

# The Important Work of Community Development

## THE BEGINNING OF A NEW ERA

When Senator Robert Kennedy (D-NY) toured the Bedford Stuyvesant neighborhood in New York City in 1967, he was challenged by neighborhood activists to go beyond rhetoric and help create tangible, programmatic solutions. Kennedy embraced this challenge and, with fellow US Senator Jacob Javits (R-NY), developed legislation that led to the creation of a new vehicle to attack urban decline: the community development corporation (CDC). Since then, CDCs and other participants in the community development sector have created important strategies for revitalizing the physical, social, and economic fabric of thousands of low- and moderate-income communities throughout the USA.

In the last 50 years, community development work, which is about engaging and empowering local citizens to improve and strengthen communities, has expanded and evolved to respond to changing social, political, and economic conditions. In this chapter, we provide a quick overview of the evolution of the sector to date.

## COMMUNITY DEVELOPMENT IS COMPLEX

Communities are dynamic, complex systems, with an abundance of competing needs and differing views on best solutions. Frequently, the desire to make investments and improvement outstrips the available resources. Community development is complicated further by the accelerating pace of

economic, political, and technological change, which can drive transformations to social systems and culture. The work to improve communities is cross-sectoral and multi-disciplinary and involves a plethora of people, organizations, and institutions. Success depends on the effectiveness of the various parties and their ability to work together to define and solve complex problems (Amadei 2015).

Community development work can be carried out by a range of private and public entities. This book focuses on three types of organizations that have led and delivered the majority of the community development work by the nonprofit sector: CDCs, regional housing development organizations (RHDOs), and community development financial institutions (CDFIs). Each of these types of organizations has similar missions which typically comprises improving the lives of low- and moderate-income individuals by creating vibrant, healthy communities. However, the business models, approaches, and competencies of these organizations differ. Chapter 3 provides a detailed description of the characteristics of the three types of organizations.

Complex problems require comprehensive solutions that require considerable knowledge and resources. In a 1998 report, titled *More than Bricks and Sticks*, Glickman and Servon cautioned that community development organizations that take on a comprehensive approach to their work can face significant challenges because they may not have the financial and technical resources needed to be effective with a comprehensive agenda. A growing body of community development organizational research contends that supporting a large, diversified staff and series of programs is often too complicated and costly for organizations, which frequently operate on thin financial margins (Zdenek and Steinbach 2002). As circumstances shift, organizations may be forced to narrow their scope or specialize in areas where resources are available.

### SHRINKING RESOURCES TRIGGER NEW WAYS OF WORKING

Financial support to community development organizations, which has historically included capacity building and operating support, and project support in the form of grants, low-cost loans, and project equity, has fluctuated over time.

Basic capacity building assistance typically included skills training and funds for operations. It was usually delivered by foundations, the public sector, and/or regional and national intermediary organizations.

These supporters of the community development sector, along with other community organizations, public and private institutions and businesses, formed a networked system for initiating and executing community development work. They functioned like an ecosystem, with interdependent organizations and institutions that are aligned in purpose and interact with each other and their environment.

Operating support and capacity building assistance took a big hit after the Great Recession of 2008 when there was a decrease in funding for the community development sector (Smith Hopkins 2012). The public sector tightened its spending and foundation support for community development operations and programs also suffered. As foundation investments experienced losses, grant giving was reduced. The demise of the Fannie Mae Foundation, which was a national leader in philanthropic support for community development, had a major negative impact on the sector. From its creation in 1979 to its closure in 2007, the Fannie Mae Foundation had spent more than \$1 billion to support affordable housing production across the nation (Adler 2007; Sullivan 2011; Baer 2015). The federal government helped fill the gap for community development projects with some short-term stimulus programs including the American Recovery and Reinvestment Act of 2009, but many financial institutions withdrew from the affordable housing market.

The financial crisis and recession brought harsh consequences for communities that had been struggling to revitalize. In the years leading up to the crisis, unscrupulous lenders, 85% of whom were not regulated, exploited low-income home buyers and communities with sub-prime loan products that resulted in 7 million foreclosures. The communities hit by home loss and abandonment were disproportionately communities of color (Harvey 2016). Relaxed mortgage lending standards, low interest rates, and the proliferation of sub-prime mortgages, all contributed to the housing bubble. With profits and greed driving Wall Street, the baseline for loan quality was at an all-time low. Bad and tenuous mortgage loans were packaged and securitized and sold to many unsuspecting investors. The creation of a “shadow banking system,” which included investment banks, hedge funds, and structured investment vehicles, became highly leveraged. When values stopped rising, the bubble burst and began a cycle of deleveraging and loss (Holt 2009). All of this meant huge setbacks for communities that were hit hard by the resulting foreclosures. The vast number of foreclosed properties resulted in lower property values and the reversal, in some cases, of years of community revitalization work (Hewings 2012).

