



## City Government's Role in the

## Community Development System

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June 2005

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Washington, DC 20037

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## Acknowledgments

The authors of this report thank *Living Cities: The National Community Development Initiative* for their financial support for this research, and acknowledge the helpful comments of Reese Fayde of Living Cities. The authors also thank the city officials, CDC directors, and others in the three best-practice cities for their contributions of time and expertise to this research.

Cover photographs are from U.S. Department of Housing and Urban Development except for bottom, which is U.S. Department of Commerce, Bureau of the Census.

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## Introduction and Summary of Findings

City governments play a pivotal role in helping community developers to revitalize low-income neighborhoods. Cities set local development priorities and allocate public funds to affordable housing and other community development initiatives. They decide whether or not to make community development corporations (CDCs) their primary development partners. And they oversee the disbursement of land, housing, and other city-owned resources. Rare is the developer that can move forward in neighborhood development without active city government participation.

The good news in this paper is that city governments, often criticized for their inefficiencies and thought to be resistant to reform efforts, *can* improve the way they carry out their community development responsibilities. Moreover, there are concrete ways in which national, state, and local funders and supporters of community development can encourage city governments to take steps toward streamlined and effective delivery of neighborhood revitalization programs.

This paper examines city government's influence on community development activities, principally as carried out by including community development corporations—community-controlled nonprofit organizations that develop affordable housing, commercial real estate, community facilities, and other projects. This influence is not exerted in a vacuum, but in a context of other organizations and institutions. During the 1990s, community development “support systems” emerged in many cities to channel money, expertise, and political support to community development. City governments are major players in those support networks, which also include other public, private, and nonprofit institutions across multiple sectors. Before such systems evolved, financial and technical assistance for CDCs was poorly coordinated. Today, as CDC support becomes more institutionalized, CDC capacity and production are increasing.

While all participants in the support system are important, city governments hold a special place. A 1998 evaluation of The National Community Development Initiative (NCDI), launched by a consortium of funders to advance CDC production in 23 target cities and now in its second decade as *Living Cities*, underscored local governments' importance to CDCs.<sup>1</sup> “Cities that worked most closely with CDCs showed the greatest community development gains,” the report noted. By contrast, a hostile, disengaged, or marginally competent local government had a powerful negative impact on CDC productivity.<sup>2</sup>

To assess city government's role, this paper examines three questions:

1. *What makes city government an effective member of the community development support system? In the best cases, what contributions can cities offer?*
2. *How do local governments get into the position of effectiveness? What combination of circumstance and action produces favorable results?*

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3. *What can cities do to emulate those municipalities that demonstrate the most effective community development supports?*

### Analytical Framework for This Paper

This paper assesses city government's role in community development systems by first examining its contribution to the types of supports and services CDCs require to produce affordable housing and neighborhood revitalization. The five *functions* that must be delivered by the community development system include

- development and implementation of programs and strategies to promote revitalization of low-income neighborhoods;
- provision of core operating support to defray the cost of CDC staff, training, and other operational expenses;
- financing affordable housing and other neighborhood development activities;
- creation of legal and regulatory mechanisms to convey efficient access to property for development; and
- efficient operation of supportive project funding allocation, land use, and other regulatory mechanisms.

Multiple organizations within the community development system ensure these essential functions are carried out. In addition to local government, city-level players in the system include banks, corporations, and local foundations. CDCs at the neighborhood level translate the supports these city-level players provide into affordable housing and other neighborhood projects. Intermediary organizations—bodies established to broker financial, technical, and sometimes political relationships within community development systems—link the city-level institutions and neighborhood-level groups. Because the *relationships* among organizations and individuals in the community development system largely determine its overall effectiveness, this paper also explores city government relationships with CDCs and other support providers in the community development system.

### Methodology

This paper relies on several methods to assess the local government role in the community development system. The primary approach is an analysis of the practices of three high-performing local governments—Boston, MA, Cleveland, OH, and Portland, OR. Each is a current participant in the Living Cities program and had been a part of the NCDI program since its inception over a decade ago. The best practice

cities were chosen based on researchers' observations of city contribution to the development and use of local community development systems over the 10 years of NCDI history, including contributions to both the delivery of community revitalization projects and programs and the strengthening of CDCs' capacities to pursue their work.

