LONGER VIEW

The rapid growth of the CDC movement has rested on its ability to articulate a unifying vision, and to translate that vision into action in a way that dramatically expanded both the resources available to the field and the range of major stakeholders in its success. As resources threaten to contract significantly, the movement's future vitality lies in further diversification, organizational adaptation to new roles, and identification of additional partners and stakeholders.

Vidal, AICP, is Director of the Community Development Research Center at the New School for Social Research, and Associate Professor in the Milano Graduate School of Management and Urban Policy. She has written extensively on community-based approaches to addressing urban problems, as well as on urban economic development and the dynamics of urban housing markets.

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Can Community Development Re-Invent Itself?

The Challenges of Strengthening Neighborhoods in the 21st Century

Avis C. Vidal

Despite dramatic and unfortunate changes in the nation's urban neighborhoods and its political and fiscal climate since the community development movement began 30 years ago, the movement has matured into an industry. Its detractors are wont to point out that it is a small industry, and if it is measured against the metric of total national housing production—or the cities' problems—they are correct. But like many other modest but important industries, it has found a niche and flourished there. Since 1980 the number of community development corporations (CDCs), the resources available to them, and their overall level of activity have all increased dramatically (NCCED 1995).[1] Initially working mostly in isolation from one another, they have increasingly found common ground—forming local associations, working with public/private partnerships, and tying into national networks through a new constellation of financial intermediaries and technical assistance providers that support their work.

Big changes are at hand. The drive to balance the federal budget by 2002 threatens to squeeze out most, if not all, discretionary domestic spending, on which the CDCs critically depend. The absence of new housing subsidies (or worse, the real possibility that existing Section 8 vouchers and certificates may be lost, or that the "permanent" low-income housing tax credit may be phased out), as well as the demise of Aid to Families with Dependent Children (AFDC) will place new economic and social strains on poor urban neighborhoods (Schwartz and Vidal, forthcoming). As far as federal policy is concerned, the community development field will be asked to do more with less, and the likelihood that states and localities can and will make up the shortfall is low.

How these issues play out will be decided in the political arena. Advocates for CDCs, along with advocates for low-income housing and for the poor more generally, will have a role to play; much depends on their playing their roles energetically and well. The exact contours of the new landscape will not emerge for some time, and this article does not try to second-guess the outcome—except to assume that public sector resources important to community development will continue to decline and that the need for community-serving institutions in poor neighborhoods will remain great. Instead, it seeks to look beneath the deep concern over diminishing resources to the internal structural issues that will shape the future of community-based development as they interact with the changing environment.

Community Development Has Hit Its Stride.

The country now supports between 2,000 and 2,200 CDCs (NCCED 1995). Currently active CDCs joined the field at a steady pace from its beginnings in the mid-1960s to the end of the 1975-1977 national recession. Starting in the late 1970s, however, the rate of CDC formation appears to have begun rising steadily, and it increased again in the late 1980s.[2] Although still most strongly concentrated in the cities of the Northeast and Midwest, such groups are now active throughout the United States. A 1989 survey of 133 United States cities with populations above 100,000 (75 percent of all cities) found at least one CDC operating in 95 percent of them (Goetz 1993, 117). Despite the growth in numbers, however, the median staff size of CDCs remains about the same as it was in the first CDC census (NCCED 1989), suggesting that a growing number of CDCs are becoming large enough to achieve a more efficient staffing configuration than small, start-up groups can support.[3]

These increases in the number and scale of CDCs have been supported by a growing stream of resources. Support from foundations, including corporate foundations, has increased steadily. Unfortunately, the most recent estimates of this support are now several years old, but they show that grants from foundations increased throughout the 1980s and then rose 72 percent between 1991 and 1993 (Council for Community-Based Development 1993). Cities and states have also increased their support, although the level of funding has had ups and downs reflecting variations in regional economies. Eighty-two percent of the cities surveyed by Goetz that had active CDCs provided them with housing project financing, as did 63 percent of the states. More than half of these cities and states also provided their local CDCs with some combination of operating support, technical assistance, and predevelopment financing (Goetz 1993, 122). Public/private partnerships that support community development have increased in number, and recent evidence from those cities that are part of the National Community Development Initiative (NCDI) suggests that in most instances those collaborations are gradually becoming stronger and are making commitments to provide their local CDCs with some operating support (Walker and Weinheimer 1996).[4]

Meanwhile, although direct federal spending to support housing production has fallen sharply, the low-income housing tax credit has attracted offsetting corporate equity investments in nonprofit-sponsored housing developments.

