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Comparative Advantages: Creating Synergy in Community Development

Robert O. Zdenek, DPA

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Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, California 94105
www.frbsf.org/cdinvestments

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Introduction

Community development is at an important juncture. Community development has emerged over the past 45 years as an effective strategy for revitalizing diverse low-income communities, and has received political and economic support from a number of powerful public and private sector stakeholders. Community development grew enormously in the 1980s and 1990s, as documented by six community development surveys between 1987 and 2010 (see appendix for additional discussion). The first survey completed by the National Congress for Community Economic Development (NCCED) found that there were 1,500 CDCs as of 1987, and by the fifth survey in 2005, there were 4,500 community development corporations (CDCs). CDCs were not the only community development organization that flourished during this time period. Community development financial institutions (CDFIs), regional affordable housing organizations, community-based enterprises, and more recently social investment organizations have also added significant capacity to the community development sector.

The external support for community development, especially community development corporations, is starting to fray. Public and private sector stakeholders are emphasizing other important interventions from education to health. The Great Recession had a dramatic effect on reducing the production of affordable housing in low-income communities through tightening the availability of credit and increasing the amount of abandoned properties in neighborhoods that community development organizations serve. The community development model in many urban neighborhoods was built on the ability of community development organizations to develop and renovate additional units of affordable housing, generating development and management fees throughout that process. When housing declines, community development loses a large source of its funding base.

Funders and other stakeholders are starting to require that community development organizations partner and/or collaborate with other community development organizations in their respective areas. Major initiatives from Living Cities' Integration Initiative to the federal government's Social Investment Fund mandate that community development and other organizations work together on major initiatives. These initiatives, whether based on affordable housing, community education, public health or sustainable energy initiatives, require the active participation of multiple organizations, as individual organizations generally do not have the specialized expertise or breadth to successfully implement these comprehensive initiatives.

Since increased collaboration is inevitable, it is important to understand the competencies of participating organizations. Partnerships that build upon the strengths and competencies of diverse organizations will more likely succeed in obtaining their outcomes. A comparative advantage of different types of organizations is a helpful approach for both practitioners and funders to deploy when working with multiple organizations. Small neighborhood organizations with a history of community engagement are going to tend to know local political leaders better than a large regional organization that has not worked in that location. Conversely, a large regional organization has financial resources and management systems that are beyond the capacity of most neighborhood based organizations.

There is growing experience and knowledge on how to deploy comparative advantages of different types of organizations. Sharing resources among organizations for a particular initiative reduces costs and can lead to greater efficiency. Five participating organizations may not need five chief financial officers, rather one or two at the most. Marketing and communication are other activities that can be shared. Certain development functions lend themselves to decentralization or centralization. Recruiting tenants or potential employees can be a more decentralized task, while fundraising, data management and financial management are usually better to centralize. Deploying a comparative advantage framework will make it easier for decision makers to see which organizations should perform essential functions in the collaboration. Community development organizations can utilize their competencies to partner with other organizations.

The goal of this paper is to provide insights and tools to help community development practitioners, policymakers, funders, and other stakeholders better understand how to maximize the effectiveness and impact of different types of organizations at the local and regional level. Increased effectiveness and sharing of limited resources is critical to addressing complex community development initiatives from foreclosure prevention to sustainable energy to urban education to job creation. This paper is designed to provide clarity to help practitioners and stakeholders navigate the challenging environment facing community development.

Topics covered in this paper include: the limitations to comparative advantages; reasons why comparative advantages are more important in this current environment; increased competition and the changing nature of capacity; community development core competencies; brief descriptions of four major types of community development organizations; examples of innovative and effective partnerships; and implications of comparative advantages for community development.

Limitations to Comparative Advantages

Before making a case for the importance of comparative advantages and competencies of different types of organizations, it is important to recognize that CDCs can also become regional affordable housing and development organizations. In addition, some large CDCs establish loan funds, venture funds, and community development credit unions, and a number of CDCs are certified as CDFIs by the Department of Treasury. Community-based development organizations evolve based on need, opportunity, and capacity. While community development boundaries can appear fuzzy, there is a strong need to focus on their relative strengths and partner with other organizations who have different strengths that are essential for completing community development initiatives.

Another challenge to a framework based on proposed comparative advantages is that diverse activities have different levels of compensation and profitability in the community development system. Community organizers and advocates do not tend to be compensated at the same level as a staff person developing a large mixed-use real estate complex. Larger scale projects will tend to have higher profit and/or revenue generation cost centers than a small in-fill housing project or small child care center. As part of a community development ecosystem, it is important to recognize that there need to be financial incentives for a diverse array of community development initiatives. If a small place-based CDC decides to shift focus from development to organizing and planning, then financial incentives should be aligned to support the CDC providing effective organizing and planning. Social services are another activity that is increasingly underfunded due to public sector budget constraints. CDCs and similar organizations should be funded based on outcomes, as opposed to outputs (for example, helping to stabilize families and communities). Community development organizations participating in partnerships and collaboration need to share revenue streams fairly. Community organizing is as valuable a skill as project development.

