

THE EVOLUTION AND FUNCTION OF COMMUNITY DEVELOPMENT CORPORATIONS IN FLORIDA'S URBAN COMMUNITIES

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Abstract

Community development corporations (CDCs) have been both producers of affordable housing and agents in revitalizing distressed neighborhoods. This paper presents a descriptive review of community development corporations in Florida's urban communities, based on a 1994 survey. The survey reveals that Florida's CDCs differ from the traditional CDC characteristics found in the Northeast and Midwest. Florida's CDCs are program driven and tend to serve a larger geographic area.

Introduction

Current initiatives in affordable housing frequently involve a role for nonprofit corporations in production and management (Mayer, 1990; Rasey, 1993; Schill, 1994). For example, the federal HOME program (the Home Investment Partnerships Program, a program enacted in 1990, which allocates funds to communities on a needs-based formula) sets aside 15% of funds for organizations that meet the program's requirements that they be nonprofit Community-based Housing Development Organizations (CHDOs). Nonprofit housing providers also participate in the Low Income Housing Tax Credit program, the Community Development Block Grant program, and other federal, state, and local programs.

One type of organization that fills the role of a nonprofit housing provider is the community development corporation (CDC). A recent survey by the National Congress for Community Economic Development (National Congress for Community Economic Development [NCCED], 1995) defined a CDC as an organization meeting four criteria: "be a private, non-profit development organization, serve low and moderate

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income people and/or their communities, have a community-based board, and have completed at least one unit of housing or one commercial or industrial development project..." (p. 18, Appendix). NCCED estimated that there are 2,000 to 2,200 CDCs in the United States. A 1992 study found that 95% of cities with populations over 100,000 have at least one CDC (Goetz, 1993). Of those cities with CDCs, 51% have five or more CDCs. Several national, as well as local, CDC studies have found that housing development is the predominant activity undertaken by CDCs across the country (Walker, 1993; Vidal, 1992).

CDCs are further characterized by the NCCED (1995) census "as groups which are indigenous to a community, are targeted to specific geographic areas with concentrations of low and moderate income people, are comprehensive in their approach to community problems, and produce tangible results" (p.5). Walker (1993) defines CDCs as organizations that "self-identify with particular neighborhoods or groups of neighborhoods, restrict development activity to those neighborhoods, and otherwise undertake community-building activities that typically serve only residents of those neighborhoods" (p. 371). Walker argues that CDCs are more likely than other nonprofit organizations to perform non-development functions, "including community organizing, social service provision, advocacy of neighborhood strategic interests, and so on." (p. 371).

As shown above, CDCs are organizations designed not only to produce physical assets but also to engage in community building (Sullivan, 1993). The balance between these roles of housing production and community building and the factors that influence that balance are the central issues addressed in this paper. As such, this paper does not evaluate the success of CDCs nor does it judge as to the appropriate emphasis to be placed on housing production versus other CDC activities. It is, instead, an assessment of the factors that contribute to the program directions that CDCs have chosen to undertake.

The basic thesis is that CDCs vary in their emphasis on housing production versus community building activity based on their age and location, which in turn influence their sources of funding. This thesis is explored by examining the responses to a series of questions asked in a survey of Florida CDCs.

A Brief History of CDCs

The modern community development corporation was born out of the Ford Foundation's 1960 Gray Areas Program and the Federal Government's Special Impact Program, a 1966 amendment to the 1964 Economic Opportunity Act (Perry, 1987). The anti-poverty and civil rights movements provided further motivation for the first CDCs; by 1970 there were about 100 CDCs in the United States.

The decades of the 1970s and 1980s saw continued expansion in the number of CDCs. This growth was in part fueled by tenant and neighborhood organizations, by churches, and by affordable housing concerns in the 1980s. Resources to support CDCs were provided by state and local government initiatives and by the founding of three community development intermediary organizations: the Enterprise Foundation, the

Local Initiatives Support Corporation, and the Neighborhood Reinvestment Corporation (Goetz, 1993; Zdenek, 1990; Bratt, 1989; NCCED, 1995). The latter organizations specialize in arranging financial and technical assistance for CDCs. These intermediary organizations have created a nonprofit development industry that has provided social capital, policy support, technical assistance, and secondary markets to augment nonprofit development activities.

The nature of public support for CDCs has changed over time as specific support programs, such as the Special Impact Program and the Model Cities Program, have ended. CDCs now compete for funds through the federal Community Development Block Grant program, receive set-asides through the federal HOME program, serve as general partners in Low Income Housing Tax Credit projects, and seek funding through other federal, state, and local sources. These sources of funding may require or encourage an emphasis on physical development as the primary CDC activity.