Not surprisingly, the presence of more organizations and greater resources has gone hand in hand with higher levels of CDC activity. This growth has been most pronounced and most widely noticed in housing production. Ninety percent of CDCs are involved in creating affordable housing, and average annual rates of production per CDC have been rising even as the number of CDCs has grown (NCCED 1995). Walker (1993) estimates that between 1960 and 1990, CDCs and other nonprofit housing groups produced an estimated 14 percent of all federally subsidized housing units (excluding public housing).

The most visible acknowledgement that the CDC movement has come into its own is the fact that CDCs' role in low-income housing production has become institutionalized in federal legislation. Most notably, the National Affordable Housing Act of 1990 mandated that at least 15 percent of each participating jurisdiction's funds under the HOME program be earmarked for use by qualified nonprofit housing producers, and states are required to set aside 10 percent of their low-income housing tax credits for use by nonprofit providers. These set-asides have strengthened CDCs' housing production track record, not only by guaranteeing at least a specific share of funding, but also by signaling to less experienced community groups that they have a good chance of receiving funding if they can put together sound proposals. The set-asides also reinforce the popular perception that CDCs "only do housing."

In fact, the CDCs that truly are interested in doing "only" housing are few and far between.[5] Much more common are the CDCs that have a broad mission of community improvement and to that end engage in a variety of community improvement activities. The mix of activities conducted by a given CDC depends on its community's needs, its staff capacity, and the availability of funding and technical assistance (if needed). Typical programs that CDCs undertake in addition to their housing development activities are homeowner and tenant counseling, weatherization assistance, housing for homeless people, community organizing and advocacy, neighborhood planning, clean-up/fix-up campaigns, commercial and industrial real estate development, small business lending, and provision of human services (emergency food pantry, job placement, child care, etc.) (Vidal 1992; NCCED 1995). Nevertheless, affordable housing provision remains the hallmark of the field.

How Did It Happen?

The three dimensions in which the movement has hit its stride to become an industry—organizations, resources, and accomplishments—have interacted in a very dynamic way. Carefully crafted successful projects attract new financial resources, which make possible more visible improvements in disinvested neighborhoods. These, in turn, draw new grassroots leaders to the field at the same time that they generate increased access to financial and political support. People are attracted to things that "work." The cycle appears to feed on itself, but hard work lies behind the apparently self-reinforcing dynamic. Key participants get better at doing the day-to-day work of community development, i.e. they become better investments. They also get better at presenting their work to relevant publics at the national, local, and neighborhood levels. Understanding how this growth has occurred is important, because it clarifies the industry's strengths, i.e. the assets on which the field must build—or which it must invent a way to replace—as it adapts to changing circumstances.

Hard Work At The Grass Roots

The foundation of the movement is the cadre of CDCs that have demonstrated their ability to make a difference in their communities. Access to political and financial support from outside the neighborhood is critical to their ability to do this, and is the subject of much of this essay. But resources alone do not assure success. Community development is demanding work, and resources continually fall short of community need. The CDCs that have been most productive over a sustained period have five shared characteristics.[6] They have achieved a *scale* that allows them to hire the specialized staff that can take on more ambitious projects and bring them successfully to conclusion. They have selected a body of work that has been made a *priority* and have stayed with their priorities over sustained periods; an organization thus develops the benefits of *experience,* e.g., a core of board and staff members who no longer have to learn on the job, organizational procedures that are adequate to support the work, and the confidence of prospective supporters and partners. These organizations have had the benefit of *stable, capable leadership.* Finally, they act *strategically,* for example, rehabilitating a highly visible deteriorated building and then doing smaller supporting projects nearby. They seek to make their varied activities mutually reinforcing, and they expand their range of activities in ways that enable their growing experience to build the capacity of their organizations.

