the comprehensive redevelopment of the area. As a result of both of these efforts, BSDC has been able to create a number of temporary construction jobs for unemployed minority workers. Up to seventy percent of the work force on each project has consisted of local minority residents. Unfortunately, BSDC has not been able to procure any significant participation of minority contractors in either project. BSDC executives speculate that the low participation of minority contractors has to do with the magnitude of the project, and few minority contractors have bonding for such large scale projects. The completely renovated area is, however, projected to create 2,000 to 3,000 additional jobs for the city as well as to produce at least $40 million in annual sales.

Because of the potential spin-offs from the redevelopment of Beale Street, BSDC has been able to obtain several large infusions of local public funds. Additionally, BSDC has been awarded more than $2 million in Economic Development Administration (EDA) grants, and was at the time of the study seeking another $35,000 in technical assistance grants. The Small Business Administration (SBA), thought by many experts to be a critical factor in the funding of the post-Title VII CDC, has had a nominal role in BSDC's development efforts. Only a fraction of the cost to construct the theatre was capitalized by SBA. Since BSDC depends almost solely on public and private grants for operating funds, chances are it has deliberately avoided borrowing from SBA or other lending institutions. The governments of Shelby County and City of Memphis, combined, have provided the Beale Street project with $5.2 million for the first phase of the District's redevelopment. Aside from financial support, the City of Memphis has further provided BSDC with a fifty-year lease for a one-and-a-half block area of the District. The Tennessee Valley Authority (TVA) has provided more than $117,000 for administrative costs, development of office/retail space, and a comprehensive energy analysis of the area. Other funding and technical assistance have come from Anheuser-Busch, Coca-Cola, Malone and Hyde, Holiday Inns, and the Miller Brewing Company. All totaled, roughly $11.6 million have been raised to renovate the area, and developers predict another $12 million to $16 million will be needed to complete the project.

With the completion of the Beale Street redevelopment project, at best, BSDC will be self-sufficient. Because it is a nonprofit corporation, BSDC's for-profit activities are somewhat limited. Instead of forming a wholly-owned, for-profit subsidiary like many CDCs, BSDC has relinquished the operation and management of both the theatre and the Beale Street District to for-profit corporations. The Miller Memphis Company currently operates the theatre, while the Beale Street District is scheduled to be managed by Elkington and Keltner Properties, Incorporated. Rents from both projects are to be paid to these two for-profit companies, respectively, who in turn retain a portion for services rendered. The remaining portion is given to BSDC to pay off notes to the City of Memphis, with any leftover funds being used for administrative and project development purposes.

In the area of physical development, BSDC has made considerable progress. It has already recruited six major corporate sponsors and some twelve commercial tenants. Lease agreements have been signed for 5,800 square feet of retail and commercial space; 8,100 square feet of offices; and 34,00 square feet of restaurants.[56] Nevertheless, BSDC continues to struggle with finances and a number of technical and managerial problems. One of the biggest problems facing the corporation is credibility. The corporation's credibility has been damaged by allegations of malfeasance, the controversial resignation of the former director, and repeated inability to meet scheduled construction

[56]Beale Street Sounds, March 1983.

deadlines. Additionally, many of the buildings in the area have lost their historic designation on the national register as a result of construction.

Future projects for BSDC include the development of the area surrounding the Beale Street District and the initiation of an employment training program to retrain displaced workers. Meanwhile, the City of Memphis has offered BSDC $200,000 to establish a revolving loan fund to assist Beale Street merchants, providing it can raise $100,000 in matching funds from private sources. The Center City Commission, a quasi-public organization set up to revitalize downtown Memphis, has endorsed the idea of a revolving loan fund by offering to pay salaries and expenses to BSDC to raise the matching funds.

New Memphis Development Corporation

New Memphis Development Corporation (NMDC), formerly named South Memphis Development corporation, was incorporated as a nonprofit organization in October 1976. Its primary purpose has been to improve the opportunities for employment, training, and quality of living conditions for Memphis' minority community. As such, the corporation has been instrumental in the establishment of another local community development corporation, a wholly-owned, for-profit subsidiary, and a $4.6 million hotel in downtown Memphis.

In 1976, a group of local business people and the Memphis Division of Housing and Community Development began discussions about ways to assist residents of the city's impoverished, inner-city community.

These discussions led to the development of several "action programs" for addressing the needs of the community. The process outlined for developing these "action programs" led to the creation of the current NMDC. It was not until 1978, however, when NMDC received adequate funding to implement any development activities. NMDC first project was the "Solar Memphis Project," funded by a $50,600 grant from the City of Memphis for the purpose of increasing the participation of minority contractors in the City of Memphis' Housing Rehabilitation Program. The grant also provided for the incorporation of Sunbelt Solar, Incorporated, a for-profit subsidiary, wholly-owned by NMDC. This for-profit subsidiary was to bid on rehabilitation requests held by the City and subcontract its work out to minority contractors as well as to provide management and technical assistance, bonding, and working capital to participating subcontractors. The "Solar Memphis Project" was further boosted in 1980 with a $50,000 contract from TVA. Since their incorporations, NMDC and Sunbelt Solar have secured $4.2 million in contracts from the City of Memphis, the State of Tennessee, TVA, the Community Service Administration (CSA), and the Housing and Urban Development Administration (HUD) for home weatherization, employee training, and energy demonstration projects. As a result of this funding, NMDC has weatherized 1,200 homes of low-income residents, trained and employed 150 workers, and helped numerous minority businesses in securing weatherization/rehabilitation subcontracts.

The most ambitious of NMDC's projects has been the renovation of the old Downtowner Motel. After years of planning and market feasibility studies, the project, now called the Benchmark Hotel has been completed (October 1983). The project received considerable technical assistance from TVA; EDA seed capital; and equity financing from the Delta Foundation, a noted CDC serving the three-state Delta Region, and the Southern Cooperative Development Fund (SCDF). The Benchmark Hotel is operated independent of NMDC. All dividends from NMDC's stocks in the Hotel will be used by the corporation to cover operating expenses and project development costs. The project is estimated to generate over 100 jobs for local residents, and will be used as a training facility for local youths seeking careers in the hospitality field.

Other ventures either launched or influenced significantly by NMDC include the Community Building Fund (CBF), the Tennessee Valley Center for Minority Economic Development, the Southern Cooperative Development Fund, and New South Media Corporation. The CBF is a payroll deduction program designed to create capital for developments in or for the benefit of Memphis' minority community. NMDC began the CBF in 1982 with a massive mailout to area minority workers, asking them to donate a tax-deductible, five dollar contribution from each paycheck. So far, the project is said to have received a fifty percent response from workers contacted. The amount of money generated as a result of this project has not been disclosed. The Tennessee Valley Center for Minority Economic Development, a Memphis-based regional CDC, was in part a product of NMDC's efforts. Using a $50,000 planning grant, NMDC and Booker T. Washington Foundation (a

Washington, D.C.-based organization) formulated the framework for the CDC. NMDC's participation in both the Southern Cooperative Development Fund and the New South Media Corporation has been strictly through financial support.

NMDC's eleven member board of directors, for the most part, is composed of the founding members of the corporation (see Figure 3-2). This group is representative of a wide range of experiences and expertise: real estate, legal, banking, accounting, and local community leaders. To bring in new ideas, this group recently decided to expand itself by four more members which will bring the board membership to fifteen. Membership on the board is voluntary and open to any local resident who receives a majority approval from incumbent board members. Meetings are held an a bimonthly basis to determine the desirability of various projects, identify new projects, and set operating policies for both NMDC and Sunbelt Solar, Incorporated. Almost all meetings are open to the public, and local organizations are invited to send a nonvoting representative to all open meetings.

NMDC employed, at the time of this study, ten staff members. The number of employees vary, depending on the number of active contracts and specific contract requirements. The senior staff remains constant (except for changes due to attrition, retirement, etc.). The senior staff includes the President, the Chief Financial Officer, and three Project Directors. All senior staff members report only to the president, with the exception of the chief financial officer who occasionally reports to the board of directors. Each project director's

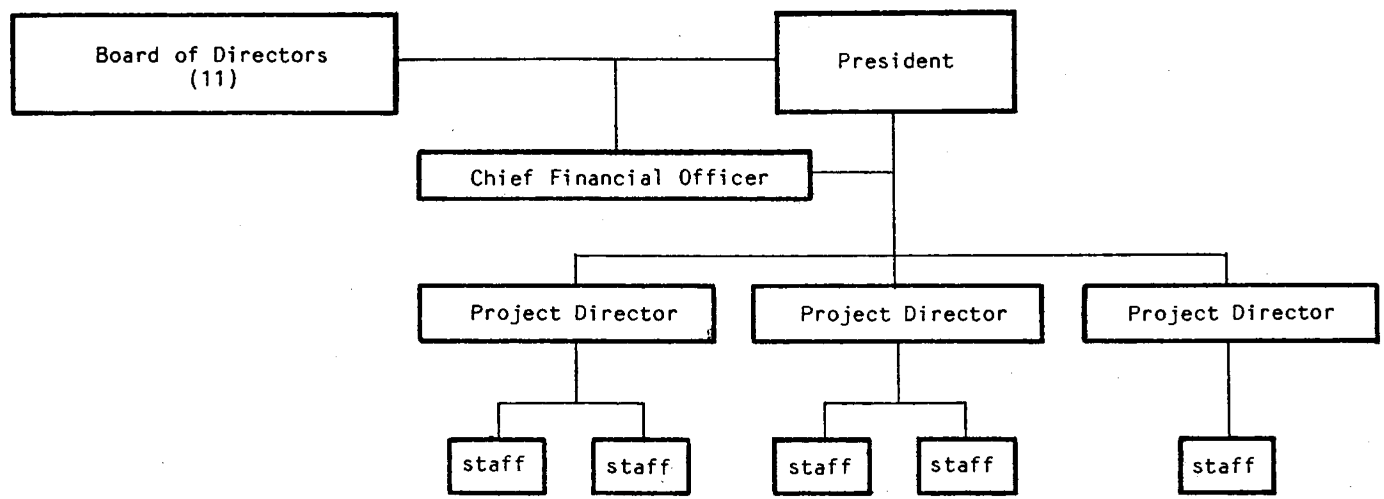

Figure 3-2

New Memphis Development Corporation's Organization Chart tasks are specifically related to one type of contract, while junior staff members may have overlapping tasks.