CDCs in the South

CDCs in the United States developed, with little federal support, in the 1960s. Further, the federal programs that were available to support CDCs in the 1960s and 1970s were largely eliminated by the early 1980s (Dreier & Hulchanski, 1993). The CDCs that survived were thus left without any direct federal support. Despite this lack of federal funding, a substantial increase in the number of CDCs involved in housing occurred in the 1980s. Evidence of this increase can be seen in the finding of the 1991 NCCED survey that 39% of the CDCs surveyed were less than ten years old. In part, this expansion of housing activities was a response to an expanding housing crisis in major cities, coupled with the inability of private builders to meet the need for housing (Dreier & Hulchanski, 1993). Cities sought to encourage the development of CDCs through various forms of assistance. CDCs were seen as a vehicle to facilitate public/private partnerships for housing development. The emphasis of these organizations, to achieve accountability in terms of measurable accomplishments, was and continues to be on production.

A national examination of CDCs indicates that many of the CDCs created in the 1960s and 1970s are located in the large cities of the Northeast and Midwest. Even today, dividing the number of CDCs in a region by that region's population indicates that CDCs in the South Atlantic region are under-represented relative to the population of the region, while those in the New England and Middle Atlantic regions are overrepresented (Walker, 1993). Further, national production totals for CDCs are dominated by CDCs in large cities, with almost 60% of all units produced in cities with populations of over 500,000 and 39% in cities of over 900,000 population (Walker, 1993). These data suggest that CDCs have been most prominent, and therefore may have their greatest potential to develop and form networks, in regions other than the South. Finally, with the exception of Miami, there are no cities in Florida that are comparable to those of the North in fostering CDCs.

One other characteristic that seems to characterize CDCs in the South in particular is that they are created by city agencies and staffed by city employees (Walker, 1993).

This structure and its requirement for accountability measures may be another factor leading to a premium being placed on housing production as opposed to other potential functions of the CDC (Dreier & Hulchanski, 1993). The larger level of government involvement may also impact the geographic boundary of focus of a CDC. This situation is a result of pressure to provide services to a larger area than might be the case for neighborhood-based CDCs.

As suggested above, CDCs located in Florida, as elsewhere in the South, are of particular interest because they are generally less numerous and more recently created than in the North (Connerly, 1989; Blakely & Aparicio, 1990). Given the motivation for their establishment and the resources available at the time of creation, these CDCs appear to serve a different function from that of the traditional CDC model. Specifically, CDCs may have become predominantly providers of housing rather than organizations that address a range of problems in the manner that the traditional CDC model suggests. To address the issues raised in the preceding discussion, a survey of Florida CDCs was conducted and is discussed in the following section.

Florida CDC Survey

In the aftermath of the 1980 Liberty City riot in Miami, the state initiated and adopted the Community Development Corporation Support and Assistance Program (CDCSAP) to facilitate the formation of CDCs in Florida. In the 14-year history of the program, approximately 50 CDCs have received administrative grants and business loans from the state, totalling more than \$16 million. More than half of the sponsored CDCs are located in Dade County.

Although Florida has been supporting CDCs for more than 14 years, there is limited information about the characteristics of CDCs in the state. The state's annual reporting of CDC activities is for the CDCSAP recipients. Neither the Florida Federation of Community Development Corporations, a CDC trade organization incorporated in 1981, nor the Florida Housing Coalition, a group which represents a broader array of parties interested in low-income housing, have a CDC reporting system. Therefore, in order to obtain a better perspective, a survey of CDCs was conducted in early 1994. The survey population included both CDCSAP and non-CDCSAP recipients. CDC contact information was obtained from trade associations, the state Department of Community Affairs, local community development offices, and the Enterprise Foundation. Because of the unique nature of the CDC support system in Dade County, where CDCs have received both documentary stamp tax and outside intermediary support, CDCs in Dade County were excluded from the survey. Further, included in the survey were only CDCs in HOME-entitlement communities (a total of 24 communities that, because of their population, receive funding directly from the U.S. Department of Housing and Urban Development through the HOME and Community Development Block Grant programs, rather than having to compete for those funds).

After an initial telephone contact, a written questionnaire was mailed to 60 CDCs. A total of 38 responses was received, representing 43 CDCs since one respondent was

an umbrella organization for six volunteer-led CDCs. Below is a descriptive analysis of the CDC survey results, based on the 38 CDC questionnaire responses.