Building these qualities more deeply into more CDCs is a major undertaking. They are organizational infrastructures for their neighborhoods that the field has created as part and parcel of the process of building housing, and they have the potential to themselves be at least as valuable an asset as the physical improvements they have produced. However, the tasks of attracting a steady stream of savvy and committed talent to community development and cultivating the organizational capacities of the groups responsible for the work must be done from within the field. That job has been underway for over a decade, and it continues. Hence the balance of this article will touch only lightly on these topics, *which are critical.* Instead, we turn now to focus on issues that will play out at the national and local levels, but that will shape in major ways the types of capacities that CDCs will need to cultivate in the future.

Innovation at the National and Local Levels

The take-off of the CDC movement coincided with the founding of the three major national community development financial intermediaries: the Enterprise Foundation, Local Initiatives Support Corporation (LISC), and Neighborhood Reinvestment Corporation (NRC). All three took root between 1979 and 1981, as an institutional invention of the community development field. They have played a central role in expanding the base of financial, technical, and political support for the community development movement. Functioning as specialized community development "banks," the intermediaries receive grants and low-interest loans from foundations, banks, corporations, and the public sector, and use the resulting financial pool to provide grants, loans, and credit enhancements to CDCs.[7] As entities whose *raison d'etre* is improving the lives of people in poor communities, they have been from the outset places where committed people have had the opportunity to think strategically about the field as a whole (including their own organizations), rather than only about the issues confronting a single neighborhood.[8] Over time, each has identified a distinctive niche and organizational strategy, and developed an approach for establishing a local presence in the cities where it has chosen to work.[9]

Collectively, their impact has been enormous: they have articulated a *vision* of community development, and have developed ways to set the vision into *action* while engaging progressively larger numbers of people and organizations. Key to their success in doing so has been their ability to create new roles and financial tools that have both expanded dramatically the *financial resources* available for community development and engaged an important array of *new stakeholders* in the success of the work.

The Source of the Vision

The vision for community development in the early 1980s was squarely grounded in the visible distress of central city neighborhoods, primarily in the Northeast and Midwest, and primarily neighborhoods of color. Some had been devastated by urban renewal. Some had suffered damage in the riots that followed the assassination of Dr. Martin Luther King. Many were disillusioned by the unkept promises of the War on Poverty. Virtually all had suffered badly in the national recession of 1975–77, which hit the nation hard and central cities even harder (*President's National Urban Policy Report* 1980). The nation's most visibly troubled neighborhood, the South Bronx, had been swept by a wave of arson and abandonment that destroyed thousands of housing units, dissolved the communities that had lived in them, and provided presidential candidate Jimmy Carter with a backdrop against which to argue that the nation needed a change.

For people concerned about racial justice and for those concerned about the economic well-being of cities, the plight of these neighborhoods was a mounting concern. Each of the new intermediaries was, in its own way, a response to that concern. Their call to action, built around helping the residents of these places rebuild the residential base and community fabric of their neighborhoods, struck a responsive chord. Building housing, particularly replacing the affordable rental stock that had been lost, was the "natural" place to begin. Replacing housing would stabilize the population, restore the functioning of the housing market, and reestablish the market for commercial activity that would, in turn, support new businesses to fill vacant lots and boarded-up storefronts.