Reasons Why Comparative Advantages Are More Important Today Than in the Past

While there have never been sufficient resources to revitalize communities, the last five years have seen a significant erosion of both private and public sector dollars, with a brief exception of federal stimulus dollars in 2009 and 2010. There are both negative and positive reasons for focusing on comparative advantages and partnership opportunities. These reasons are a combination of environmental and organizational factors that demonstrate the need for community development organizations to better understand their core competencies and refine these essential strengths. Some of the major positive reasons include: collaboration and partnerships; shared platforms and infrastructure; benefits of centralization and decentralization; and the growth of federal cross-sectoral initiatives. Negative factors include: shrinking development projects, especially affordable housing; growing complexity of community development initiatives; and restrictive public sector funding.

Positive Factors

There is growing awareness that organizations that focus on their strengths and partner with comparable organizations can often create economies of scale and expand market opportunities. In a recent book, *Megacommunities*, the authors, Gerencser, Van Lee, Napolitano, and Kelly posit that the complexity of today's major issues demands a multi-sectoral approach in problem solving and implementation. They further state that in order to be successful, one must create adaptable, cross-organizational structures and networks with overlapping vision and goals.

A recent article by John Kania and Mark Kramer in the Winter 2011 Issue of the *Stanford Social Innovation Journal* states in a compelling manner that what has stymied progress on major social issues is the lack of "collective impact." Drawing from their knowledge of the education sector, the authors expound that what is critical is to focus on a single set of goals and measure them the same way. Their example is the Strive Initiative in Cincinnati, Ohio, which focuses on the entire educational community and has improved 34 out of 53 educational outcomes, unheard of among large school districts. Kania and Kramer expand their research and suggest that collective impact initiatives include a centralized infrastructure, dedicated staff, and a structural process that leads to common agendas, shared measurement, continuous communication, and mutually reinforcing activities among all participants. The significant opportunity behind collective impact is the ability to build strong and durable systems for community development.

The collective impact approach also speaks to some positive developments in community development which can be accelerated in the next few years.

Shared services and products. While shared services and products are not unique to community development, there has been a significant increase in the number of shared services and products including joint space, accounting, marketing, and property management. Business incubators, which are becoming more prevalent in community development, are an excellent example of an initiative that shares a wide range of products and services. Incubators offer shared space, equipment, marketing, technical support, and financing. Property management, planning, and marketing also lend themselves to a shared strategy among multiple community development organizations. Shared services save costs and resources for nonprofits as well as spread the risk of costs and programs among several organizations.

Shared infrastructure and platforms. Shared infrastructure is offered by funders and intermediaries to increase efficiency and impact among grantees in specialized fields. NeighborWorks America has offered shared services and platforms for their member organizations including property management, insurance, and certification in housing. This platform is offered primarily to NeighborWorks members. Associations and networks can offer shared infrastructure and platforms to a broader array of community development organizations. Housing Partnership Network (HPN), the association of large regional affordable housing developers, has established a group buying program where they offer substantial discounts to members for building materials and green technology products from large corporations. At a more local level, The Cleveland Housing Network has shared infrastructure and project development expertise with select CDCs in Cleveland for nearly 30 years, notably in leased purchase opportunities. Shared platforms are a great way to standardize services and products across a spectrum of organizations.

Centralization and decentralization. Related to the concept of shared infrastructure and platforms is the idea of centralization and decentralization of products and services to increase efficiency and impact. Community development encompasses both a wide range of finance and project skills coupled with "high touch" human services and broad engagement with diverse community stakeholders. Professional fields often centralize technical skills (financing, fundraising, data management, information technology, management) and decentralize higher touch services (outreach, case management, and organizing). Workforce development intermediaries and Individual Development Account (IDA) initiatives involve numerous organizations to effectively deploy centralization and decentralization as a strategy for increasing their effectiveness and impact, involving numerous organizations. Consortiums and networks benefit from focusing on centralized and decentralized services, especially since it can be challenging to have diverse organizations collaborating on the same initiative, given the natural tendency to work as individual organizations as they have often done.

Growth of federal cross-sectoral initiatives. The Obama administration has spurred the growth of a series of cross-cutting federal initiatives that require a diverse range of community-based institutions and expertise. These examples include Promise Communities, Choice Neighborhoods, Social Innovation Fund, Sustainable Communities and Transportation Tiger Grants. Some of these initiatives connect housing, education, and transportation, while others link youth, education, and economic development. This shift moves away from the categorical, silo approach to a more collaborative approach that connects different sectors and institutions to build synergy and stronger outcomes. The Strive example under the collective impact discussion earlier in this paper points to the opportunity and success in developing systems that work across initiatives improving outcomes for intended beneficiaries, in this case, students. Private funders are also emphasizing cross-sectoral initiatives with Living Cities' Integration Initiative as a prime example where community development is connecting public health with organizations working to improve access to healthy food.

Negative Factors

While there have clearly been some positive reasons for encouraging community development comparative advantages that lend themselves to partnerships, there are also some negative factors that sharpen the need for community development institutions to explore strategies that build upon their competencies. Some of the major trends include:

Shrinkage of development projects. The development of affordable housing projects, which was the financial lifeline of many CDCs, was reduced significantly in the aftermath of the financial crisis. CDCs and other community-based development organizations counted on developer fees as major revenue strategies for their operating budgets. The decline in development fees has reduced capacity and staff size among many CDCs. Lending is starting to pick up, but it appears to be CRA driven, so not all parts of the country are served equally. The trend is also towards funding larger CDCs and regional housing developers. Some CDCs have built significant in-house production capacity that depended on a steady supply of new transactions that are less frequent or on a regular basis. One option is for those community development organizations that still have significant in-house development capacity to co-venture with other community development organizations in their region who have limited capacity or to share expertise. CDCs that have homeownership development programs can partner with other organizations.