NMDC is forging ahead with other projects to create employment opportunities for Memphis' minority community. It has, however, suffered some problems of accountability which may hamper its ability to secure contracts in the future. Despite NMDC's all out attempts to create jobs for area minorities, it has, compared to funding levels, created only a few jobs, most of which have been temporary.

Tennessee Valley Center for Minority Economic Development

The Tennessee Valley Center for Minority Economic Development (TVC or the Center) is a nonprofit organization established June 1979 as a result of the joint efforts of a regional planning committee, the South Memphis Development Corporation (now, New Memphis Development Corporation), the Booker T. Washington Foundation, and TVA. Headquartered in downtown Memphis, the Center was established with the prime objectives of expanding the scope of TVA's minority development activities, and designing and conducting unique projects to accelerate minority economic growth in the Tennessee Valley Region, which encompasses the states of Tennessee, Kentucky, North Carolina, Georgia, Alabama, Mississippi, and Virginia. The Center's initial mission was to provide a mechanism for translating TVA's goals for economic parity into viable development projects and programs directed toward minority business development and economic growth. In addressing this mission, the Center has created four capital pools, three for-profit subsidiaries, a number of technical assistance programs, and more than 300 local jobs.

To help facilitate the type of development needed for business development and economic growth in the minority sector of the Tennessee Valley Region, TVC's first line of attack was the formation of four capital pools for venture, equity, and debt financing, namely the Revolving Loan Fund, the Regional Development Loan Fund, a Minority Enterprise Small Business Investment Company, and the East Tennessee Revolving Loan Fund.

The Revolving Loan Fund (RLF) was created from a $500,000 grant from EDA for the benefit of businesses owned by minorities and women in Memphis. In participation with other financial institutions, an additional $700,975 have been obtained for this loan fund for a total loan portfolio of $1,200,975. Since October 1980, the RLF has made a total of fifteen loans to local businesses in excess of $506,000. As a result, 125 jobs have been created or saved, for a loan to job ratio of $4,080 per job. As loans are repaid, monies will become available for additional loans, thus creating the revolving nature of the fund.

The Regional Development Loan Fund (RDLF) was created from a low-interest $1.5 million loan from the Ford Foundation. The Ford Foundation selected the Center to manage this regional loan fund as a result of its experience in the management of the Revolving Loan Fund. The RDLF was operational November 1982, and is designed to target minority-owned businesses located in the urban areas of the seven state region. The RDLF has a tremendous leverage potential and is expected to eventually make debt funds available in amounts ranging from $50,000 to $200,000 in the form of direct loans and loan guarantees.

The Minority Enterprise Small Business Investment Company (MESBIC) called the West Tennessee Venture Capital Corporation was capitalized at $1.25 million to provide debt and equity capital to selected minority businesses. Since its establishment in 1981, the West Tennessee Valley Capital Corporation has also received an additional $2.4 million in matching funds from the SBA. Original investors included Holiday Inns, Incorporated; Federal Express Corporation; Malone and Hyde, Incorporated; First Tennessee Bank; Tri-State Bank; the Southern Cooperative Development Fund; the State of Tennessee; the Tennessee Valley Authority; and the Tennessee Valley Center. Funds from the MESBIC can be used for short- and long-term loans or loan guarantees, purchase of common or preferred stock or warrants, or to make combined investments. Ventures selected for financing must demonstrate good potential for growth and future development.

The East Tennessee Revolving Loan Fund (ETRLF) was established in September 1982 to assist minority and disadvantaged persons in the East Tennessee area by meeting the short-term financing requirement of minority businesses. Its purpose is to increase the participation of minority entrepreneurs in manufacturing, new technologies, and other growth industries. The Center, in cooperation with the Knoxville-based Greater Knoxville Economic Development Corporation (GKEDCo), administers the $500,000 loan fund. Direct loans as well as loan guarantees are available through this loan fund. Through the provisions of loan guarantees, the ETRLF has been able to leverage its monies and increase the effective amount of funds available. The primary target areas of the ETRLF are Knoxville and Chattanooga.

Each of these four loan funds is managed by TVC for a small fee. Loan management, however, is not TVC's only revenue-generating activity. Since its inception in 1979, the Center has implemented three for-profit subsidiaries--the United Transportation Corporation, the Tennessee Valley Housing and Development Corporation, and the Marine Metals Recycling, Incorporated. The United Transportation Corporation is a wholly-owned cab company purchased in 1982 from a local business group. It was a failing, predominantly Black cab company servicing predominantly Black neighborhoods at the time of its purchase. TVC hopes to expand its base and transform it into a profitable enterprise in the near future. The Tennessee Valley Housing and Development Corporation, on the other hand, represents a wholly-owned subsidiary started by TVC. At the time of this study, a number of projects were being considered by this corporation. Marine Metals Recycling, Incorporated, at the time of this study, was not operational. Though it has received some initial funding from TVA, this wholly-owned subsidiary has not been able to initiate its recycling of old river barges into scrap metal due largely to market conditions. TVC is optimistic that market conditions in the near future will permit its operation. Details on the financing of each of these three businesses were not available.

In addition to its business and enterprise development efforts, TVC has launched a number of technical assistance projects. The most prominent one being the Moscow Industrial Park Development program in Moscow, Tennessee. The Center has provided extensive technical and financial assistance in developing a sixty-seven acre industrial park for this rural, impoverished community. As a part of a cooperative agreement with the City of Moscow, the Center, using some of its TVA-funded project development monies, prepurchased twenty acres of the park's property to initiate the development of the area for industrial use. It also provided the City of Moscow with a grant to exercise its options on the purchase of the remaining acreage. A grant from EDA and a loan from the Farmer's Home Administration (FmHA) aided the Center in its efforts in this community. As a result of the Center's assistance, the City of Moscow has obtained ownership of the Park, received assistance in making several infrastructure improvements (sewer lines to the area, a sewage treatment facility, and an elevated water tank) and received assistance in planning an effective marketing strategy. At the time of this study, further development of this project had been turned over to the City of Moscow. TVC estimates that if the project is successful, it could produce a range of 5 to 200 jobs.

Other technical assistance projects have included helping Valley communities establish neighborhood associations; the Minority Vendor Purchasing Program to help Valley minority-owned businesses in securing TVA contracts; the TVA Regional Clearinghouse, a collection of Valley-related statistics for area businesses; and the Black College Initiatives, a joint partnership with historically Black colleges in research projects of mutual interest and benefit.

To date, the summer Internship Program is, perhaps, the Center's most illustrious community development project. The program, initiated in 1980, is designed to provide disadvantaged minority students with an opportunity to explore technical and professional careers. The program is open to high school seniors, college freshmen, sophomores, and juniors. When the program began in 1980, there were ten participants. By 1983, the number of students involved had increased to 129. Funding for the program has progressively increased over the past years with aid from the National Science Foundation, the Tennessee Employment and Training Council, the Memphis/Shelby County Private Industry Council, and the Mayor's Employment and Training Agency of Nashville. To sustain the growth of the program, the Center annually contributes additional resources for administration and student stipends.

All of TVC's activities, with the exception of its for-profit activities, are governed by an eight-member board of directors (see Figure 3-3). The board of directors has representatives from business, banking, educational, and medical organizations from throughout the Tennessee Valley. Each board member serves a three-year term and may be reelected for a consecutive term. There is no fee for membership on the board, nor is there an honorarium (honoraria were rescinded in 1980). The primary responsibility of the board is to set policies for TVC's operations. The various for-profit enterprises owned by TVC have their own corporate boards, with representation from either TVC's staff or board of directors.