CDC Age and Characteristics

As a local institution, each CDC had its own unique circumstances and support system when it was created. The CDC support system, both federal and local, has changed significantly in the past three decades. One would expect behavioral, organizational, and production differences between newer and older CDCs. As discussed previously, it is expected that newer CDCs are more likely to emphasize housing production over other CDC activities. Further, newer CDCs are expected to have a larger geographic service area than older CDCs. Both of these expectations are the consequence of the public programs and other resources available at the time of CDC creation. Finally, newer CDCs may be more likely to have corporate or public sponsorship rather than grass-roots origins, since they were created to meet the need for a specific assistance vehicle.

Out of the 60 CDCs included in the initial contact list, 15 (25%) were created prior to 1980, 24 (40%) in the 1980s, and 21 (35%) in the early 1990s (1991-1993). By 1993, all HOME entitlement communities, with the exception of Pasco County (an urban county with a population of 200,000 in 1990), had at least one CDC. The number of CDCs in entitlement jurisdictions ranged from one to nine (see Table 1). The founding dates of the sampled CDCs include 10 (26%) prior to 1980, 16 (42%) in the 1980s, and 12 (31%) in the early 1990s.

The CDC survey examines the forces that led to the formation of individual CDCs. Those forces are classified into three groupings: public sector support, private sector support, and grassroots support from community residents. In Table 1, the results show that CDCs formed in the three different periods received support from different sources. First, CDCs formed prior to 1980 were predominantly grassroots-driven organizations. Second, CDCs formed in the 1980s were more likely products of public sector support. Finally, CDCs formed in the early 1990s were the products of both grassroots support and public sector support. Private sector support was not significant in the first two periods but increased moderately in the 1990s.

There are further distinctions between newer and older CDCs (Table 2). CDCs founded in the 1970s are more likely to focus on a specific neighborhood, express neighborhood revitalization as a priority, and target housing to low-income neighborhoods. More recently created CDCs are likely to have housing provision as their dominant activity, yet are also more likely to produce fewer than 10 units a year. The relative inexperience of these younger CDCs may be the cause of this lower production.

Table 1. CDC Distribution by County in Florida, 1993

County	Total known CDCs	Total response	% of total
Alachua	3	3	100
Brevard	1	1	100
Broward	7	5	71
Duval	9	4	44
Escambia	3	2	67
Hillsborough	8	4	57
Lee	3	2	67
Leon	2	1	50
Orange	4	3	75
Palm Beach	9	4	44
Pasco	0	0	0
Pinellas	4	3	75
Polk	2	1	50
Sarasota	1	1	50
Seminole	2	2	100
Volusia	2	2	100
Total	60	38	63%

Note: Dade County (Miami) alone has an estimated 30 CDCs, both active and inactive.

Financial Support

Examining the sources of funds for CDCs further emphasizes the relationship between funding and programs. With a median staff of three and an annual budget of below \$250,000, CDCs included in the survey differ significantly in terms of financial strength and staff size, ranging from \$8 million to \$0 in total revenues and from 45 to 0 in staff size in 1993. For both total revenue and operating budget, federal Community Development Block Grant (CDBG) funds were the most important source of funds (see Table 3). Private sector resources are mentioned by 13% as revenue sources, and by only 5% as a source of operating budget funds. Although the question did not ask respondents to designate the proportion of funding received from each source, the fact that few CDCs employ private resources reveals the extent of CDC reliance on public dollars for project development. Finally, the "other" category, which includes fee income and other self-generated income, plays an important part in operating budgets.

Impact Areas

Geographic and financial targeting is fundamental to the CDC model (Pierce & Steinbach, 1987). Out of the 38 reporting CDCs, 22 are county-wide or regional in scope (see Table 4). Only 16 serve a geographic area smaller than a county. Of those sixteen, eight serve one neighborhood, six serve two or more neighborhoods, and two are city-wide. The age of a CDC plays an important part in service area selection. Out of the 22 CDCs that are county-wide and region-wide, only one was established prior to 1980, 11 in the 1980s, and 10 in the 1990s. By contrast, out of the 16 CDCs that serve specific neighborhoods or are city-wide in scope, more than half (nine CDCs) were established prior to 1980, four in the 1980s, and three in the 1990s. This observation indicates that older CDCs are more likely to be identified with specific neighborhoods, while newer CDCs are more likely to be county-wide entities. This difference between older and newer CDCs reflects the public sector forces that contributed to the expansion in the number of CDCs.