Foreclosure crisis and growing complexity of development projects. The foreclosure crisis is having a devastating impact on low-income communities with vacant properties popping up all over the place, as well as a declining real estate value in neighborhoods. An effective foreclosure response requires an array of development and financing skills including acquisition, legal clearance and transfer, renovation, financing, marketing, financial education, and rental or sales strategy. In some neighborhoods most of the abandoned properties are single family or duplex, while in other communities they are multi-family units. The expertise and financing required to complete large scale development projects are often beyond the purview of any one organization, suggesting that a partnership strategy is essential for tackling the magnitude and impact of foreclosed properties on communities. Organizations able to acquire portfolios of vacant properties at discounted rates can partner with other organizations to renovate the buildings, find buyers, and provide homebuyer training to prospective homeowners.

The complexity of development projects is not just limited to the foreclosure response. Mixed use properties connected to transit hubs and job creation strategies given the loss of jobs for unskilled workers necessitates a comprehensive approach that involves a number of different organizational entities. This trend will likely accelerate over the next few years.

Reduction of core public funding programs. There are several major federal affordable housing and community development programs that have been instrumental to the growth of the community development industry over the past 40 years. These federal resources have experienced unprecedented federal cuts in the past couple years. Community Development Block Grants (CDBG) dollars are among the most flexible resources for communities and neighborhoods, but CDBG is at its lowest funding level in over 20 years, \$3.33 billion. Both the Obama administration and Congress are proposing more cuts to CDBG. This trend is not unique to CDBG. The HOME Federal Funding program has been reduced in two years from \$1.6 billion to \$1 billion, a 38 percent reduction, which is a huge loss for CDCs and local development authorities. Community development practitioners are facing both less funding and limitations on the use of funds, challenging the need for comprehensive responses to development. Community development organizations can partner with different types of organizations such as Public Housing Authorities or Disability organizations, who have their own funding streams that CDCs may not be able to access.

Community Development Organizations

Both the positive and negative factors identified above point to an increased significance of community development organizations utilizing their competencies and comparative advantages to forge partnerships with other community development organizations. Funders and investors are encouraging organizations to work together based on their competencies and shared expertise. This requires an understanding of the major types of community development organizations and the requisite strengths of each organization.

Increased Competition and Diverse Actors. The growth and variety of community development organizations have been dramatic over the past three decades, and the nature of capacity changed during this time period. CDCs, which are the most common form of community-based development organizations, exploded during the 1980s and 1990s representing over 4,500 organizations according to the most recent community development survey, "Rising Above: CED in a Changing Landscape," published by the National Alliance of Community Economic Development Associations (NACEDA). CDC activity in the 1970s and 1980s was largely concentrated in the Northeast, Midwest, and major urban centers in California. During the 1990s, CDCs mushroomed in urban and rural areas throughout the U.S., with the notable example of Houston increasing the number of CDCs from 5 to 70 during the

1990s (NCCED 1999 Annual Conference). Most CDCs are still relatively small with a median staff size of 7.5 as of 2007. They have collectively developed over 1.6 million units of affordable housing, and in the short time frame of 2005 to 2007, also developed over 22 million square feet of retail, office, community facility, and industrial space.

Other community development organizations were growing during this time period including regional affordable housing developers, CDFIs, and more recently, social investment entities. Many of the regional housing development organizations are housing partnerships located in either an urban area or statewide. The Housing Partnership Network (HPN), their trade association, has nearly 100 members which also includes some CDFIs. These organizations are gaining significant influence and resources, while at the same time the reduction of public funding and weak balance sheets has affected the business model of small CDCs, that are increasingly fighting for their survival.

The Opportunity Finance Network (OFN), the CDFI trade association, has over 180 CDFI members that have lent in excess of $23.2 billion as of 2009 and vary in size from small loan funds to multi-state loan funds and credit unions. While CDFIs are a significant funder of CDCs and regional housing and community development organizations, they raise capital and investments from some of the same sources that CDCs and regional developers pursue. There is a more competitive environment for fundraising than there was ten years ago.

The last ten years have also seen a growth in social enterprise organizations, which are defined by the Social Enterprise Alliance as enterprises or organizations who achieve their social or environmental mission by primarily using business methods. They can be organized as for-profits or nonprofits. This is not to imply that nonprofits do not incorporate business practices in their operations, but that they are not defined primarily by business methods. Social enterprises address economic needs through their products and services and the people they employ. The revenue strategies of social enterprises are deployed to achieve economic and social benefits. There is no data to support an accurate number of social enterprise organizations at this time.