The staff of TVC is composed of a President, and Executive Vice-President, and three Program Managers--Community Resource

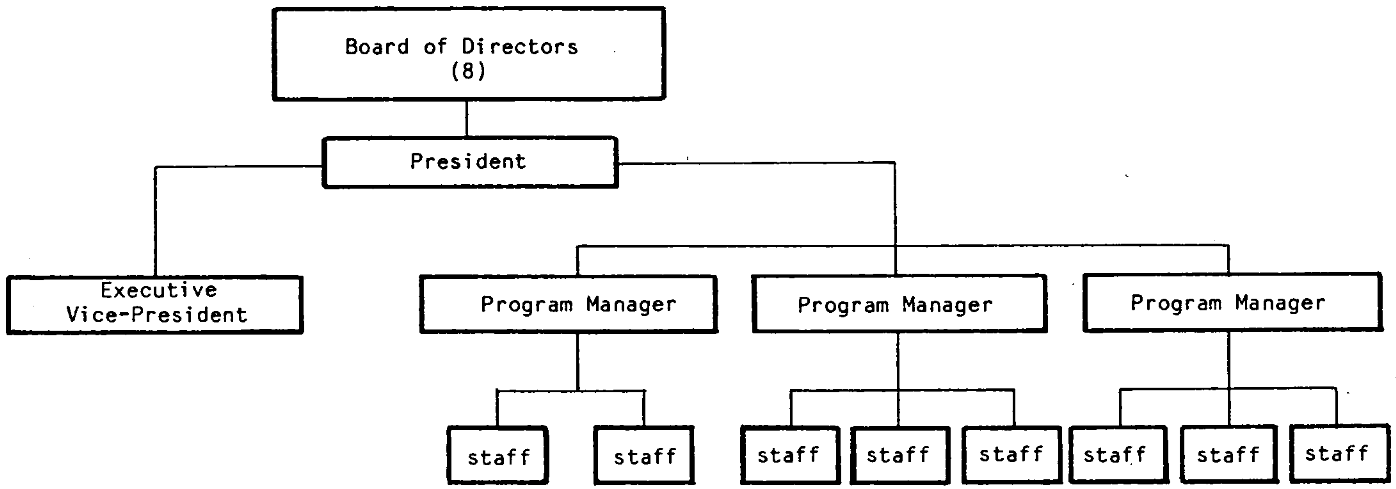

Figure 3-3

Tennessee Valley Center for Minority Economic Development's

Organizational Chart

Development and Planning, Business Enterprise Development, and Business Finance, as well as several other ancillary staff members. The staff size numbers fifteen, including one program manager on loan from TVA. Each program manager with the assistance of the support staff manages several program-related projects, nonprofit and/or for-profit. For special activities like the United Transportation Company, TVC seeks to hire an expert in that particular area to manage the project. All staff members report to the president as necessary, but report on a regular basis to their program manager or immediate supervisor. All program managers report periodically to the president and the board of directors. To facilitate a productive work environment, each staff member serves on an interoffice "trouble-shooting" committee. There are no longer any field staff members, all staff members are based in the Memphis office.

The bulk of TVC's projects have been located in or near Memphis. Though it was set up to serve as a regional CDC, its project developments have been somewhat limited due to the lack of field staff members. In addition to its limited project area, TVC has been confronted by a serious allegation of malfeasance in the past year which may hamper its ability to attract the lucrative public and private grants that it has attracted in past years.

East Ninth Street Community Development Corporation

The East Ninth Street Community Development Corporation's (ENSCDC's) mission is to facilitate, coordinate, and be a catalyst in the development and revitalization of the M. L. King Boulevard (formerly, East Ninth Street) area in Chattanooga. Its strategies have included the development of two commercial enterprises, a storefront renovation program, a neighborhood association, and a number of community services for area residents.

ENSCDC's project area is located in the heart of downtown Chattanooga. It is characterized by a fifty-fifty mix of commercial to residential properties, a high concentration of elderly residents and merchants, a low percentage of owner-occupied properties, and a high crime rate. In 1978, a group of merchants from the East Ninth Street area approached Chattanooga's city officials for assistance in alleviating these conditions of urban blight. Based on the concerns of these businessmen, the local officials agreed to conduct a comprehensive neighborhood analysis to determine the overall conditions, needs, and problems of the area. In this analysis, recommendations were made to provide some directions to the City and the neighborhood on ways to eliminate the area's blighted conditions. These recommendations immediately led to two important developments. The first was the designation of the neighborhood as a Community Development Block Grant target area. The second was the chartering of ENSCDC in November 1978 as a nonprofit development corporation.

ENSCDC is governed by a fifteen-member, biracial board of directors composed of community residents, area merchants, a local banker, an insurance company representative, and an attorney (see Figure 3-4). Membership on the board is strictly voluntary, although

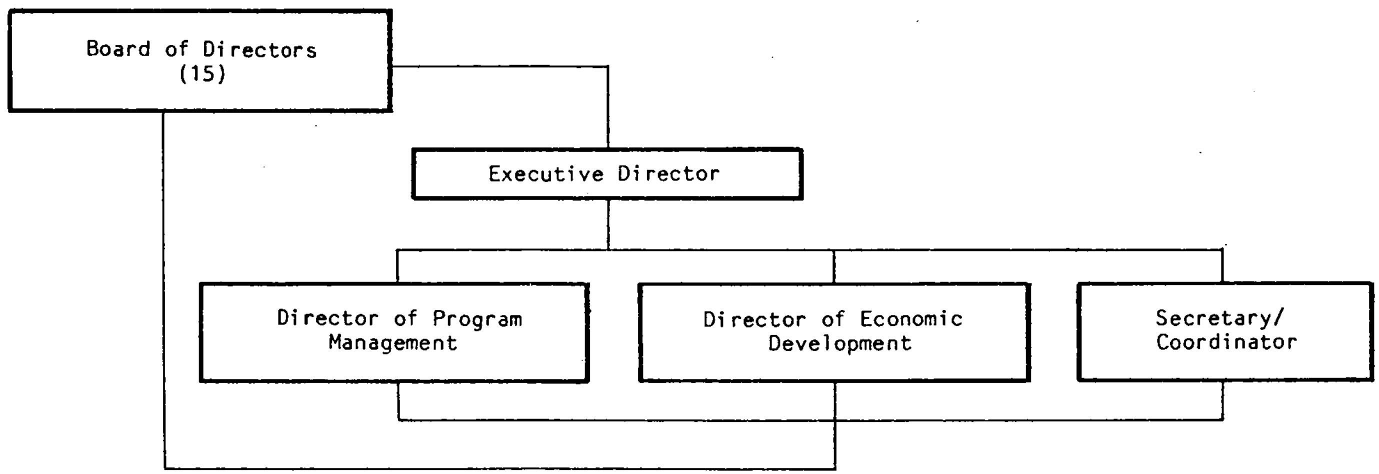

Figure 3-4

East Ninth Street Community Development Corporation's

Organizational Chart

each member is asked to pay a one-time $25 membership fee. The board of directors meets once a month, with committee meetings and "call" meetings as necessary. The responsibilities of the board are to establish organizational policies, appoint special committees to assist staff members, and determine the desirability of new projects. The ultimate goal of the board is to become a working board, involved in the on-going work of the organization.

The staff of ENSCDC is comprised of an Executive Director, a Director of Program Management, a Director of Economic Development (on loan from the City of Chattanooga), and a Secretary/Community Coordinator. The Executive Director's primary duties are to implement board policies, identify new projects, raise funds, and serve as the public relations officer. The Director of Program Management is responsible for bookkeeping, coordinating organizational activities, financial reporting, project management, and project facilitation. The Director of Economic Development is the staff member primarily responsible for the technical assistance aspect of the corporation, the compilation and evaluation of financial and business packages for ENSCDC and local businesses, and proposal writing. The Secretary/ Community Coordinator performs secretarial functions, provides transportation for volunteers, and manages community-based activities. All staff members report to both the Executive Director and the board of directors.

Financial and material support for ENSCDC has come from public and private contributions. At the time of this study, contributions totalled over $5 million, including $1.26 million in Community Development Block Grant (CDBG) funds, $1.83 million in federal grants from local public sources, and $534,000 from private investors. Funds raised through community benefit activities have been nominal.

Much of ENSCDC's energy between 1978 and 1980 was spent working with the City of Chattanooga in making infrastructure and cosmetic improvements to the project area. More than $2 million in City and County funds were used during this period to aid in correction of serious drainage problems; provision of new sidewalks with handicapped ramps; landscaping the street; installing pedestrian lighting and traffic signals; and providing rehabilitation assistance to area home owners. In 1981, ENSCDC expanded its functions and assisted in the establishment of the M. L. King Boulevard Fall Festival, an annual Christmas Tree Lighting ceremony, and occasional fund-raisers.

The year 1982 marked a turning point for the corporation. It initiated two large-scale development projects which are predicted to create more than fifty temporary construction jobs and twenty permanent jobs for area residents. The "Maytag Homestyle Laundromat," the first of these two projects to be completed, has not only created employment opportunities for area residents, but is also providing a much needed service for residents of the East Ninth Street project area. This self-service laundry was funded, in part, by TVA, EDA and a guaranteed bank loan from a local Chattanooga bank.

The second of these two projects is ENSCDC's largest project to date. It is the $2.24 million TVA Energy Conservation and Solar

Training Institute. Construction on the project began June 1983 and is scheduled to be completed late 1984. The project involves the renovation of one existing building and the construction of two new buildings. When completed, the Training Institute will span a three acre area and include 24,000 square feet of building. Eighty percent of the funding for this project was provided by EDA. The remaining twenty percent of the cost was covered through a $500,000 tax-exempt bond through the Hamilton County Industrial Development Board and $150,000 grants from both Hamilton County and the City of Chattanooga. Both governments have, however, retained their ownership of the project site, and have arranged long-term lease agreements with ENSCDC, which has in turn negotiated a fifteen-year lease with TVA.