Moving from Vision to Action

Cutbacks in federal spending for housing had already begun, and additional cuts were widely (and correctly) believed to be in the offing. Nevertheless, federal policy gave CDCs with housing on their agenda some tools to work with. Many CDCs had some experience with the Section 8 new construction program, which was relatively straightforward for developers to use. Although Congress was in the process of phasing that program out because of its expense, a number of cities with active CDCs had pipelines of unused Section 8 project funds. Another tool was the federal income tax provision for developers to use accelerated depreciation in calculating their tax liability on rental properties (in addition to deducting interest payments and local taxes as business costs), and thus incur substantial tax losses (yet positive cash flow) in their early years of operation. The sale of these tax losses to wealthy individuals or for-profit partnerships or entrepreneurs gave CDCs and other nonprofit developers access to project equity.[10]

As the Reagan and Bush administrations withdrew support for production of affordable housing during the 1980s and early 1990s, financing for affordable rental units shifted from the then-standard "one stop shopping" process to the "patchwork" or "creative" financing process that has become the norm. Nationally, production of affordable new rental units continued to fall at the same time that substantial numbers of existing low-rent units were being withdrawn from the private market; the shrinkage accentuated the perceived value of CDC-built housing. In this context, the learning spearheaded by the major national intermediaries greatly facilitated CDC production growth; they developed new financial instruments and made existing ones more widely available, thereby bringing some standardization and predictability to a field in which, after the demise of the project-based Section 8 program, every development deal was different. These financing advances allowed increasing numbers of CDCs to participate in rental housing production.

After the passage of the low-income housing tax credit, and again after the Congress made the tax credit permanent, the intermediaries successfully applied themselves to learning to work with it more efficiently. Its widening availability, increasing efficiency, and greater dependability as a source of funds drew new nonhousing groups into the development business and spurred the formation of a new generation of CDCs with a housing focus.[11] The result has been a steadily growing stream of tangible housing outputs that meet a clear need, that visibly strengthen CDC neighborhoods, and that demonstrate the existence of meaningful organizational capacity. This stream of production will continue as long as the low-income housing tax credit is in effect—and clearly is needed.

As important as the housing itself, however, is the consistent demonstration to current and prospective supporters that *positive change in distressed neighborhoods is possible.*

New Resources and Stakeholders

By finding new ways to make the housing and community development agenda doable, the national intermediaries have played a central role in expanding the resources available to the field. Equally important, they have done so in a way that has broadened CDCs' base of support to include important new stakeholders.

Their success derives from their ability to meet the distinctive institutional needs of both financial supporters and community organizations. Funders benefit from the intermediaries' experience and expertise in assessing and spreading risk, and in structuring projects and financial packages that avoid unnecessary risk exposure. Funders also save the administrative costs of dealing with individual CDCs and evaluating individual funding proposals. Finally, intermediaries serve as quality control guarantors, providing a "Good Housekeeping seal of approval" for the projects in which they participate—thereby reducing not only the actual risks of participating in community development, but also the perceived risks of doing so. For their part, CDCs benefit from the technical and program design expertise of the intermediaries, from their ability to transfer lessons and innovations across sites, and from access to substantially expanded resources.

Financial support for community development has increased dramatically since 1980. Foundations, including corporate foundations, have led the way; the number of philanthropies supporting community development rose steadily during the 1980s. The most recent tabulation of philanthropic support (unfortunately dated) reported total grants of $179 million in 1991—up 72 percent from only two years earlier (Council for Community-Based Development 1993).[12]

Nonphilanthropic support has increased, too, and not just in dollar terms. The equity and interest-subsidy dollars that make CDC-produced units—particularly units produced with the low-income housing tax credit—affordable have come largely from the private sector and from local government.[13] These new partners in housing production have changed the political climate surrounding affordable housing in subtle but critical ways. At the federal level, the fact that the banking industry and a diverse array of major corporations support the low-income housing tax credit gives it unusual breadth of support. And there is little doubt that the intermediaries, working in concert with other nonprofit organizational networks, have been an important force behind the federal government's moves to give CDCs and other nonprofits a growing role in providing affordable housing.

Importantly, the major national intermediaries have often acted as catalysts for forming local intermediaries. These commonly take the form of local housing partnerships, which gradually strengthen the local base of financial and political support for community-based development and take on a locally developed support agenda, often including provision of CDC operating support (Walker and Weinhiemer 1996). These local partnerships engage a mix of corporate players, and thereby have the potential to influence the shape of local public policy toward low-income neighborhoods. This is especially the case in cities with a critical mass of CDCs, where local government has increasingly became an active partner, for example, by making tax foreclosed properties more easily available or earmarking CDBG dollars for housing subsidies.