The Democracy Collaborative affiliated with the University of Maryland has released innovative research on identifying and describing what they call community wealth-building organizations. These organizations include community land trusts (CLTs), employee-owned business in the form of Employee Stock Ownership Plans (ESOPs), and producer cooperatives. CLTs have grown significantly in the past five years with increased attention being paid to shared equity strategies that combine appreciation and equity through preserving affordability in housing. The Community Land Trust Network reports on their website that there are now 255 CLTs throughout the U.S. A few of the CLTs are created by CDCs and regional housing partnership organizations. Employee-owned businesses have also experienced dramatic growth in the past few decades due to a tax code provision that enables long-time owners to sell their company to employees. The Democracy Collaborative estimates that there are between 9,000 and 11,000 ESOPs in the U.S., with over 8 million employee owners. While the primary goal of employee owned business is profit, these businesses tend to be more engaged in community revitalization activities.

It is clear from these examples that community development organizations have grown dramatically in the 2000s and represent a wide distribution system of organizations with varying strengths and expertise. It is also clear that the funding environment, mostly public sector, which has largely fueled this growth, will continue to decline over the next few years. Many of the community development organizations described above will have to reduce their staff size and programs, and some may go out of business or merge with other organizations.

Comparative advantages are important not only when funding is declining but also as an approach and strategy to increase effectiveness and impact in community development. The starting point is to become clear on the comparative advantages of different types of organizations so the question of what to look for in partnering with another organization can be answered. Organizations can build depth in their areas of strength and share those strengths with other organizations while minimizing expenses and sharing risk present in development projects and initiatives.

While each local partnership is unique, there are core comparative advantages and strengths that each type of organization offers. The next section of this paper suggests a framework of core competencies and capacities of the major types of community development organizations and the value to funders, policymakers, and stakeholders in building those competencies. There are limitations to the framework with the major one being that competencies can occur among more than one type of organization, with the caveat that some competencies are more significant for a specific type of organization. Both CDCs and regional housing partnerships engage local communities, but the CDCs' knowledge and relationships are going to be deeper in their own neighborhood than a regional housing partnership that serves 30 neighborhoods. Conversely, a regional housing partnership will have greater capacity for assembling financing for large scale development projects than a CDC with a small project development staff.

Categories of Competencies

Some of the major core competencies that lend themselves to collaboration include: neighborhood engagement; planning and feasibility; project development; project management; resource development fundraising; and organizational performance criteria. Within each of these categories there are a number of sub-competencies that will be discussed in this section. A chart of competencies is included in the appendix with suggested rankings of the comparative advantage for the different types of community development organizations (CDCs, RHPs, CDFIs, and Social Enterprise). The chart is meant to be suggestive, not rigid. The discussion of the categories follows.

Neighborhood engagement. Community development is not just building real estate or community facilities projects, it is about engaging the community to develop its own vision of a healthy and sustainable community. Community residents need to define and control the development process to ensure that it benefits them. There is an opportunity to meld community vision and aspirations with technical knowledge both within, and in some cases outside, the community. Neighborhood engagement draws a diverse array of community leaders and residents to the development process. Some of the core elements of neighborhood engagement are:

a. Neighborhood expertise. Community development requires a deep knowledge of the community, especially its strengths, assets, and leadership. Residents bring knowledge of the history of the community and what has and has not worked in the past. They are aware of emerging leaders and trends. Community development requires local organizations to engage the community and build strong political relationships.

b. Political relationships. Strong political relationships are essential for raising resources to revitalize the community. Effective political relationships are important for planning and zoning issues as well as securing local funding for the initiative. Political relationships are increasingly important given the need to attract scarce financial and technical resources for local community development initiatives. There is a natural partnership opportunity between smaller placed based CDCs and regional housing partnership organizations that may not have the in-depth political relationships of a local organization.

c. Residential engagement. Effective residential engagement will lead to a stronger planning and visioning process and support for initiatives and projects that directly benefit the residents. Training and capacity building support is essential for growing strong residential leadership that can advocate for the best interest of the community. There are a number of good training and technical support programs from associations, intermediaries, and funders including videos, guidebooks, and webinars.

d. Advocacy. Advocacy is representing the interests of the community for quality services, housing, schools, facilities, jobs, businesses, etc. Given the political, social, and economic challenges and the increased competition for funds that low-income communities face, strong advocacy is crucial to marshal the support and resources necessary to improve quality of life.

e. Quality of life. Residents have the best understanding of what they desire in their community. Quality of life visioning and planning is often undertaken by community-based organizations that are attuned to their community. Interviews, surveys, forums, and other activities can yield quality of life suggestions from diverse residents. Once quality of life processes are complete, then it is important to report back to the participants and encourage their continued involvement with the improvement of the neighborhood. Recreation, public space, and visual art are all examples of ways to increase quality of life opportunities in the community.

f. Community networks. Community networks connect the fabric of a community, and local community development organizations are best positioned to play a leadership role in local community networks. They provide other organizations, such as intermediaries, with the chance to connect to community opportunities. As John McKnight and Jody Kretzmann pointed out in their well-known book, *Building Communities from the Inside Out,* neighborhoods have dozens of associations and informal networks that can be deployed towards strengthening the community. Comprehensive development initiatives are a good way to connect various networks in a neighborhood.