Both the self-service laundry and the Training Institute are considered nonprofit ventures because of their training and service orientation. ENSCDC wholly owns both projects and has plans for managing each of them.

ENSCDC has conducted numerous other service activities for area residents, but hopes to become more involved in housing renovation and commercial development projects in the future (see Table 3-1). Its next project, the renovation of the former Central City Boys Club will provide it with additional experience in both these areas; but as the scope of ENSCDC's development projects expands, its staff size may need to expand accordingly. As it is now, ENSCDC may find it difficult to manage two large-scale projects with such a small staff. The ability of the board of directors to become a functional part of the

Table 3-1. Summary of Activities of Four CDCs in Tennessee

Organization	Activity and Status	Nature of the Activity
BSDC	Beale Street Historic District Redevelopment--Phase 1 (active)	Commercial Development
BSDC	Beale Street Historic District Redevelopment--Phase 2 (inactive)	Commercial Development
BSDC	Local Theatre (active)	Commercial Development
NMDC	Sunbelt Solar, Inc. (active)	For-Profit Subsidiary
NMDC	Benchmark Hotel (active)	Commercial Development
NMDC	Solar Memphis Program (inactive)	Housing Development
NMDC	Community Building Fund (active)	Community Organizing
TVC	Revolving Loan Fund (active)	Business Development
TVC	Regional Development Loan Fund (active)	Business Development
TVC	Minority Enterprise Small Business Investment Company (active)	Business Development
TVC	East Tennessee Revolving Loan Fund (active)	Business Development
TVC	United Transportation Corporation (active)	For-Profit Subsidiary
TVC	Marine Metals Recycling, Inc. (inactive)	For-Profit Subsidiary
TVC	Moscow Industrial Park Development Program (inactive)	Community Development

Table 3-1 (continued)

Organization	Activity and Status	Nature of the Activity
TVC	Minority Vendors Purchasing Program (active)	Business Development
TVC	TVA Regional Clearinghouse (inactive)	Social Service
TVC	Summer Internship Program (active)	Social Service
TVC	Black College Initiatives (inactive)	Social Service
ENSCDC	Maytag Homestyle Laundromat (active)	Commercial Development
ENSCDC	M. L. King Boulevard Neighborhood Assoc. (active)	Community Organizing
ENSCDC	TVA Energy Conservation and Solar Training Institute (inactive)	Commercial Development
ENSCDC	Central City Boys Club Redevelopment Program (inactive)	Community Development

Note: BSDC = Beale Street Development Corporation
NMDC = New Memphis Development Corporation
TVC = Tennessee Valley Center for Minority Economic Development
ENSCDC = East Ninth Street Community Development Corporation

corporation's day-to-day activities may determine the success of current and future development projects.

CHAPTER 4

ANALYSIS OF CDCs' DEVELOPMENT CAPACITY

As is evident from the descriptions of the four CDCs in the previous chapter, there are many variants in the CDC's structural form, program structure and project ownership. Needless to say, that to coin a simple definition of the CDC would be both difficult and misleading. Some elements of a definition come to mind, however, based on the similarities shared between these four CDCs.

It can fairly be said that "CDCs usually are corporations with an identifiable set of links to a particular community, although the nature of the linkages may vary."[57] It can also be said that "they usually are concerned with an array of programs that have development--political, social and economic--as their stated purpose."[58] As an institution concerned with the collective needs of its target community, many of the CDC's programs have private market analogues as well as public (governmental) analogues. For example, the four CDCs in this study operated some commercial and business enterprises; provided assistance to local entrepreneurs; provided manpower training; rehabilitated houses; and intervened in local government to secure goods and services for community residents. In short, the CDC is a hybrid

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[57]Harvey A. Garn, Nancy L. Tevis, and Carl E. Snead, Evaluating Community Development Corporations: A Summary Report (Washington, D.C.: The Urban Institute, 1976), p. 3.

[58]Ibid.

organization, quasi-private and quasi-public. Its performance, therefore, should be evaluated on a different basis from the private firm or the broader, governmental entity.

Because of its hybrid nature, identifying appropriate measures of CDC performance is a complex, yet sensitive task. Evaluation of "CDC performance requires an understanding of the connection between resources, activities, and community welfare outcomes in the context of the special characteristics of CDCs and their operating environment."[59] One difficulty, then, in evaluating the performance of CDCs is in taking into account the full range of impacts that CDC projects may have. Measurements of CDC performance need to include not only obvious direct outputs (e.g., houses rehabilitated in a home repair project) but also other direct outputs (e.g., training neighborhood youth to do the repairs) that may be among the CDC's objectives but not those of other actors undertaking similar projects. The income (and other socioeconomic) distribution of project benefits must also be evaluated, because serving low-income and other disadvantaged people is generally a CDC goal, and can involve added costs and complications. Additionally, CDCs' development efforts and aid from outsiders are often intended to produce not only profitable projects but also increased CDC capacity for similar future work.

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[59]Ibid., p. 4.

A second but related type of measurement difficulty is "to establish reasonable standards against which to compare CDC performance."[60] One useful standard in this case is the level of direct accomplishments originally proposed by a CDC. This standard is especially relevant because sources of assistance are presumably providing aid on the basis of expected results. Another potentially useful standard is past performance by other actors in similar projects. But truly equivalent activities may be difficult to find, given the conditions in which CDCs operate.

A final area of complexity in measuring CDC performance is in properly attributing observed neighborhood changes to CDC work. Certainly, CDC projects have a number of indirect impacts--as other people take actions in response to the CDC's activities (e.g., increased home repair by neighbors of CDC-rehabilitated homes), but "attempts to separate out reaction to CDC work from the impacts of other events"[61] has been an almost impossible task. There are numerous characteristics within a community that contribute to increased levels of community welfare. Due to the difficulty of determining indirect impacts, direct CDC impacts that correspond to community problems, for example job creation or housing improvement, are much more credible measures of CDC performance.

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[60]Neil S. Mayer and Jennifer L. Blake, Keys to the Growth of Neighborhood Development Organizations (Washington, D.C.: The Urban Institute Press, 1981), p. 9.

[61]Ibid., p. 11.

Evaluation in the sense of focusing on variables external to the CDC can never be a definitive measurement of performance "because the meaning of the dependent variables continually change."[62] "What is likely to be effective performance at one time is likely to be ineffective at another."[63] Evaluating CDC effectiveness in this way is situation-specific, based on "relationships which may disappear, become irrelevant, increase or reverse themselves."[64] Since this type of evaluation concerns itself with environmental variables, it is helpful only in answering the question of "what difference did a given program make."[65] It is not concerned with the management and programmatic capacity of the CDC, an issue important to both CDCs and their sources of aid. What is needed, then, is not a measure that looks at the CDC's performance relative to some external social or economic variable, but a measure that examines the internal aspects of the CDC's performance. "Capacity building" is such a measurement. It examines program functioning to determine how well CDCs have been able to increase their capabilities to undertake specific development projects.

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[62]Kim S. Cameron and David A. Whitten, Organizational Effectiveness: A Comparison of Multiple Models (New York: Academic Press, 1983), p. 3.

[63]Raymond Zammuto, Assessing Orgaizational Effectiveness: Systems Change, Adaptation, and Strategy (Albany, New York: State University of New York Press, 1982), p. 59.

[64]Cameron and Whitten, Organizational Effectiveness (New York: Academic Press, 1983), p. 3.

[65]U.S. Department of Housing and Urban Development, A Guide for Local Evaluation (Washington, D.C.: U.S. Government Printing Office, 1973), p. 2.

In particular, capacity building focuses on factors within the control of the CDC by identifying and monitoring changes in the various organizational elements important to the development of its capabilities. Insofar as the elements considered really are key to effective project work, this approach is valuable in helping to structure outside aid and internal development processes. This approach is also useful in categorizing CDCs as relative more advanced based on the development or growth of specific elements.

The first step in measuring capacity building is to identify the elements of capacity that are important enough to effective development work to warrant close attention. Resulting changes in the development of these elements of capacity should be analyzed. A major problem in evaluating capacity building is actually measuring changes in given CDC capabilities. In rare instances, quantification is fairly straightforward. For example, profit making--an element of capacity necessary to sustain or increase community development--can clearly be counted, as can a baseline of past profits. Another example, on the other hand, more clearly illustrates the complexity involved in measuring the capacity of CDCs--the participation by an experienced private development group with the CDC on a project. The "baseline of whether such cooperation has occurred in the past should be readily discernible . . . less apparent is the future productivity of new relationships."[66]

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[66] Mayer and Blake, Keys to the Growth of Neighborhood Development Organizations (Washington, D.C.: The Urban Institute Press, 1981), p. 87.