Thus, although the field's emphasis on housing has subjected both the CDCs and the intermediaries to some criticism (e.g., Shiffman and Motley 1990), it has nevertheless served the CDC movement extremely well. A focus on housing has allowed a degree of standardization that enabled community development to achieve *meaningful scale* for the first time. It has given CDCs, which have always pursued a variety of activities, a shared substantive activity that enables them to speak with a *unified voice* on policy matters that affect them and their communities. And, in the context of the vision, it has allowed those who speak for the CDCs to speak with passion while remaining *politically neutral,* with important appeal to both the left and the right.

The Pressures to Transform

The rapid expansion of the CDC movement is properly seen as evidence of the potential of community-based approaches for addressing some of the problems of poor urban neighborhoods. Nevertheless, the vision and the action agenda that propelled CDCs into the mainstream of urban revitalization were creatures of their times. Times have changed. The seeds of change have been growing for some time, and are now bearing visible fruit. An effective, proactive response will require the CDC movement-*cum*-industry to repackage and reposition itself in a major way.

To begin with, the vision of "housing first" is less compelling than it once was. As the movement has expanded into new cities, it has *de facto* expanded into places where housing is not (and perhaps never was) the most pressing neighborhood problem. Fortunately, most urban neighborhoods—even seriously distressed ones—are not the wastelands that the South Bronx was in the late 1970s. Although housing, particularly its affordability, is an issue in many poor communities, it is often not a central enough issue to sustain an organizational vision that puts "housing first." Of equal significance is the fact that poor neighborhoods where a usable housing stock is in place struggle with other important problems that are generated by the macro-economic and social forces working against the well-being of inner city communities. This is necessarily the case even in places where CDCs have made major housing investments and worked hard to buttress those investments with supportive, nonhousing activities (Briggs and Mueller 1997); the presence of such problems undercuts the implicit promise of the vision that improving the neighborhood's housing will lead to other improvements in the quality of life there.

Moreover, from the point of view of an action agenda, housing has now become less compelling. Environmental changes are making it harder to develop affordable rental housing. Federal budget cuts will make the public subsidy dollars that keep new rental units affordable increasingly scarce. Greater federal preference for block grants as a form of funding will make budget cutting easier and will increase competition at the local level for the funds that remain.[14] Finally, in some states, state policies for allocating tax credits, such as eliminating the credits for developments in "impacted" areas (i.e. places that already have large numbers of assisted housing units or poor households) may also make CDC housing development more problematic.

Another inimical change is that owning affordable housing leaves CDCs with greater financial exposure than it once did. The combination of the shift to demand-side subsidies and continued weakness in the housing markets where CDCs work makes tax-credit developments difficult to market in many housing submarkets. One oft-cited virtue of housing as a point of entry for new CDCs was that housing development was less risky than other types of real estate development, such as commercial or industrial facilities, or the development of business enterprises (Vidal, Howitt, and Foster 1986; Vidal 1992). This comparative advantage probably still exists, but in absolute terms affordable housing development has become riskier. The difficulty of managing inner city housing once it is built has increased dramatically: the developments are financially more fragile, and adverse neighborhood conditions work against the efforts of even the best managers (Bratt et al. 1994). Ironically, CDCs that developed housing because it was "safe" as compared to starting a business now find themselves in a very difficult business indeed, and even some of the country's most highly regarded CDCs have run into serious financial difficulties as a result.