Planning and Feasibility. Community development projects need to make sense from both a community and an economic perspective. Given the condition of markets in low-income communities this requirement makes community development challenging. Community development facilitates markets that support local residents through goods and services, jobs, and skill development. Some of the best ideas and opportunities come from the neighborhood engagement process described above. Some of the major planning and feasibility elements include:

a. Community planning. Community planning combines the physical, social, and economic aspects of development in a given community. It focuses on resources and opportunities that exist within a community and how to build upon a community's strengths. Residents, businesses, and leaders should be engaged in the planning process. Community planning is closer to the city level than a city-wide or regional planning effort.

b. Project planning. Project planning requires a technical dimension given the complexity of projects that can be beyond the capacity of a small organization. Is the project viable? Will the project benefit existing residents and attract new individuals to the neighborhood? What are the benefits and outcomes of the project? Community development organizations will need to engage specialists in project planning since there are differences in project planning for affordable housing, commercial revitalization, and community facilities.

c. Feasibility analysis. The financial scenarios of projects can be quite complex and require financial expertise on the part of the organization. The financial scenarios are important to determining the viability of the project. If the project is not viable, why proceed? Another possibility would be to expand or contract the project and/or find another partner to support the project. Larger organizations often have the internal capacity, including staff and consultants to perform a feasibility analysis, where as smaller organizations may not.

d. Market analysis. Understanding local and regional markets is critical for the success of any community development initiative. Home ownership projects are challenging in high cost real estate markets and commercial real estate projects may not have adequate market capacity to succeed in a weak market. Is there a sufficient market to support a commercial retail facility in a neighborhood? Market analysis can help answer that question in terms of population, preferences, competition, gaps, etc. Small organizations can partner with larger organizations to perform successful market analysis and increase capacity.

e. Political support. Political support will help move a project forward, and there are opportunities for community development organizations to team up and build the necessary political support to implement a project. Political support can help raise or target funds, as well as reduce barriers such as time delays in getting projects approved, which can be quite costly. Engaging an organization's political supporters in the planning process can help build their knowledge and support of the project, increasing the likelihood of success.

Project Development. Project development requires a variety of different skills from land assemblage to tenant management. Some of these skills can be handled in-house, while other project development skills could exist with another organization. Community development projects have become more complex and often take longer to complete due to the difficulty of accessing private capital, resulting in considerable expenses incurred by community development organizations. If your organization is only going to be developing a project every few years, it may not need a large project development staff. The major components of project development include:

a. Land assemblage and site control. Land assemblage can be time consuming and require significant resources, suggesting the opportunity to partner with different types of community development organizations. Large and scatter site projects require assembling diverse land tracts, and they are time consuming and expensive. These properties must be secured before a real estate development project can proceed. Sharing resources and risk is a great way to acquire the properties needed for the project to succeed.

b. Development team. The development team requires varied skills from architects to engineers to construction managers. Organizations that have completed multiple projects tend to have larger project development staff and relationships with outside professionals that are part of the development team. Another important factor to consider is that it is expensive to maintain an in-house development team, unless there is a lot of activity and projects under development. Staff expenses can eat into the revenue that the community development organization is counting on as part of their operational and project budget. Project development teams from large organizations could be contracted to smaller organizations.

c. Project management. Designing a project management system and coordinating the schedule and performance of the development team members can be challenging. Effective project management is usually based on a track-record of experience, both in terms of what works and the numerous problems that can occur in the project development phase and how to overcome those obstacles. Completing a project on time or as close as possible and with minimal cost overruns is a technical skill that can be exported to other organizations; it does not need to reside in every community development organization.

d. Project financing. Community development projects require acquisition, pre-development, construction, and permanent financing with a mixture of small equity injections and significant debt or loan financing. These projects may have between five to ten different funding streams, suggesting significant expertise and leveraging on the part of the community development organization. Community development financial institutions (CDFIs) are an excellent source of diverse financing for community development projects, and they can also help attract other financial sources. CDFIs are starting to fund a greater number of consortiums and partnerships among nonprofits that focus on the respective development strengths of different types of organizations.

Property Management. Property management is an essential competency to the success of the community development project, as well as the sustainability of the organization who has committed significant resources and assets. Property management places community developers in the interesting position of being landlords in their community, in addition to numerous other roles they play. Property management is a discipline requiring extensive management systems knowledge and experience, with an emphasis on balancing quality buildings with affordability. The major property management activities include:

a. Property management and maintenance. The property needs to be well preserved with rents collected on time and quality services provided to the tenant. Not all tenants keep property in good condition, resulting in major expenses incurred to keep the units or facility in good condition. Some facilities, such as child-care facilities, are heavily used, need frequent repairs, and must meet required building codes. Property management can be done internally or under contract, and it requires significant capacity both in terms of units or square footage and staff. Property management lends itself to partnerships and resource sharing. There is also a scale dimension; it is more cost effective to manage larger properties since there are fixed costs that are more difficult to absorb with small properties.

b. Tenant selection. Tenant selection and retention is critical to the long-term viability of the residential, commercial, or community facility project the community development organization undertakes. It is a special skill to market and recruit tenants, and certain organizations have the capacity and expertise to complete tenant selection. Tenant selection is not the end of the process since some tenants do not pay rent and new tenants must be found. This is an arduous ongoing process.