Most key elements are fundamentally as difficult to measure as this latter example. Oftentimes, evaluators use proxy variables. But measuring actual capacity, like other measures of organizational performance, is inherently subjective. A primary task in this process is to pinpoint what specific elements of capacity are most important and pursue those. "For a given element of capacity, measurement should follow from an understanding of the specific aspects of its that have proven important to CDC effectiveness, although these aspects may not be the easiest to quantify.[67]

The evaluation of CDC performance relative to key elements of its capacity is at the core of this study. Using seven processes identified by the Urban Institute as being common to CDC growth patterns, this study looks comparatively at the development of the key elements of capacity of the four sample CDCs. These processes focus on the CDC as an organizational entity set up to carry out certain functions. In addition to the Urban Institute's common processes, this study also examines two output variables (the accomplishments of the CDC), namely, "revenues generated" and "jobs created." They are examined because of their importance to sustaining or increasing community development--the main objective of the CDC. The seven key processes identified by the Urban Institute are as follows:

- Formally establishing an organization
- Deciding to carry out programs and to create institutions

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[67] Ibid., p. 89.

- Confronting the difficulties of early neighborhood revitalization projects
- Becoming competent in specific project work
- Developing a network of relations with outsiders
- Building a diversity of projects
- Institutionalizing expanded project competence[68]

This list of processes is not expected to be exhaustive, but they nonetheless represent important steps in the development of the four CDCs' capabilities.

Although these seven processes appear to represent a logical time progression, studies by the Urban Institute indicate that they occur in differing sequence for various CDCs. It should be emphasized, however, that "the number of processes that are well advanced helps to measure a CDC's stage of development and that some processes usually precede others.[69]

Formally Establishing an Organization

As pointed out earlier, all of the sample CDCs have formally organized as nonprofit organizations. Additionally, each has successfully secured "501(c)3" certification which means that, according to the laws of the State of Tennessee, it is considered a tax-exempt corporation. Both of these steps are important first steps to the CDC in that

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[68]Ibid., p. 41.

[69]Mayer and Blake, Keys to the Growth of Neighborhood Development Organizations (Washington, D.C.: The Urban Institute Press, 1981), p. 47.

they help the CDC in qualifying for funds (private and governmental) and in attracting board directors. Formally establishing an organization also assists the CDC in building a clear identity, setting organizational policies, and designating a staff for future development efforts, even if the CDC's objective is to form a strong advocacy position.

Historically, "the term 'community development corporation' has been used to identify an organization created and controlled by people living in impoverished areas."[70] None of the CDCs in this study, however, were established as a result of the work of local community residents. Each sample CDC evolved as a direct result of the effort of local business owners and professionals concerned about the overall level of governmental services being provided to the community. Though many of these business owners and professionals may have been residents of the eventual target area of the CDC they were instrumental in founding, their experience and technical expertise generally exceeded that of the average resident of the area. In the case of ENSCDC, the founding group was a number of local business owners, who were not residents of the area, concerned about the consequences of the area's economy to their businesses. This group's belief that the ultimate responsibility of the area was that of the local government prompted a study which demonstrated the need for an organization such as ENSCDC. Because the founders of these sample CDCs were not

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[70] Geoffrey Faux, CDCs: New Hope for the Inner City (New York: The Twentieth Century Fund, 1971), p. 29.

representative of the community, there is some skepticism about these organizations' ability to represent their respective communities.

Deciding to Carry Out Programs and Create Institutions

Many of the CDCs examined in this study did not initially assume that they themselves would need to undertake development projects. Recognizing, however, that government did not have the incentives to address the problems of their target communities or lacked an understanding of special community needs, three of the sample CDCs had to expand their programs to fit unique community conditions. NMDC was the only CDC among the study group which established from its outset a for-profit entity that could be used for specific purposes in furthering its organizational goals. Since their establishment all of the CDCs have either modified their structural form or expanded their program structure. As in the case of NMDC, deciding to carry out programs and create the necessary development occurred early in its organizational life. Other CDCs in this study decisions grew more slowly from a changing understanding of what community needs were in contrast to what might be available. Both ENSCDC and BSDC did not realize until years after their incorporation that they would have to take a more active role in the development of their target communities. Of all the CDCs studied, TVC's decision to implement its own community development efforts seemed to be more of a natural outgrowth of its initial functions. The for-profit subsidiaries started up by TVC seemed to reflect an experienced-based decision, given its experience in assisting local entrepreneurs.

The decision to carry out projects and create institutions represents an awareness of the growth process involved in impacting the problems facing the disadvantaged community. Moving from advocacy to program work also gives the CDC more legitimacy in laying claim to the use of local resources (land, labor, capital, and raw material) by creating a medium through which the corporation can create visible achievements.

Confronting the Difficulties of Early Neighborhood Revitalization Projects

CDCs taking on their first community development projects frequently find the work a good deal more difficult than they had anticipated. Project experience, in general, taught the sample CDCs to set realistic goals as well as how to acquire sufficient project money. TVC and ENSCDC used knowledge gained from early neighborhood revitalization primarily to generate appropriate funds for future projects. ENSCDC felt also that knowledge gained from past projects was most useful in structuring management tasks. As a consequence of their experience, ENSCDC has redefined the role of its board of directors to include them more in the organization's ongoing activities. NMDC, on the other hand, felt that past project experience had helped it the most in its ability to train and recruit staff. BSDC is the only one of the sample group, however, that has suffered any major repercussions. Because BSDC repeatedly set unrealistic deadlines, by the time the first phase of development in the Beale Street area was completed, local residents and potential investors had become completely disenchanted with the project. Consequently, BSDC has had to devote a large amount of its energy to reestablishing its credibility.

Once CDCs have developed an understanding of the actions needed to carry out specific development projects, they can begin to effectively address needed community problems. Confronting and learning from early revitalization projects is also an important step in building a good track record, a necessary component in attracting and maintaining financial support for projects. The payoffs for growth in this particular area of the CDC's capacity can be substantial, both in terms of financial and community support. To date, TVC is the only one of the four study CDCs that has reaped any benefits for its level of effectiveness in this area. Funding for its second loan fund--the Regional Development Loan Fund--was based largely on the management of its first loan fund--the Revolving Loan Fund.

Becoming Competent in Specific Project Work

A logical next step in CDC capacity development is to become systematically and consistently effective at carrying out one or a few types of revitalization projects. Recognizing the difficulties and needs inherent in specific types of projects provides the impetus and direction for CDCs to build toward effective project work. Actually becoming effective in neighborhood revitalization efforts requires following up recognition of difficulties with positive action (e.g., training and recruiting staff, making appropriate organizational changes, pursuing similar projects, etc.). This step is also important to building a good track record (the importance of which has been previously discussed).

All of the CDCs examined in this study, for the most part, had not developed competence in carrying out specific projects. Except, of course, TVC's management of its four loan funds. Perhaps, the sample CDCs lack of development in this area of capacity can be attributed to (1) their relative "newness" as organizations, (2) the lack of sufficient funds to pursue similar projects, or (3) other priorities. The point is simply that for CDCs examined in this study, this competency was underdeveloped. Many of the CDCs did, however, mention future projects that would demonstrate some growth in this area.

Developing a Network of Relations with Outsiders

The strength of a CDC depends significantly on its relations with outsiders. The strong network generally includes sources of funding and technical assistance, political allies and advisors, potential project co-participants, community residents, and other community-based organizations. Early in their existence, CDCs are usually dependent on a few connections and the linkages they provide to additional outsiders. Later, CDCs expand their contacts and draw on their networks for a wide variety of organizational and programmatic needs.

The predominant actor in the initial development of the sample CDCs was government at either the federal, state or local level. Since their inception, however, all of the CDCs in this study have expanded their networks to include several other critical actors. Most have done this by recruiting specific technical and management skills among the members of the board of directors. In addition to the skills and expertise of board members, many of the sample CDCs rely on the previously established relationships of CDC staff members.

The process of creating a strong, multipurpose network is essential to the CDC's ability to compete for scarce funds and needed technical assistance. All of the CDCs in this study recognized the importance of this process, but had done little or planned to do little to strengthen their relations with outsiders. Many felt as though this process would evolve over time with more publicity.

Based on an informal survey of several representative organizations from each of the target areas, more organizations identified TVC as the organization they had worked with directly in project development, with ENSCDC being the second highest. NMDC was generally the organization not heard of before, while the Chattanooga organizations seemed to know an extensive amount about ENSCDC's goals and development projects.

An interesting phenomenon among the Memphis CDCs was that they had very little interaction with each other. Though NMDC and TVC are located directly across the street from each other, they very rarely communicated and had never shared a development project. TVC, at the time of this study, was hoping to locate in the Beale Street area. And though these three CDCs have frequently sought funds from common sources, neither has ever been denied funding because its project was to similar to one of the other CDCs.

The importance of putting an extensive network into place is to help the CDC "to think systematically about its needs for aid in certain situations and to call upon appropriate and tested agents of assistance."[71]

Building a Diversity of Projects

As is characteristic of CDCs, the sample group began its project work in areas long identified as community needs by reacting to or taking advantage of funding opportunities. And though they have all begun to diversity their projects, none of them have been able to structure their programs independent of available outside funds. For example, NMDC's first project--home rehabilitation--and the establishment of Sunbelt, Incorporated, were both spurred by the availability of local public funds to finance these activities. When funds became limited for this type of development, NMDC began to favor the Benchmark Hotel project, which was a more financially attractive activity. ENSCDC and TVC have followed a similar pattern. Both CDCs have chosen projects that deviated from their overall programs to obtain funds--the TVA Solar Institute and the United Transportation Company, respectively.