After 2008, financial institutions, foundations, and public entities still working in community development gravitated toward the strongest organizations. As a result, these organizations did well and grew their portfolios during this period. The foreclosed home inventory and stimulus funding created opportunities for those organizations that were financially stable and able to take advantage of local and federal programs to acquire and reposition the housing.

But community development organizations with weak balance sheets found themselves with fewer operational grants and less access to capital and other flexible low-cost sources that they once had. These organizations suffered as project development opportunities and the related fee income shrank. With development no longer a feasible course of action, many had to redefine their role in the community and look to working with partners that could develop.

Community development organizations that still had access to capital found that the recession left them facing bigger challenges in their communities. This meant that they needed to find additional resources and/or expertise. These organizations recognized that to tackle the problems at hand, they had to work across silos with new partners who had resources and expertise to help solve the complex problems that lay before them.

In sum, after the Great Recession, the community development sector found itself needing to rethink its business approach and how it carried out its work in the community. To survive and thrive, it became essential for organizations to access new resources, become catalytic leaders, and work with new partners and constituencies.

## MASTERING THE BASICS

Community development organizations have advanced significantly in the last two decades. Functioning as social enterprises that reinvest their profits to advance their charitable mission, community development organizations operate with multiple bottom lines in mind. Their real estate development and lending work must be financially viable, while meeting the social and economic needs of the residents, integrating well into the community, and, where applicable, being as environmentally sustainable as possible (Bratt 2012).

Organizations that are successful today have grasped essential competencies for doing community development work. They have mastered the “five components of community development capacity” as defined by

Glickman and Servon, which include resource, organizational, programmatic, network, and political capacity (Glickman and Servon 1998). Sophisticated community development organizations today have developed an array of technical and human skills that will allow them to function and thrive. Experienced organizations no longer have a need for “capacity building” assistance for basic skills and functions, but rather need advanced training and targeted assistance to advance sophisticated systems and processes.

Some community development organizations have found success in going deep in one particular area by creating a vertically integrated model that masters all of the steps in a particular business line. However, it can be difficult to transfer this expertise to other disciplines.

For example, Homewise, a nonprofit CDFI located in New Mexico, has created a company whose mission is to help create successful homeowners. They achieve this by offering homebuyer education, affordable home construction, financial products, brokerage services, and loan servicing (Homewise 2016). Since their start in 1986, they have developed expertise in all facets of the homeownership business, including financial products for home repair and refinancing. While Homewise has developed efficient systems for this work, if they moved into different business lines, such as job training or health care, they would either need to find a partner with that expertise or spend a lot of time and money to add organizational capacity in those areas.

## PARTNERSHIPS AND COLLABORATIONS GAIN IMPORTANCE

At the same time that community development work has become more complex, funders, investors, public officials, and external stakeholders are placing a premium on strategic partnerships and collaboration, due in part to the wide breadth of community development needs. There have been some efforts on the part of funders to encourage partnerships between organizations, such as the LISC Sustainable Communities initiative which works with multiple organizations to improve the quality of life in low-income communities; the Living Cities Integration Initiative which strives to reshape programs, policies, and resources to achieve positive change for low-income communities; and the JP Morgan Chase PRO Neighborhoods program designed to encourage collaboration among CDFIs (LISC and JPMorgan Chase 2016). There is recognition that community development intersects with numerous fields and that the work

of building communities needs to align with other systems that affect the success of that community, such as health care, education, employment, transportation, and environmental quality.

### MORE PLAYERS ENTER THE FIELD

The movement of organizations not traditionally involved in community development to become more active in this arena stems from the fact that human needs are not neatly organized in silos. Addressing human needs requires a multi-sector approach to achieve results. As social service agencies, educators and health providers consider the influence of place on their clients, they have moved to provide solutions that are community development in nature.