Against this backdrop, a wide variety of factors are pushing and pulling CDCs toward greater diversification. Some of these factors have been at work for some time; others are relatively recent. Briefly, the "push" factors include the following:

- CDCs commonly have broad, community-oriented missions (as opposed to narrower, housing-oriented ones). Even those CDCs whose reputations rest primarily on their development successes have long been engaged in other activities and would like to do more of them (Vidal 1992).
- Because older CDCs that got their start in housing have gradually diversified, many newer CDCs (and their supporters) entered the field with the expectation of following the same path.
- Some CDCs with strong development track records are running out of good, feasible rental projects. They face the choice of either working in other neighborhoods or identifying new ways to serve their own communities.
- CDCs that have developed an inventory of rental housing usually find that their responsibility for housing management routinely puts them in touch with the other pressing issues affecting the residents. For example, assuring safety is part of keeping resident turnover down; after-school youth activities and services contribute to better maintenance; human services and job referrals help to ensure that tenants can still pay the rent.
- Welfare reform will put great pressure on the CDCs (and other nonprofits, too) to help adults on public assistance find work. To the extent that new state programs for income support and jobs actually result in more low-income people working, especially at full-time jobs, neighborhoods and the CDCs that serve them will also find an increased demand for safety, social order, and support services, especially child care.

The Challenges and Opportunities

The key challenges of the years ahead are three. CDCs and their supporters need to learn how to (a) engage effectively in an expanded range of activities, (b) adapt their organizations to accommodate new roles and diminished resources for organizational support, and (c) articulate a new vision that can energize support for this diversified agenda. Progress is already being made on the first two of these efforts, both by individual CDCs and by the national intermediaries. The third, and most difficult, task is one with which the field must still wrestle.

One type of diversification, already well under way, is for more CDCs to expand into nonhousing types of development that produce bankable physical and economic assets. These include supermarkets, commercial strips, franchise establishments, contracted social service delivery, business incubators (especially in Empowerment Zones, where new sources of capital and technical assistance are available), and some community facilities.

A second type of diversification entails developing assets for residents. Increasingly, CDCs are seeking to provide affordable home ownership opportunities in their neighborhoods. The move into home ownership is not without its disadvantages: for-sale developments usually have fewer units than do rental developments, and generate correspondingly lower development fees. It also has the potential for conflict (both within the community, and between the CDC and other nonprofits with which it may compete for funds), because home ownership programs rarely serve very poor households.

Nevertheless, the upside potential is considerable. Home ownership units are an attractive way to rebuild neighborhoods having substantial vacant land, at densities consistent with central cities' reduced population. The opportunity to own is a powerful lure to draw and hold working families for CDC-served neighborhoods, increasing neighborhood stability. Their presence is likely both to make for a healthier community (Wilson 1987) and to strengthen the neighborhood's ability to demand improved education, safety, and city services, since homeowners constitute a taxpaying constituency. Homeowner recruitment and counseling provide a natural opportunity for CDCs to do organizing. Developing for-sale units also has the advantage that the CDC doesn't become responsible for property management.

Resources to support home ownership programs are likely to be available. Supporting home ownership is politically popular. The stimulus of the Community Reinvestment Act (CRA), combined with active advocacy by ACORN and others, is making home mortgages more available in inner city neighborhoods. This availability will be strengthened by Fannie Mae's efforts to intensify outreach to low-income consumers and to develop new financial products that meet their needs.

A third diversification strategy breaks significant new ground and is correspondingly difficult. It takes advantage of the fact that the same types of macro pressures that are forcing community development to change are forcing other institutions to change, as well. The resulting opportunities will "pull" CDCs into new domains, because they are often in a strong, sometimes unique, position to be community-based partners. For example:

- Community policing is now an idea in good currency, opening a growing number of police departments to more engagement with the communities they serve. Even those departments that do not adopt the full community policing model may nevertheless be newly receptive to communities' attempts to institute crime-watch programs and other safety-enhancing activities.
- Progressive social service agencies have believed for some time that a greater presence in the communities they serve and stronger ties to the institutions in those communities would enable them to provide better service. The devolution of responsibility to states and localities for the range of services associated with welfare reform and "self-sufficiency" will increasingly press even less progressive agencies in the same direction.
- Advocates of school reform are increasingly of the opinion that sustained, system-wide reform will require school systems to reconnect with community stakeholders.
- Community-based networks are showing signs of promise as mechanisms for giving residents of poor neighborhoods access to specialized metropolitan or regional job training and placement facilities (Harrison and Weiss 1994).