Increased effectiveness in this area involves selecting projects that make special contributions to the organization's overall strategy for neighborhood revitalization. Mature CDCs usually are not controlled by external conditions and are much more aware of the interplay of needs

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[71] Mayer and Blake, Keys to the Growth of Neighborhood Development Organizations (Washington, D.C.: The Urban Institute Press, 1981), p. 45.

in their communities. This is not to say that the sample CDCs' projects did not address needs within their respective community, but that they did not demonstrate a consistent pattern of systematic development.

Again, this step is important to building a strong track record. Increasing the CDC's power of both selection and diversification also contributes to its capacity to attract outside support and needed aid.

Institutionalizing Expanded Project Competence

The "process of institutionalization is one of developing means to handle expanded project loads over the long term."[72] This means, among other things, creating organizational structures that fit expanded operations and establishing ways for maintaining skill levels once they have been obtained. For example, two of the sample CDCs formed for-profit subsidiaries to carry out expanded project loads. Efforts were also made by the sample group to use board members' expertise more extensively and to adequately utilize in-house capabilities by restructuring their organizational framework.

For the CDCs examined in this study, this process was very much an early one. Few organizational changes had occurred to institutionalize competence gained from past projects. In fact, at the time of the study, ENSCDC, BSDC and TVC were all in danger of losing key staff members that had been loaned to their organization. Except for a few organizational changes--forming for-profit subsidiaries, and creating a

[72] Ibid., p. 46.

functional board of directors--none of the CDCs had made a systematic, calculated effort to incorporate and maintain competence already acquired. Based on plans for future projects, many of the CDCs among the sample group may require more immediate growth in this area to insure quality future development.

Creating Measurable Outputs

One significant difference between this study and other studies is that measurable outputs are generally considered a primary measure of organizational performance. The reason is that measurable outputs are thought to be a direct measure of program effectiveness. But as mentioned earlier, evaluation in this manner disregards the special conditions under which a CDC operates. In the case of CDCs, measurable outputs could better be used as indicators of organizational capacity--a CDC's ability to effectively do the job it was designed to do. For the purpose of this study, only two output measures, "revenues generated" and "jobs created," were important. Both measures are important not only in enhancing the CDC's goal of increased community welfare, but also in perpetuating CDC activities.

Revenues generated have become increasingly more important to the CDC's ability to effectively carry out revitalization projects. Up until a decade ago, CDCs were "comfortably nestled in the arms of foundations, federal agencies, and other benefactors."[73] Now, the

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[73]Roger M. Williams, "Why Don't We Set Up a Profit-Making Subsidiary?" Grantsmanship Center News, January/February 1982, p. 15.

picture has changed drastically. Funds for CDC activities have become more scarce and more competitive, while demands for CDC services have grown steadily. If the modern CDC is to continue to meet the needs of its community, it must be able to generate revenues great enough to fill the gap. Since all the CDCs in this study are relatively young in community development work, the actual amount of revenues generated would not be as good a measure of capacity as the CDC's potential to generate revenues. This potential can be assessed in terms of amount invested in other organizations/business, types of investment, and degree of self-sufficiency.

At the time of this study, three of the sample CDCs had invested more than $9.3 million in other businesses, largely in the form of equity investments (BSDC did not provide data in this area). With the largest amount having been invested by NMDC in the construction of the Benchmark Hotel. Other forms of investments included interest-bearing loans and grants to local organizations. Of the four CDCs, NMDC demonstrated the highest degree of self-sufficiency by generating revenues via contracts to cover 90 percent of its operating expenses. BSDC, ENSCDC and TVC depend largely on federal funds and private foundations' support.

A CDC's ability to generate income determines whether revitalization efforts such as employment or building repair can be sustained in the long term. Additionally, it allows the CDC to pursue new project types as well as to fill specific community skill gaps.

Creating jobs is a key element of capacity which is quite different from those just discussed. To a significant extent, the number of jobs created is a result of the CDC's ability to build its internal capacities as well as the level of difficulties and opportunities present in the CDC's environment.

At the same time, creating a large number of jobs proves of great value to the CDC's further development by enhancing its ability to obtain funds. Many CDC funders look carefully at the CDC's ability to create employment opportunities as a result of any given project. Thus, making the CDC's ability to create jobs a critical element in its effectiveness in carrying out community development activities.

The experience of the sample CDCs in creating jobs in their respective communities has been diverse. And for this reason, difficult to compare. From all indications, however, the sample group was instrumental in creating more jobs during each year of operation. Most of the jobs created and/or maintained were unskilled, paying an annual salary of less than $10,000. Additionally, except for organizational staff members, the bulk of the jobs created were temporary, construction jobs.

Conclusions

The previous sections of this chapter have examined the performance of the sample CDC's relative to individual elements of capacity. This portion of the chapter, however, takes a composite look at how well the sample CDC's have developed their capacity to undertake needed community development activities (see Table 4-1).

In general, evaluation of the CDCs in this study is favorable; a great deal of community revitalization has taken place. Among the four

Table 4-1. Comparison of the Organizational Capacity of Four CDCs in Tennessee: A Measure of Effectiveness

Elements of Capacity	CDCs: Beale Street Development Corporation	New Memphis Development Corporation	Tennessee Valley Center for Minority Economic Development	East Ninth Street Community Development Corporation
Formally establishing an organization	2	2	2	2
Deciding to carry out programs and create institutions	4	3	2	4
Confronting the difficulties of early neighborhood revitalization projects	3	2	2	3
Becoming competent in specific project work	3	3	2	3
Developing a network of relations with outsiders	4	4	2	2
Building a diversity of projects	4	3	2	3
Institutionalizing expanded project competence	3	3	2	4
Overall capacity	23	20	15	21

Note: The level of capacity for each of the sample CDCs was ranked from 1 to 5 with 1 = very high; 2 = high; 3 = medium; 4 = low medium; and 5 = low.

CDCs examined, more than 850 jobs have been created or maintained; at least $9.3 millions have been invested in local organizations and businesses; a leveraging potential in excess of $2.0 million has been created to assist minority entrepreneurs; and a projected 2,000 to 3,000 jobs will be created in the next five years as a result of current activities.

Favorable evaluation at this point may be due in part to relative early developmental stages of this sample group. As is evident from the examination of the individual elements of capacity, the sample CDCs lacked many of the characteristics of capacity common to mature, more effective organizations. All of the CDCs sampled seemed to lack the level of achievement necessary in most of the individual areas of capacity to continue or promote organizational effectiveness (e.g., following up lessons learned from past project experience with positive action). In terms of development experience, none of the sample group had more than four years (BSDC's first project was completed in 1975, but does not compare with current development efforts). This, again, illustrates the early developmental stages of the sample group.

There is little evidence to suggest that any of the sample CDCs have initiated long-term, strategic plans. While there are many types of plans, strategic planning is, perhaps, the most important in developing the various elements of the CDC's capacity. Strategic planning has proved to be critical to the CDC's earlier stages of development as well as to its most advanced stages. It can be beneficial in many aspects of CDC capacity building from initially deciding to carry out programs to developing a network of relations with outsiders to building a diverse range of projects. Two of the CDCs in the study had established for-profit subsidiaries which can be used for expanded program goals in the future. Many of the CDCs had also developed one-time, comprehensive plans. Such plans are rarely "specific enough to be linked to continuing CDC concerns and activities, too abstract to attract attention from board of directors, and often supplanted quickly by action plans or specific opportunities."[74] For the most part, the sample CDCs were "trouble-shooters." They tended to react rather than plan. This hampered their ability to seek adequate staff and project funding--an element discussed earlier which has numerous consequences.

While many of the CDCs studied were beginning to expand their relations with outsiders, they had not acquired the types of outside support necessary to perpetuate their growth and development. Networking for the sample group has been a hit-or-miss process. Furthermore, the CDCs in the Memphis area had not taken advantage of the potential strength in working cooperatively with their local counterpart. This lack of communication may have been due to different organizational preceptions in that each CDC saw itself as being uniquely different from the other CDCs.

A CDC's ability to network effectively seems to depend on the skills and expertise of the executive director. Effective leadership is

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[74] Steve Haberfeld, "Economic Planning in Economically Distressed Communities: The Need to Take a Partisan Perspective," Economic Development and Law Center Report, October/December 1981, p. 6.

in fact, important in virtually every facet of the CDC's work. Successful selling of the CDC can be achieved only through the director's personal "hustling" or businesslike "homework," or both. Outside support for CDC activities depends heavily on the executive directors' personal effectiveness in convincing outsiders of the competence and commitment of their organizations.

Leadership among the sample group was very diverse. Most of the sample CDCs had directors who had adequate experience to guide them through less complex, advocacy-type projects. As each CDC expands its program focus, there may be a need to either recruit a more highly skilled executive director (educational attainment and development experience) or to hire staff members with more narrowly defined roles within the organization. Only one CDC in the study group seemed to have the level of expertise and leadership necessary to guide and influence more complex development efforts.

Though the sample CDCs were relatively undeveloped, they had, nevertheless, been effective in securing funds and creating community development. One factor that contributed to their "success" is positive publicity. Each of the sample CDCs' ability to attract funds and community support seemed directly related to the amount of positive publicity that it received. This was important in establishing a track record and convincing outside supporters of the merit of the organization. Negative publicity had been instrumental in slowing down development for each of the CDCs in that supporters were reluctant to provide financial assistance, fearing funds would be mismanaged or misappropriated.