c. Asset management and preservation. Since a number of CDC real estate projects are older buildings, asset management and preservation can be significant. Is there a reserve fund for the roof, boiler, or other large system that may need significant repair or replacement? An asset management strategy needs to be in place so that building systems can be replaced in a measured way that preserves the long-term use of the facility. Asset management and preservation can be done in-house or outside as long as there is knowledge of how to preserve the use of the building. There are firms and organizations with expertise in asset management, lending this activity to partnerships.

d. Asset disposition. Some community development projects lend themselves to being sold to other developers, enabling the community development organization to utilize the proceeds to launch new projects. This is especially important given the decline of public funding. Large scale organizations have more capacity with asset disposition strategies that may be of value to smaller community development organizations. Real estate brokers can also help community development organizations find buyers for their development projects they would like to sell.

e. Wrap around services. Residents in low-income housing developments are often in need of, or eligible for, an array of services that bolster their social and economic future. Offering services at the residential site can be very effective, as long as there is quality space for offering the services. Property management is an important part of how the services are offered in residential or community settings. Property managers need to work closely with community developers and social service providers to ensure that the facility is a conducive location for the services and that they are accessible to residents. This requires the knowledge and skills of diverse organizations.

Funding Sources. Community development is heavily driven by external funding, notably public sector funding. Earlier sections of this paper discussed the federal government trend of encouraging funding partnerships through several new initiatives including the Social Innovation Fund and Sustainable Communities, while core funding programs (CDBG, HOME, CSBG) are declining. Different community development organizations bring different funding strengths, as can be seen in the appendix. Pursuing new funding sources provides an important opportunity for partnership strategies among diverse community development organizations. These sources include:

a. Federal, state, and local government programs. There are a number of critical long-term government funding programs that explicitly mention CDCs, CDFIs, etc. The CDC programs include OCS/CED, CDBG, HOME, and the Low Income Housing Tax Credit, while the CDFI Fund at U.S. Treasury Department funds CDFIs. A number of state governments have funding programs for CDCs that are generally open to Regional Housing Partnerships (RHPs). Local governments that support community development also target their block grants and limited revenue funding programs to CDCs and RHPs. Social enterprise initiatives have limited opportunities to access government funding sources.

b. Foundations, corporations, and financial institutions. These three funding sources have played an important role in the growth of community development. Foundations have seeded community development initiatives, but often are reluctant to provide long-term funding. They also like to fund innovative new ideas and initiatives and work with the grantee to attract other funding sources. Corporations tend to fund in geographical and program priority areas, and a number of them, notably insurance companies, have long standing funding relationships with community development organizations. Financial institutions are heavily involved in community development finance due to Community Reinvestment Act (CRA) requirements. Financial institutions provide both development and permanent loans for community development projects, and they are heavily invested in the success of community development organizations. They tend to fund larger organizations that can achieve greater impact.

c. Intermediaries. The growth of community development in the 1980s and 1990s was fueled by the emergence of national and local community development intermediaries. Community development intermediaries were able to assemble significant private and public dollars and target those resources to CDCs and other community development organizations in key geographic areas throughout the U.S. Intermediaries emphasized CDCs and RHPs completing development projects in low and moderate income communities. The last 15 years has seen the growth of local community development intermediaries working to build the capacity and track-record of community development organizations. The current funding environment is also impacting intermediaries who are placing greater emphasis on partnerships among current and new grantees that address social equity and economic impact issues.

d. Community development financial institutions. CDFIs have become an increasingly significant source of funding in community development. They are mission focused organizations who offer an array of flexible financing tools, such as pre-development loans, acquisition loans, construction loans, permanent financing, and equity-like investments in businesses. They assemble their funds from a variety of different sources, and a recent positive development is that a number of them have become members of the Federal Home Loan Bank System, increasing their access to capital for CDCs, regional housing partnerships, and social investors.

e. Individuals, social investors, and brokers. Social investors who represent individuals and firms have become increasingly interested in community development and social enterprise based on the triple bottom line of social, environmental, and economic benefits to community and society. Individuals and social investors are looking for a financial return on their contribution/investment and are more comfortable with social enterprises and businesses. CDCs and CDFIs are starting to partner and fund social enterprises, as well as social service organizations who want to launch a social enterprise. CDCs bring community stakeholders, planning, and facility expertise, while the social enterprise draws from business management and growth concepts.

Organizational Performance Criteria. Community development organizations are under greater scrutiny to utilize limited funds to achieve significant impact within their community. Funders and policy makers are placing a greater emphasis on effectiveness and scale for performance, as well as assessing the capacity of community development organizations. One of the major developments is the emphasis of partnerships among different types of community development organizations. Organizational performance criteria includes:

a. Efficiency. Efficiency addresses the issue of how much capital and capacity are required to launch and implement community development initiatives. There is a cost benefit and return on investment dimension to efficiency. Some organizations are able to develop projects at less cost due to efficient development staff, while others are able to provide quality services for limited cost. Larger projects can also be more efficient due to cost sharing. This is not to suggest that smaller projects can't be important catalysts for community revitalization. Sharing resources and infrastructure is a way to increase the efficiency of an initiative or service.