These options have three things in common. First, they involve indirect (rather than direct) provision of goods and services, and those goods and services are "soft," i.e. services whose effects are not bankable and are hard to measure, like safety, job access, and neighborhood voice in city actions that affect the community. Developing new ways to demonstrate the quality and value of these "soft" goods, and making the CDCs' role in delivering them clear, will be critical to sustaining support for them. Indicators of performance will thus be of interest to all CDC funders (as well as to the CDCs themselves), but are likely to hold particular importance for supporters from the private sector.

Second, these options present opportunities to broaden and diversify the base of support for CDCs by linking them to important community institutions to which the CDCs can be of genuine service. Partnerships that are built on mutual gains and that yield valued community benefits provide a basis from which to seek financial and in-kind support.

Finally, in these examples, the CDCs are valued partners because of their presumed ability to provide a sound community base for a proposed activity. Delivering this asset to prospective partnerships will require of many CDCs that they broaden and deepen their community roots. Unless they do so, CDCs that are not primarily producing bricks and mortar will be hard pressed to avoid challenges to their legitimacy as they seek to represent their communities, to get full credit for their contributions, and to represent well the full range of neighborhood interests. Strengthening the community's social organization is also a way to identify and nurture new community leadership—a "product" in which many private sector funders have a strong interest.

Despite the need to diversify the field, CDCs cannot all become diversified direct service providers. The growing scarcity of resources will make progressively more apparent a truth that has been lying dormant for some time (and resented mightily by some CDCs when it has threatened to awake): the "system" cannot attract enough resources to support a comprehensive CDC in every disinvested neighborhood that would benefit from one. Indeed, in some localities either the number of CDCs will decline, or CDCs will adopt specialized roles, or both. The large, multi-service "mature" CDCs—implicitly the models that the field has pointed to as exemplars of the up-side potential of CDCs—are enormously accomplished and are properly commended for their accomplishments, but they are not a model for the future.

Rather, new types of partnering activities will necessitate adoption of new roles such as brokering, negotiating, developing shared agendas with organizations that have substantially different orientations, networking, and outreach in the community. This movement into new roles will go hand in hand with growing pressure for CDCs to consider joint ventures, consolidations, mergers, and role specialization. All are fraught with difficulty.

The first three are already receiving attention in the philanthropic community (La Piana 1997), and community development practitioners are struggling to learn quickly the lessons from two recent and apparently successful CDC mergers in San Diego and Boston. Role specialization has been widely, but more quietly discussed. In cities with a substantial number of CDCs, it is relatively easy to imagine, for example, that the large, efficient housing producers might realize economies of scale by developing units throughout the metropolitan region, leaving smaller groups to focus on nondevelopment activities, like organizing and community policing, that require a strong community base. However, the field does not yet have a strategy for accomplishing this without *de facto* creating (or perpetuating) two classes of CDC citizenship—groups that are mainly advocates, neighborhood planners, brokers, or organizers, and those that are the "real" CDCs, i.e. the developers. Facing role specialization, the field will have to decide whether it is really about physical development or about supporting community more broadly. If the latter should be the case, the boundaries of the field would have to expand, and to blur, because increasingly the CDCs will find common cause both with community-based groups that do not engage in development, and with nonprofit development or community-supporting organizations that lack a community base.

Resource scarcity will often be cited as the reason for these organizational changes, but they are not spurred by that alone. Many CDCs are stretched very thin, and building their capacity to take on new activities is a lengthy process that may be hard to justify in a resource-poor environment. On the other hand, to overburden existing groups without strengthening their capacity, simply because they are "the only game in town," sets them up for hard times and possibly for failure that deprives the community of an effective agent for neighborhood improvement.

In sum, the issue for the future is whether the field can continue to demonstrate "the art of the possible" in a new environment that presents some emerging opportunities, but also some clear and formidable challenges. To do so, the CDC "industry" must look for ways to preserve and build its current strategic advantages—scale, unity, passion, political neutrality, and a diverse base of support—while increasingly taking on areas that do not entail the production of bankable assets. In effect, the field must strengthen some of the qualities that made it a powerful *movement.* If it can do so, CDCs should sustain important and dynamic roles in their communities well into the next century. If it cannot, they are likely to remain institutionalized as producers of housing, some closely related services, and small commercial properties in poor neighborhoods, but they will be weakly positioned to realize their full potential as agents of community change.