Housing

Among the housing questions in the survey, CDCs were asked whether housing is the predominant CDC activity. Seventy-one percent of the CDCs in the survey indicate that housing development and preservation is their first priority. However, only 33% of the CDCs list revitalization of poor neighborhoods as the prime reason for their housing activities. Sixty-four percent list production of affordable housing as their primary goal, with or without specific attachment to neighborhood revitalization.

Completion and rehabilitation of housing units in most cases is just the beginning of CDCs' housing efforts. Most CDCs either provide housing-related services or link with the services of other agencies, where housing services are defined as non-production assistance to households. The survey found an overwhelming interest in downpayment/closing cost assistance, as shown in Table 5. These two services are currently underwritten by the state and some local communities as popular programs to boost the homeownership rate among target households. Rehabilitation-related ser-

Table 2. CDC Sources of Support and Characteristics by Age (N=38)

	Founding Date of CDC			Average %
	Prior to 1980 %	1981- 1990 %	1991- 1993 %	
	(N=10)	(N=16)	(N=12)	%
<u>Source of Support</u>				
Public Sector	22	61	45	46
Private Sector	17	10	23	16
Grassroots Sector	61	29	32	38
<u>Characteristics</u>				
Specific neighborhood focus	75	25	25	
Minority as majority in the service area	88	66	83	
Distressed neighborhood	80	71	81	
Housing as the dominant activity	50	75	83	
CHDO designation	70	62	66	
Revitalization of neighs. as the priority	70	25	25	
Annual production over 10 units	60	37	33	
Housing in low-income neighborhoods	87	69	45	

Table 3. Financial Sources by Type (N=35)

Types	Revenues %	Operating Budget %
CDBG	27	31
Other Local Sources	24	20
State/Federal	18	18
Private Sources	13	5
Others*	18	26

* fee income, fund raising, etc.

Table 4. Primary Service Areas (N=38)

Service Areas	Number of CDCs	Percentage
1 Neighborhood	8	21
2+ Neighborhoods	6	16
City-wide	2	5
County-wide	20	53
Regional	2	5

vices, such as loans and consultation on rehabilitation specifications, are provided by more than half of the CDCs. Property management, an important CDC function identified by Sullivan (1993), is performed by fewer than 30% of the CDCs. This finding is in sharp contrast to the findings of several national studies, which identified property management as one of the major CDC functions (NCCED, 1991, 1995; Goetz, 1993).

Table 5. Housing Services (N=31)

Services	Number of CDCs	Percentage
Downpayment assistance	25	81
Closing cost assistance	26	84
Post-occupancy support	14	45
Rehab consultation	18	58
Rehab loan	16	52
Rental referral	13	42
Rent supplement	2	6
Property management	9	29

Discussion and Conclusion

To some extent, an organization may call itself a CDC through a self-definition process; the term may be used synonymously with non-profit housing developer. Definitions developed by NCCED and others, however, are explicit in specifying the characteristics of a CDC. This paper has used a survey of CDCs in Florida to show the differences in characteristics among CDCs and the factors that contribute to those differences. Two characteristics were the focus of the analysis: the extent to which an organization emphasized production of housing as its goal, and the target area of the organization.

A majority of CDCs established in the 1970s were found to receive significant grassroots support, to have a specific neighborhood focus, and to be engaged in neighborhood revitalization. These characteristics differed from the newer CDCs, those founded in the 1980s and 1990s. The survey results indicate that public sector support for the creation of CDCs in the 1980s (especially by county government), and the funding programs available to support CDC activities, have had an impact on how and why CDCs were formed. As a result, newer CDCs, which predominate in Florida and throughout the South, are oriented toward housing production, with less emphasis on neighborhood/community organizing and capacity building.

There is nothing inherently good or bad about the emphasis on housing production or on the larger geographic focus among recently created CDCs. If CDCs are the vehicle to provide a broader range of resources in neighborhood revitalization, however, then the question must be whether these capabilities are being lost, and whether they are important. The difficulty of producing housing in the current financial environment results in little production by many CDCs despite an intense focus on these efforts. Yet housing production is measurable, so that goals can be set and organizations can be held accountable. Community building does not have the same degree of accountability and measurable objectives; this situation may have resulted in a demphasis on community building as a goal of the newer CDCs. Reestablishing the importance of community building activities and establishing an accountability structure might be necessary to increase the ability and willingness of newer CDCs to perform the broad community revitalization for which the earlier CDCs were established.

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