b. Client service. How effective are the services for the client and how much do they cost? Expertise is hard to acquire, and if another organization has specialized expertise, then there is an opportunity to benefit from that knowledge and service. This is another area where organizations can share services and resources, and larger regional organizations can contract with smaller organizations to provide direct services, the advantage of connecting centralization to decentralization.

c. Data management. Data is essential for being able to determine the viability of a project, its effectiveness in terms of who is served, benefits, jobs, cost, and the sustainability of the initiative. Community development organizations have varying levels of data management expertise and it makes sense to have organizations with strong data management capacity share their expertise with others. The Success Measures Project at NeighborWorks America has developed indicators and outcomes that community development organizations can measure to determine the effectiveness of the project.

d. Scale. The concept of scale has drawn greater attention in the past few years, given the economic, social, and political challenges that low-income communities face. Scale is harder for smaller organizations to achieve and, like other performance criteria, encourages collaborative opportunities. Regional housing partnerships have built significant capacity and expertise in completing large real estate projects, and this capacity can be deployed to work with others. Not every project has to be large; small scale neighborhood projects are still essential for the community development revitalization process.

e. Community building. Community development is a dynamic process that engages residents and stakeholders and marshals the skills and resources of residents. Community development organizations that are strongly connected to their community have the potential to be more effective in building community than most regional organizations that serve large geographies. Organizations connected to the community can help develop future leaders as well as develop the skills of residents and employers.

Innovative and Effective Partnership Examples

Illinois Facility Fund and Beyond Housing

Beyond Housing, a large nonprofit affordable housing developer serving St. Louis and surrounding communities, formed an interesting partnership with the Illinois Facility Fund (IFF), a CDFI, which has a strong presence in Missouri. Beyond Housing attracted Save-A-Lot, the first supermarket in several decades to open a store in one of their service areas in Pagedale, Missouri. IFF partnered with Beyond Housing and was able to provide a $1.2 million loan for acquisition when financing from HUD was delayed and the project would have been lost. The grocery store secured the loan, and IFF was an integral part of the financing for Beyond Housing and their supermarket partner, Save-A-Lot. Beyond Housing has continued to grow the strategic partnership with IFF that is built upon the competencies and strengths of a Regional Housing Developer and a CDFI.

Skid Row Housing Trust and Low Income Investment Fund (LIIF)

Skid Row Housing Trust, one of the largest supportive housing organizations in the U.S., has had a long-term relationship with the Low Income Investment Fund (LIIF), a national CDFI headquartered in San Francisco. Skid Row Housing Trust has significant expertise in assembling, managing, and coordinating services to stabilize the large homeless population in Los Angeles. LIIF has provided an array of financial and technical support to Skid Row initiatives and recently provided a $100,000 pre-development loan and a $2.1 million acquisition loan towards Abbey Apartments, a complex of 113 units that integrates housing and services for homeless individuals and families. This partnership is augmented by Skid Row's knowledge of the real estate development and support services, coupled with LIIF's expertise and resources in financing and project development.

Community Business Network

A group of CDCs in the Boston area formed the Community Business Network to provide financing and technical support to small businesses that create jobs for local residents. The three lead business partners are Dorchester Bay Economic Development Corporation (DBEDC), which is also a CDFI lending to small businesses, Jamaica Plain Neighborhood Development Corporation, which owns a Samuel Adams Brewery complex with a number of other existing businesses and offers loan packaging to local businesses, and Viet AID CDC which works with immigrant businesses in Dorchester, Boston, and Quincy. The three organizations dedicate staff to the Community Business Network and they raise both operating capital and loan capital. They refer businesses to each other for language niche and various capital needs. There were initially 11 organizations in the Community Business Network, but now there are three who are very focused on working together to promote small business development and job creation. DBEDC is the lead lender in this partnership.

East Bay Asian Local Development Corporation (EBALDC)

East Bay Asian Local Development Corporation (EBALDC), a large regional community development organization serving the East Bay in California, co-developed the Lillie Mae Jones project with Community Housing Development Corporation (CHDC), a local CDC in Richmond, California. The Lillie Mae Jones Project is a 26 unit rental housing project for very low-income families in North Richmond with nine of the units set aside for families with disabilities including HIV/AIDS. EBALDC arranged the financing and contracted with Rubicon Services to provide the supportive services, while CHDC's role was planning and community engagement. This partnership played to the strengths of both organizations, enabling EBALDC to expand their development work beyond Oakland and bring in a first-rate service provider. CHDC benefited by co-developing 26 units of rental units targeted to very low-income families in their service area.

Community Asset Preservation Corporation and Cornerstone Housing Partnership

Community Assets Preservation Corporation (CAPC), a subsidiary of New Jersey Community Capital, organized a consortium of affordable housing developers to develop shared equity (deed restricted housing, community land trusts, leased purchase) homeownership units in Newark and Essex County, NJ. The consortium received funding from the Cornerstone Partnership, an affiliate of NCB Capital Impact, to create a consortium, develop 100 units of housing in two years, and build the capacity of the Essex County Community Land Trust. CAPC, a CDFI, is providing overall program management, data management, and fundraising and is developing a number of the units. Three CDCs are participating in the consortium and their roles are to develop a portion of the units as well as provide specialized services including recruitment, homebuyer counseling in English and Spanish, and financial coaching in English, Spanish, and Portuguese for prospective homebuyers. The last partner, the Essex County Community Land Trust, is co-managing the data system and is responsible for the long-term stewardship strategy for the housing units. Each member of the consortium has specialized skills that are being deployed to achieve the overall goals of the consortium.