AUTHOR'S NOTE

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NOTES

1. This paper uses the term "community development corporation" generically, to refer to the full range of community-based development organizations, which

may have a variety of names, e.g., Neighborhood Housing Service (NHS), neighborhood improvement association, community revitalization corporation. Their common characteristics are that they are incorporated as nonprofit (usually 501(c)3) organizations and are engaged in physical and/or economic development in their communities, which are most commonly defined geographically. Although the term is generic, this paper deals primarily with those CDCs that serve urban populations.

2. Definitive statements about the rate of CDC formation over time are not possible, because no information is available about the numbers of CDCs that have "died" or merged with other organizations. In addition, since the periodic census conducted by the National Congress for Community Economic Development considers an organization a CDC only after it has completed its first project, rates of CDC formation in the years immediately preceding each census are artificially low because they do not include groups that self-identify as CDCs, but whose initial projects are planned or in progress. However, the number of such "fledgeling" groups captured in the census doubled between 1991 and 1994 (NCCED 1995)—clearly suggestive of the field's rapid expansion.
3. The limited evidence available about the operating efficiency of CDCs (and it is weak) suggests that the fraction of the annual budget devoted to "core" operating costs declines markedly when groups achieve an operating scale of roughly $1 million (Vidal 1992, 47).
4. The National Community Development Initiative (NCDI), now in its sixth year, was designed to foster local partnerships to help CDCs grow, build capacity, produce affordable housing, and undertake other community service activities. Begun with an initial commitment of $62.86 million from seven major foundations and a major insurance company, and implemented locally by LISC and the Enterprise Foundation, NCDI is now active in 23 cities and has expanded its funding base substantially.
5. Typically, they are located in places that have a rich supply of nonprofit agencies providing other services, and they are commonly spin-offs of other, more diversified organizations that saw the need for a local housing provider but preferred to remain focused on "softer" or more political activities rather than assume the developer role themselves.
6. See Vidal 1992, Chapter V for a more thorough discussion of these organizational characteristics and their effect on real estate production.
7. NRC operates in a different policy context. It was founded specifically to support housing, and Congress appropriates the funds that allow it to serve as a secondary market for the national network of Neighborhood Housing Services organizations.
8. These reflections on the influence of the intermediaries over the past 17 years are not intended to suggest that their accomplishments were, from the outset, part of a grand, strategic design. Their origins were surrounded by uncertainty about what their role would be, and even questions about whether they could survive. Their distinctive approaches to the task of supporting community-based development have emerged slowly, over a period of years. Only with hindsight has the big picture become clear.
9. Although the focus here is on the national intermediaries, local intermediaries (sometimes products of a national intermediary's work, and sometimes of local genesis) have also played an important role, albeit one that is not well documented.
10. Greater Boston Community Development (now The Community Builders) and the Chicago Housing Partnership pioneered an increasingly complex and sophisticated process for syndicating housing development projects in packages rather than singly—precursors to the more widespread equity funds that developed after the passage of the low-income housing tax credit.
11. The contribution of the low-income housing tax credit to the CDC movement's recent growth spurt is multifaceted. Over and above the significant resources it makes available for project equity, and the stake it gives participating corporations in the success of the CDCs' work, the fees earned for packaging and marketing the credits and for portfolio management are an important source of income for the intermediaries themselves.
12. These figures do not include below-market-rate loans to the intermediaries, which have also been substantial.
13. Ultimately, of course, the source of most of these funds is the federal government. Private sector investments in affordable housing are driven by the availability of federal tax credits, and local government contributions come mainly from federal block grant funds, chiefly CDBG and HOME.
14. For a more complete discussion of these environmental challenges to CDC rental housing development, see Vidal 1996.

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