For example, the affordable and decent housing can improve health outcomes. Thus, some agencies working with populations with special health needs have begun developing housing for their clients. As safe, affordable homes can help individuals in their recovery from mental and physical illness, mental health organizations have developed housing to fill this need for their clients. Agencies working with the elderly have developed programs to make housing more age-friendly.

In the future, to be relevant and impactful, community development organizations will need to respond to the economic, social, physical, and health determinates that negatively impact communities. They will achieve this by leveraging their comparative advantages and collaborating with diverse types of organizations that have complementary abilities and resources.

### GOALS FOR THIS BOOK

The primary goal of *Navigating Community Development* is to propose a framework, guidance, and current examples of how community development organizations can maximize their core competencies in a strategic way to increase their outputs, outcomes, and impact, all of which are important. Outputs are those things that are done by the organization. Outcomes are the recognizable effects on the beneficiaries, while impact is the degree to which the activities of the organization improve upon the larger issues (Stannard-Stockton 2010). For example, homes built are outputs. People living more affordably and safely are outcomes. Reducing housing needs in a community is an impact.

The book aims to meet this goal by being pragmatic, instructional, and relevant. Here's how we define each:

*Pragmatic:* The emphasis of this book is on the application of comparative advantages in community development strategy, drawing from current experience and practice. Primary audiences for this book are community development leaders and practitioners. The book demonstrates that comparative advantages built on core competencies are a critical framework for increasing the impact and effectiveness of community development work. The seven case studies provide insight as to how this can be accomplished.

*Instructional:* Another important audience for this book is academia with a focus on emerging leaders and students with an interest in improving communities. The book provides students with an understanding of the historical context from which the current community development ecosystem evolved, the key competencies that organizations need to operate in today's environment, and successful approaches for maximizing these strengths through strategic alliances. As the current leadership of the community development sector is comprised primarily of baby boomers, many of whom are about to retire, educating and training the next generation of community development leaders is essential. This book aims to provide insight and information on how new leaders should approach their work in the coming decade. Emerging community development leaders need to understand the growing role of partnerships and collaboration in community development.

*Relevant:* The book is responsive to and reflective of current condition. The community development ecosystem, which is comprised of networks of organizations engaged in community development, has undergone a significant transformation in the two past decades. While CDCs are still important players, RHDOs and CDFIs have become very influential in the community development field. Furthermore, a whole host of other organizations and institutions have become engaged in varying degrees in some community development activities, including hospitals, transit authorities, public school districts and charter schools, local food sourcing networks, and some for-profit real estate companies.

The current community development landscape has changed. While today's successful community development organizations have effective capacity, in the future they will need to engage with multiple sectors in a collaborative approach. In the book, we review the results of a survey of

community development leaders addressing how they envision their strategies will change in the coming years. The survey highlights leaders' understanding that the changing ecosystem in which they operate will require that they hone their competencies and collaborate with others. Emphasizing core competencies and comparative advantages is of relevance to practitioners as they navigate and succeed in the new community development ecosystem.

## QUESTIONS FOR THE FIELD

In writing this book, we also have strived to define and answer what we believe to be the most important issues confronting our field. The new community development ecosystem raises a series of compelling questions and challenges:

- *Does the community development environment require increased specialization and collaboration to effectively address today's challenges?* As noted, community development work deals with complex issues and involves an array of disciplines and sectors. The community development field is also comprised of very diverse organizations in size and focus, from small, neighborhood-based organizations to large, multi-faceted regional and even national organizations. Each organization has an important role to play. It is important that organizations both specialize and collaborate as they tackle these issues and work to create a healthy community.
- *Are there existing core competencies specific to each type of community development organization?* While community development organizations may share a number of common characteristics, they are differentiated by their history, leadership, capital structure, business lines, programs, size, sophistication, and location. As such, some types of organizations are better suited to perform certain activities and develop core competencies in specific areas and in response to selected market conditions. The research underlying this book will illustrate how these competencies align with the different types of organizations and how this segmentation can be used for advantage.
- *How do organizations best maximize their comparative advantages?* To best maximize one's impact, organizations should fully understand their mission, priorities, end goals, and the competencies and resources they bring to address these goals. At the same time, they



need to do an inventory of what competencies and resources are lacking, and how these competencies can be developed through forging new partnerships. Once partners are identified, a very clear scope of work and understanding of roles should be prepared and followed to achieve desired goals and results. The book will investigate some of the key factors in making these alliances successful.