An interesting parallel between the sample group is that the CDCs who had physical development as their primary objective (BSDC and ENSCDC) tended to be less developed than their more broadly-defined counterparts. This phenomenon may be due to the fact that CDCs focusing on physical development restrict their activities, thus limiting their experience. On the other hand, the more broadly-defined CDC learns and builds capacity through trial and errors.

CHAPTER 5

SUMMARY

Earlier portions of this study focused on four CDCs in Tennessee and their organizational capacity to effectively undertake community development projects. During the course of this study, however, it became apparent that there are several other elements of organizational capacity critical to the modern CDC's ability to achieve increased community welfare. Like the elements of capacity mentioned previously, these additional elements of capacity represent dynamic occurrences which prompt multiple changes in the CDC's outlook, knowledge, experience, and range of specific capabilities. Unlike the previously mentioned capacities, these additional capacities can be more rigorously categorized as either "process" or "output" variables. The process variables, namely, confidence building, community networking, and organizational efficiency focus more directly on the CDC's operations. While the output variables--capital accumulation and the internalization of income--focus on the CDC's achievements, which are important determinants of its range of capabilities.

It is hoped that these additional elements of capacity will further help the sample group and other CDCs in increasing their ability to effectively implement community development projects.

Additional Elements of Capacity

Of the five elements of the CDC's capacity mentioned above, confidence building is perhaps, the cornerstone. Confidence building, in the sense that it is used here, means the CDC's ability to feel as if it is causing change in its community. It is important that the CDC feels as though it can and is helping to improve its community in that this affects the CDC's ability to set long-term goals. Setting long-term goals is essential to the CDC's ability to initiate and participate in community-oriented processes which will have the results of improving overall conditions in the community. To facilitate confidence building, the CDC must determine the degree to which it can contribute to community changes as well as identify outcomes over which it can legitimately be expected by have some control.

A high level of confidence within a CDC helps it to network more freely and aggressively with its community. By developing its community networking capacity, a CDC can pinpoint its resources and pursue them. Thus, heightening its ability to carry out organizational functions and community development work. A key difference here, however, is that the CDC does not limit its focus to accessing a resource base, but structures itself as a resource base within the community. In creating a resource base, community networking, then, would mean establishing the CDC as a vital institution within the community. The process of establishing the CDC as a resource base is important to the CDC's ability to attract funds and community support, as well as its ability to open communication channels critical to its survival.

The next level of capacity tries to assess whether or not organizational efforts are structured and distributed in a way that allows for the greatest effectiveness. This element, organizational efficiency, is another element of capacity upon which the CDC's survival and effectiveness in project development depend. Actual increases in organizational efficiency require the CDC to constantly attempt new ways of improving operations. In this way, the CDC maximizes its staff potential, while at the same time, raises the quality of service being provided to the community.

The last two elements of capacity are output variables which influence the CDC similarly. In fact, capital accumulation is closely related to, but not identical with' internalization of income. For instance, a CDC receives $7,500 in interest payments from a loan to a local entrepreneur (capital accumulation), and uses $5,800 of it to invest in a for-profit subsidiary (internalization of income). Capital accumulation provides the CDC with flexible funds for independent development projects. Internalization of income provides the CDC with expanded project competence. Each of these two capacities aid the CDC in building a strong track record. Additionally, they create a pool of capital which allows the CDC the power to select needed community development projects.

The Role of the Modern CDC

A key issue stemming from the consideration of the CDC's organizational capacity is the role(s) that it occupies in the distressed, urban community. Proponents who view "the CDC as a social institution, and a business one, and a political one, and an educational one, etc., and one which employs, tutors, pays, empowers, and unites its community members"[75] argue that the CDC as an organization is as important to the development of the community as the projects it implements. Advocates with a more limited view believe that CDCs can serve simply as a base for exercising influence and control with respect to some types of community services (e.g., schools, health care, sanitation, etc.). Arguably, it is true that CDCs can exercise political and economic muscle in developing their communities, but central to this function is the belief that community residents become meaningful participants in the process. This belief represents the ideology nested in the CDC concept. From the evidence of this study, however, community participation[76] has a low priority in the modern CDC.

The four CDCs in this study have not emphasized community participation in either the CDC operations or its local development efforts. As institutions, CDCs are designed to represent the disadvantaged and be their advocate in elicting resources for them from the more affluent environment. One constraint that the CDC has encountered in incorporating community residents in its operations has been the lack of capital to freely select and implement its projects. Since CDCs have not had the necessary capital to finance their own projects (as is evident by the sample group), they have had to make trade-offs necessary to attract outside assistance. This has meant that CDCs have had to enter into the kind of arrangements for capital that have all but

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[75] Profiles in Community-Based Economic Development (Cambridge, Massachusetts: The Center for Community Economic Development and the Cambridge Institute [1971]), p. 15.

[76] "Community control" and "community participation" are used synonymously.

ruled out community participation. "CDCs have come to realize that to compete with other businesses, the rationale of business must be accepted."[77] Consequently, CDCs have been forced to hire employees on the basis of their expertise rather than their place of residence as they were first set up to do. This is evident also in the sample group in that leadership consists largely of the minority middle class, while most of the professional staff in CDCs consists primarily of highly skilled specialists from outside the community. In response to the need for capital, CDCs have become strikingly similar to other businesses, and as such, just another business enterprise in the community.

CDCs face the need to involve local residents in the planning, managing, and owning of development projects. There is also a recognized need for CDCs to import technical expertise in that they have come to be known as "ineffective organizations." From the evidence provided by the sample group, managerial ineptness has become commonplace to the CDC. All of the sample CDCs have suffered some form of impropriety. If the CDC is to secure community participation in its activities, it is essential that it pays close attention to managerial skills. This is important because the CDC, as a quasi-public institution, is constantly under public scrutiny. The need for technical assistance, however, does not preclude representativeness. The CDC's legal structure allows it reasonable flexibility in structuring programs and business ventures in such a way as to include local residents.

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[77]Harry Edward Berndt, New Rulers in the Ghetto: The Community Development Corporation and Urban Poverty (Westport, Connecticut: Greenwood Press, 1977), pp. 3-4.

The CDC and the Planning Process

The planning process is a potential power to be explored by the CDC in seeking to incorporate community residents. For years, various theories of planning have advocated community and citizen participation in the decision-making process. Merging CDCs with these theories of planning could be means for harnessing the energy and concerns of the inner-city residents in the development process. The planning process takes two basic approaches to community development. The first approach known as the "bottom-up" approach "recognizes that increasing self-reliance will lead to increased capacity for development."[78] As such this approach attempts to solicit community participation in the decision-making process. In this way residents can tailor their development strategy to satisfy their needs and priorities. A parallel approach to the bottom-up approach is the "top-down" approach. This top-down approach is an important and necessary complement to the bottom-up approach.

The top-down approach is the most traditional approach to community development. In this approach, the CDC can assist community development in numerous ways. First, "at a number of stages in the development process, there is a need for technical analyses, market and financial feasibility analyses, and organizational development plans."[79]

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[78]Robert Mier and Wim Wiewel, "Business Adctivities of Not-for-Profit Organizations," Journal of the American Planning Association, Summer 1983, p. 317.

[79]Ibid., p. 324.

Second, there may be the possibility of participating with groups in thinking through their decisions. Finally, there are additional opportunities for the CDC to create innovative means for attacking development problems in the disadvantaged, urban community.

Whether using the "bottom-up" approach or the "top-down" approach to community development, citizen participation is an important component of the development process. And through either approach, there is a mutually beneficial role for both the CDC and local residents. The CDC gains through direct and focused planning, while community residents benefit from the provision of needed community services and activities.

Strategies for Strengthening the Development Capacity of CDCs

Noting the above mentioned problems and needs of the modern CDC, this study recommends three basic strategies for enhancing the CDC's development capacity:

1. shadow management;
2. technical assistance; and
3. joint venturing

Each of these three strategies allow the CDC to build the necessary internal base for operating and selecting projects independent of any outside funding sources' restrictions.

Shadow management is the process by which an organization, in this case the CDC, identifies talented residents and trains them through the observation of skilled outside managers in the operations of the

CDC. After a given period of time, the trainee, a local resident, assumes management for the area of the organization for which he/she has been trained. Shadow management allows the CDC to hire outside experts on a short-term basis, and permits meaningful community control over the long-term.

Technical assistance and joint venturing are two other alternatives that CDCs can make use of to further the development of the CDC. Using technical assistance for highly technical tasks permits the CDC to hire less skilled personnel, thus increasing the probability of hiring local community residents. Additionally, technical assistance can be used as a teaching instrument for the employees of the CDC. By working closely with consultants, CDC staff members can gain useful project knowledge and skills.

Joint venturing means simply joint ownership and control over a business. As a partner, the CDC makes a contribution to the partnership in the form of land, financing, cash and/or labor. In return, the CDC receives a share of the ownership interest and the business's profits or increase in value. Relationships of this type enable CDCs to contract for specialized expertise that the CDCs may lack. While, on the other hand, the CDC, as part of the agreement, can obtain commitments from its partners to provide formal training for interns as well as gradual assumption of management responsibility as it gains the appropriate expertise. A CDC in this way performs the dual function of enterprise development and community control.