Conclusion and Implications for the Community Development Field

There are several important themes and strategies that emerge from analyzing comparative advantages among diverse community development organizations. Given the clear direction that community development practice is evolving toward greater partnerships and collaboration, the concepts below can be of value to the community development field. Community development is an adaptive discipline rooted in local communities, so each of the strategies discussed below will need to be applied in a flexible manner.

Shared resources, notably staff, equipment, and space, which are among the largest expenses for nonprofits, can be reduced significantly when diverse organizations share resources. Consortium members may not individually need a chief financial officer or chief information officer. Those resources can be shared with the potential of significantly reducing operating costs, while maintaining expertise and quality. The same is true with office space, equipment, and materials being utilized among diverse nonprofits.

Community development and other fields are becoming increasingly specialized. Community development organizations cannot be experts in every aspect of community development from planning, development, management, and neighborhood engagement. Stay focused on the core competencies of the organization and find other partners who have the specialized expertise to augment the project. Of course, one of the major challenges is to ensure that organizations get compensated for their expertise as part of the development process so that they will be able to sustain their strengths. It is also critical that the community development organization is careful in selecting partners who have expertise and competence and can add value to development opportunities.

Community development requires project technical skills, and community organizing/engagement skills. Certain disciplines centralize data management, fundraising, project development, and evaluation funds that require a certain level of resources and technical expertise. Just as important are the roles of organizing and providing supportive services to residents of housing and other types of community development projects including employment and training, asset building, and supportive services. Combining technical development with services is an effective approach for positive community development outcomes.

It is not just the federal government that emphasizes and funds integrative initiatives. Living Cities, a consortium of private funders with several public funders, has launched their large new initiative called The Integration Initiative in six major cities across the United States. One of the central goals of this initiative is to coordinate diverse programs and forge partnerships among diverse organizations and sectors. Other private sector funding consortiums are emerging to promote and implement comprehensive initiatives through partnerships and collaborations. Competencies and comparative advantages are effective tools for building partnerships based on strengths and shared interests.

Robert (Bob) Zdenek *is the director of National Neighbors Silver at the National Community Reinvestment Coalition. His diverse and significant leadership experience includes serving as executive director of the Alliance for Healthy Homes and president of the National Congress for Community Economic Development (NCCED), the former national trade association of community development corporations. He was also interim executive director of the National Housing Institute in 2007 and 2008. Additionally, he was a senior program officer at the Annie E. Casey Foundation and vice president for Community Building at United Way of America where he helped launch the community partnership model for asset building for United Ways. Bob has a doctorate in public administration from the University of Southern California and is currently part-time faculty at New School University.*

Appendix

Community Development Capacity Chart
Comparative Advantages (high, medium, low, n/a)

	CDC	RHP	CDFI	SEO
Neighborhood Engagement				
Neighborhood expertise	high	medium	low	n/a
Political relationships	high	medium	low	n/a
Resident engagement	high	medium	low	n/a
Advocacy	high	medium	low	n/a
Quality of life	high	medium	low	n/a
Community networks	high	low	low	n/a
Planning and Feasibility				
Community planning	high	medium	n/a	n/a
Project planning	medium	high	n/a	medium
Feasibility analysis	high	high	high	n/a
Understanding markets	medium	high	high	high
Political approval	high	high	medium	medium
Project Development				
Land assemblage and site control	medium	high	n/a	low
Project financing	medium	high	high	medium
Development team	medium	high	n/a	medium
Project management	medium	high	n/a	low
Tenant selection	high	high	n/a	medium
Mixed-use projects	high	medium	n/a	medium
Project Management				
Property management	medium	high	n/a	medium
Asset preservation	medium	high	n/a	medium
Asset disposition	medium	high	n/a	medium
Wrap around services	high	medium	n/a	medium
Types of Projects				
Small scale housing <20 units	high	medium	high	medium
Large scale housing >20 units	medium	high	high	n/a
Mixed-use	high	high	high	medium
Business development	high	medium	medium	high
Workforce development	medium	low	n/a	medium
Community facilities	medium	high	high	n/a
Industrial development	low	low	n/a	medium

Funding Sources

Federal government	medium	high	high	low
State government	medium	medium	medium	low
Local government	high	high	medium	low
Financial institutions	medium	high	high	medium
CD Intermediaries	high	medium	low	low
CDFIs	medium	high	n/a	medium
Foundations	medium	medium	medium	n/a
Corporations	low	medium	medium	n/a
Social Investors	low	low	medium	high
Individuals	low	low	medium	high
Brokers	low	low	medium	medium
Return on investment	low	medium	high	high

Oganizational Performance Criteria

Efficiency	medium	high	medium	medium
Client service	high	medium	high	medium
Data management	medium	high	high	high
Scale	medium	high	medium	medium
Community building	high	medium	low	low

Abbreviations

CDC- Community Development Corporation
RHP- Regional Housing Partnerships
CDFI- Community Development Financial Institutions
SEO- Social Enterprise Organizations

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