- *Does the community development support system (government, philanthropy, intermediaries, and private capital) encourage or discourage collaboration?* While the community development support system advocates for collaboration and partnership among different types of organizations, it has not always rewarded these strategic alliances. American political and economic culture emphasizes individualism, entrepreneurship, and competition. This mindset can make it challenging for launching collaborative efforts. Two or more groups working together may result in more support initially, but too often the overall financial support drops once the effort is past start-up. In the book, we examine some of the institutional behaviors that support this work and those that do not, and we suggest what could be done to enhance support to build the capacity and competencies of community development organizations. We pay special attention to innovative networking strategies and models for the growing cross-sectoral work that community development organizations are performing.
- *What new strategies and support systems are needed?* In order to fully support collaboration among various organizations, the community development support system needs to facilitate the organization and funding of these types of alliances. In this book, we consider various approaches to providing support, including forums and electronic platforms where various groups can come together to identify the potential partner, financial incentives that reward collaboration, as well as other examples. Additionally, we explore different roles that community development organizations can play in launching collaborative initiatives including the quarterback model articulated in the book *Investing in What Works in America's Communities*. Our book also highlights new funding strategies and approaches, including impact investing.
- *What can we learn from the experience of community development organizations to more fully utilize and develop a comparative advantage framework?* Community development organizations have shown a strong ability to adapt and grow as their environments have changed.

Community development is an applied discipline. Learning occurs through practice, reflection, and refinement drawn from policies and some theories of change. Throughout the book, we show how community development organizations are utilizing comparative advantages to increase their resiliency, effectiveness, and impact. The seven case studies that we discuss in the book will share how organizations have attracted an array of new partners, and how they have built and maintained networks. Managing partnerships is not easy, and the challenges and lessons from these partnerships will be of value to the broader community development field and related networks.

- *What does the next generation of the community development system look like?* Through surveys, analysis, and outreach to community development practitioners, stakeholders, and thought leaders, the book captures the major trends shaping community development work. It examines the importance that comparative advantages and collaboration will have in the future for the next generation of leaders. The field will need new voices and different organizational cultures to integrate diverse capacities. As technology evolves, so too will the way we work alone and together and with the communities we serve. The community development field is experiencing a number of leadership changes as baby boomers retire. How the field attracts and trains new leaders is vital to ensure continued impact and dynamism.

## THE FOCUS AND FLOW OF THE BOOK

This book is divided into eleven chapters and appendices. Following is a brief description of Chaps. 3–11 and Appendices.

### CHAPTER 3. THE BACKGROUND AND HISTORY OF COMMUNITY DEVELOPMENT ORGANIZATIONS

This chapter provides a more in-depth analysis and description of the major characteristics of the three types of community development organizations discussed in this book and provides a historical overview of the community development field. For each of the organizations featured—CDCs, RHDOs, and CDFIs—we describe program mixture, geographic location, organizational size, organizational capacity, capital structure, and assets. This

information is drawn from national community development census surveys, national trade associations, and community development practitioners.

This chapter also describes community development during the last five decades, from its original comprehensive vision as a key element of the War on Poverty to the present period of comprehensive, multi-sector approaches. It describes how CDCs experienced considerable growth and influence in the 1980s, due in part to the expanding community development support system at the national and local level. It will review the 1990s and the emergence of CDFIs, a term that was coined during the start of the Clinton Administration, and discuss the expansion of RHDOs, which include a number of CDCs who have grown their portfolios and geography and morphed into RHDOs.

The chapter also looks at how community development has evolved from its early days when comprehensive development was done within the confines of a large CDC, to the new approach where community development organizations partner with many other organizations that have specialized expertise, relationships, and resources.

## CHAPTER 4. UNDERSTANDING THE COMMUNITY DEVELOPMENT ECOSYSTEM

This chapter introduces the theoretical roots of community development. It defines the key concepts and identifies and explores a number of internal and external factors that make strategic partnerships a critical tool for community development in the current and future environment. The chapter provides a description of the community development ecosystem. Some of the major factors that impact today's environment and the ability of organizations to perform optimally are discussed.