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APPENDICES

APPENDIX A

COMMUNITY DEVELOPMENT CORPORATION INTERVIEW

I. History/Background

A. When was the CDC established?
B. When was it incorporated?
C. Where was it initially located?
D. Who was the CDC established by?
   1. were they local residents?
   2. what were their credentials/employment at the time?
E. What was the initial staff size?
   1. which positions were held by these members?
   2. what was their educational background?
F. When was the first project initiated?

II. Organization

A. Is the organization for profit, nonprofit, or a cooperative?
B. Is it tax-exempt?
C. What is the organizational structure?
   1. has it ever been changed?
   2. if so, why?

III. Board of Directors

A. How many members of the Board were founders of the organization?
B. What are the functions of the Board?
C. Who are the current members?
   1. what are their credentials?
   2. are they local residents?
D. How many members are currently serving on the Board?
   1. how were they selected?
   2. are there any restrictions on membership?
   3. is a fee required for membership?
   4. are members paid an honorarium/salary?
E. What is the relationship of the Board to the staff?
F. How often does the Board meet?
   1. what are their voting rights, i.e., one vote per member?
   2. is a quorum required to set policies, etc.?

IV. Operating Procedures

A. What are the major activities/responsibilities of the organization?

IV. Operating Procedures (continued)

B. Is there staff reporting?
   1. to whom does each staff member report?
   2. how often must each staff person report?
C. Are there periodic audits?
   1. are there internal audits?
   2. are there external audits, if so, when?
D. How does the organization identify new projects?
E. What type of project evaluation occurs?
F. Is there a routine method for intraorganizational and interorganization communication?
   1. is it used inside and/or outside the organization?
   2. how often is it distributed?

V. Social and Economic Factors

A. What is the cultural composition of the target community (age, race, sex, income, etc.)?
B. What services are provided to the local community?
C. Are the CDC staff members from the community?
D. What is the community's involvement in the CDC?
E. How well is the CDC accepted by the community?
F. To what extent does the CDC cooperate with other CDCs and community-based organizations?
G. What problems have the organization faced?

APPENDIX B

COMMUNITY DEVELOPMENT CORPORATION QUESTIONNAIRE

Read the following instructions carefully before completing this questionnaire.

1. *Answer all questions fully and accurately. If additional space is needed, please use blank sheets and attach to this form.*
2. *If an item does not apply to your organization, or if there is no information to be given, please write in the letters "N.A." for not applicable.*
3. *Write legibly, print clearly, or type.*

DEVELOPMENTAL VARIABLES:

1. Who formed your organization?

   a. ☐ a group of local residents
   b. ☐ a group of local business-owners
   c. ☐ other, specify

   ____

   ____

2. What conditions brought about the formation of your organization?

   a. ☐ lack of community funds/resources
   b. ☐ local agencies unable to deliver authorized services
   c. ☐ lack of government and/or private response to community needs
   d. ☐ repeated shortfalls in service delivery to the community
   e. ☐ other, specify

   ____

   ____

   ____

3. What were the primary reasons for first establishing your organization?

a. ☐ to serve in an advocacy role
b. ☐ to create jobs
c. ☐ to provide the community with needed services
d. ☐ to increase cultural awareness
e. ☐ to bring about neighborhood revitalization
f. ☐ other, specify

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4. In which of the following areas has your organization expanded its goals?

a. ☐ generating revenues for operating expenses
b. ☐ building political influence
c. ☐ physical redevelopment of the community
d. ☐ creating employment opportunities, including job training
e. ☐ other, specify

____

____

5. What condition was most instrumental in bringing about expanded goals for your organization?

a. ☐ need for revenues to carry out certain types of projects
b. ☐ weighing utility of efforts against magnitude of the problem—*drop-in-the-bucket* situations
c. ☐ problems encountered implementing projects
d. ☐ need for additional staff and staff expertise
e. ☐ other, specify

____

____

6. What has your organization learned from development projects?

a. ☐ in general, to set realistic goals
b. ☐ in general, to set idealistic goals
c. ☐ in general, to increase project magnitude/size
d. ☐ in general, to decrease project magnitude/size
e. ☐ how to acquire sufficient project money
f. ☐ other, specify

____

____

7. How did knowledge gained from project development help your organization the most?

a. ☐ generating operating expenses
b. ☐ structuring management tasks
c. ☐ identifying projects
d. ☐ training and recruiting staff
e. ☐ other, specify

____

____

8. Initially, what types of projects did your organization undertake?

a. ☐ community services, e.g., childcare, healthcare, etc.
b. ☐ job training and career development
c. ☐ job creation
d. ☐ physical development and rehabilitation of the community
e. ☐ business enterprise development, including attracting new businesses
f. ☐ other, specify

____

____

9. Currently, what types of projects is your organization developing?

a. ☐ community services, e.g., childcare, healthcare, etc.
b. ☐ job training and career development
c. ☐ job creation
d. ☐ physical development and rehabilitation of the community
e. ☐ business enterprise development, including attracting new businesses
f. ☐ other, specify

____

____

10. How has your organization's structure changed to accommodate new projects?

a. ☐ not at all
b. ☐ the formation of a *not-for-profit* subsidiary
c. ☐ the formation of a *for-profit* subsidiary
d. ☐ internal management changes
e. ☐ a restructuring of the Board of Directors
f. ☐ rule changes for the Board of Directors
g. ☐ other, specify

____

____

11. Initially, with which of the following organizations did your organization most often cooperate?

a. ☐ community-based organizations (CBO's)
b. ☐ financial institutions
c. ☐ local planning agencies
d. ☐ civic organizations, e.g., Chamber of Commerce, Urban League, etc.
e. ☐ Federal, state, and local agencies
f. ☐ other, specify

____

____

12. Currently, with which of the following organizations does your organization most often cooperate?

a. ☐ community-based organizations (CBO's)
b. ☐ financial institutions
c. ☐ local planning agencies
d. ☐ civic organizations, e.g., Chamber of Commerce, Urban League, etc.
e. ☐ Federal, state, and local agencies
f. ☐ other, specify

____

____

13. Please rank by number from 1 to 6 (with "1" being the highest priority and "6" being the lowest priority) the areas your organization anticipates being active in throughout the next year.

a. ______ seeking additional funds
b. ______ acquiring technical assistance
c. ______ building political influence
d. ______ identifying potential project partners
e. ______ diversifying projects
f. ______ other, specify

____

____

OUTPUT VARIABLES

1. Please rank by number from 1 to 6 (with "1" being the most influential and "6" being the least influential) the areas in which your organization has had influence.

a. ______ providing social services to the community, e.g., childcare, healthcare, etc.
b. ______ creating jobs
c. ______ promoting new business development in the community
d. ______ maintaining existing businesses
e. ______ bringing about neighborhood revitalization
f. ______ other, specify

____

____

If job creation is a goal or activity of your organization, answer questions 2 through 7. If not, skip to question 8.

2. How many jobs has your organization been instrumental in creating or maintaining?

____

3. How many direct jobs has your organization created?

____

4. List the average number of jobs (direct and indirect) created in each year:

a. ______ 1983
b. ______ 1982
c. ______ 1981
d. ______ 1980
e. ______ 1979
f. ______ prior to 1979

5. Could you explain briefly the method used to calculate the number of jobs created and/or maintained?

____

____

____

6. How many of the jobs created by your organization (direct and indirect) would you describe as:

   a. ☐ skilled
   b. ☐ semi-skilled
   c. ☐ unskilled

7. How many of the jobs created by your organization (direct and indirect) paid annual salaries less than or equal to $10,000?

   ____

8. What is the total capital investment of your organization into other organizations/businesses?

   ____

9. Is this investment in the form of:

   a. ☐ equity investments
   b. ☐ stocks, bonds, or securities
   c. ☐ grants
   d. ☐ interest-bearing loans
   e. ☐ other, specify

   ____

   ____

10. What percentage of your organization's operating expenses is obtained from each of the following?

    a. ☐ Federal grants and loans
    b. ☐ state grants and loans
    c. ☐ local grants and loans
    d. ☐ foundations
    e. ☐ returns on investments
    f. ☐ fund-raising events and/or private donations
    g. ☐ other, specify

    ____

    ____

11. Comments (optional): ______________________________

    ____

    ____

    ____

VITA

Johnnie Williams was born in Memphis, Tennessee, on April 23, 1958. She attended Memphis City Schools, and was graduated from White Station High School in June 1976. The following September she entered Rollins College in Winter Park, Florida, where she received a Bachelor of Arts degree in Biology/English in May 1980. While an undergraduate student, she was awarded the Algernon Sidney Sullivan Scholarship Award, the Rollins' Women Association Award, and Who's Who in American Colleges and Universities.

After undergraduate school, she was employed at St. Jude Children's Research Hospital as a Research Coordinator. In September 1981, she entered the Graduate School of Planning at the University of Tennessee, Knoxville. As a graduate student, she was awarded the Graduate and Professional Opportunities Program Fellowship. She received the Master of Science in Planning in June 1984.

While attending graduate school, the Office of Economic and Community Development of the Tennessee Valley Authority employed her as a Regional Planner in the area of minority economic development. She was also employed by the University of Tennessee, Knoxville, as a graduate assistant in the area of student affairs.

She is married to Samuel John Ebong of Uyo, Cross River State, Nigeria.