## CHAPTER 5. COMMUNITY DEVELOPMENT CORE COMPETENCIES

Community development requires myriad competencies to revitalize low-income communities. This chapter explores a number of major community development competencies and builds on Bob Zdenek's working paper, published by the Federal Reserve Bank of San Francisco in September 2013, titled: "Comparative Advantages: Creating Synergy in Community Development," which serves as the basis of this book. The discussion of community development competencies is organized around:

organizational development and management; community engagement and public policy; planning; communication; project development (real estate); lending; property and asset management; program/business line development and management; resource development; collaboration and partnering; and performance measurement and evaluation. Each of the above-listed competency categories has a number of sub-categories that are described in this chapter.

## CHAPTER 6. ADVANCING COMMUNITY DEVELOPMENT THROUGH CORE COMPETENCIES AND COMPARATIVE ADVANTAGES

This chapter provides a framework for assessing community development capacity. The chart identifies the relative strengths and weaknesses of the three community development type organizations (CDCs, RHDOs, and CDFIs) in reference to each competency. This chapter provides an overview of the evolving field of strategic partnerships and collaboration and what are the core elements for forging effective partnerships and leverage competencies for comparative advantage. The chart is meant to be suggestive and should be adapted to local circumstances.

## CHAPTER 7. CASE STUDIES OF PARTNERSHIPS UTILIZING COMPARATIVE ADVANTAGES

In this chapter, we present case studies that illustrate the concepts presented in this book. They show how core competencies are utilized by organizations as comparative advantages, leading to positive outcomes for community development organizations. The strategic partnership approach demonstrates that each community development organization can bring unique value and impact to the community development process. Case studies are drawn from a variety of community development organizations and geographies.

## CHAPTER 8. LESSONS FROM THE CASE STUDIES

Lessons and challenges from the case studies are presented in this chapter and common themes and patterns are identified. One of the major goals of the analysis of the case studies is to provide practical examples of how organizations can work together with multiple partners, policy makers, and

fundors to advance strategic partnerships built on core competencies of diverse organizations.

## CHAPTER 9. THE COMMUNITY DEVELOPMENT ECOSYSTEM: THE NEXT GENERATION

This chapter focuses on how core competencies and comparative advantages will help community development organizations thrive in the community development ecosystem of tomorrow. The chapter discusses the results of a survey conducted of CEOs about their current and future strategies. A number of external factors are driving the changes in the community development ecosystem including a reduction in public subsidies, restrictive capital markets, shifts in government support, and the entrance of a wide range of new organizations to community development. To succeed in the community development ecosystem, community development organizations will need to act more as a facilitator or “quarterback” (Erickson et al. 2012); expand the target customer/client base and geographic footprint; develop new skills and expertise; and pursue new sources of capital.

## CHAPTER 10. IMPLICATIONS FOR COMMUNITY DEVELOPMENT PRACTICE

This chapter revisits the questions posed in this chapter to offer a series of observations and examples of the necessity and efficacy of using a comparative advantage framework built on core competencies. It offers a series of observations for community development organizations as well as the community development support system (fundors, policy makers, community leaders, and others).

## CHAPTER 11. RECOMMENDATIONS AND GUIDE POSTS FOR NAVIGATING COMMUNITY DEVELOPMENT

This chapter provides a series of tactical recommendations for community development organizations and practitioners.

## APPENDICES. ORGANIZATIONAL PROFILES

In the appendices 1–3, we provide profiles of several of the key actors featured in the case studies to provide the reader with more information about the size and activities of these community development

organizations. We also provide a list of major national organizations active in the community development sector, and a blank Organizational Competency chart that readers can use to inventory their organization's competencies.

## CONCLUSION

The functional concepts presented in *Navigating Community Development* are built on a rich field of research and practice about community development. Low-income communities have been disinvested and often impacted by discriminatory racial and economic policies. This book is focused on community development practices and the crucial work that is done to build wealth, promote equity, and improve key social determinants for all residents.

In the book, we discuss the evolution of the sector from a disparate networked system to a system where sophisticated community development organizations, be they CDCs, RHDOs, CDFIs, are stepping up to the critical role of community development quarterback. By working across traditional silos, they are tackling some of our nation's most pressing challenges (Erickson et al. 2012). Despite decades of cutbacks in federal funding, organizations are still embracing their missions, but they are changing their tactics for achieving them. Organizations are leveraging their core competencies, by working with other organizations similarly motivated, but with different expertise. This book shows how organizations can begin to think and act in this new role, thereby creating healthy and vibrant communities for all residents.

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