The research team for this paper visited each city for three days in fall 2001 to gather detailed information about local government support for community development. The team interviewed government officials and other community development leaders about city policy and performance. It also drew on reports from researcher site visits carried out over 10 years, and direct observations by the researchers responsible for them, focusing on the growth of local community development systems and cities' role within that system. For comparative purposes, the team additionally analyzed material from a decade of experience in the other 20 cities participating in the initiative, again seeking the information that focused on the performance of city government and its impact.<sup>3</sup>

## Findings

Our analysis of best practices in local government found that city governments can contribute powerfully to the success of CDCs and other developers as they carry out each of the five principal community development functions:

- By aggressively focusing city housing strategy on well-defined goals in response to recognized conditions in local and neighborhood housing markets. The best practice cities conducted serious analysis of their market circumstances, drew conclusions about their primary needs and constraints, and shaped policy and programs responsive to them.
- By financially supporting CDC operating and capacity-building programs and by participating in the collaborative support efforts with other players in the community development system. The three cities recognized the needs for strengthening the capabilities of their CDCs and acted on their own and as part of collaborations to serve those needs.
- By maximizing city government's contribution to fill gaps in community development financing, particularly by dedicating funds from its own locally generated resources. The role of city project subsidies, as companion to those from other public and private sources, was often key, especially to the expansion of scale in CDC work.
- By reforming the acquisition and disposition of city-owned property so that this process encourages and shapes development, rather than inhibits it. Reducing daunting procedural obstacles and establishing new mechanisms specifically to move properties to reuse were critical in enabling the growth of a true pipeline for the community development industry.
- By smoothing and speeding the processing of projects to reduce costs and improve coordination. Neighborhood revitalization and affordable housing projects pay a substantial price in time and



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money because they require funding, approvals, and support from many sources; and the best practice cities built and refined systems in well-defined ways to moderate those burdens.

The research team also observed four critical factors that distinguish the best practice cities from others in terms of their relationships with both CDCs and their other community development partners—relationships that evolved out of both historical circumstance and city actors' design:

- City government and residential neighborhoods had historically evolved a positive relationship and expected to find willing partners in each other for new ventures.
- City government determined that CDCs warranted a special relationship as a key vehicle in dealing with affordable housing issues and deserving of nurture and support.
- City government operated in an institutional environment that lobbied effectively for affordable housing.
- City government was an institution capable of assessing its experiences and improving internal practice and external relationships in response.

### Road Map for This Paper

The first section analyzes how the best-practice city governments—Boston, Cleveland, and Portland—support CDC housing and community development initiatives within the broader context of the functions of community development system. The section examines how these communities responded aggressively to local market conditions when setting housing policy and priorities. All three cities made significant contributions to support CDC operations, and each came up with creative ways, including tapping local funds, to supply gap financing for CDC projects. While no city has developed a perfect process for transferring land and property to CDCs for development, the three best practice cities have instituted novel approaches, including land banks. They have also struggled with new ways to speed project fund allocations and development permits.

The second section examines how and why these cities became effective in delivering the functional supports necessary to enable CDCs to produce affordable housing and other community projects. There is no magic formula. Rather, a combination of circumstance and intentional action by city government is required. This section explores how the best practice cities have created strong working relationships with CDCs.

The third and last section offers recommendations for policy, strategy, and implementation by city governments and national, state, and local funders and supporters of community development, drawn from our findings about good city practice. The recommendations cover ways in which city governments

could improve their performance in carrying out the five core community development functions, as well as four crosscutting areas.

*Recommendations for community development functions*

- Devise strategies sensitive to market conditions;
- expand local operating support for CDCs;
- enhance local gap financing for projects;
- improve the capture and reuse of property for development; and
- improve process for getting funds to CDC housing projects and permits approved for them.

*Crosscutting recommendations*

- Strengthen relationships between city government and others in the community development system;
- educate candidates and elected officials about CDCs and affordable housing;
- better communicate CDC accomplishments locally; and
- use special task forces to sort out complex problems.

section  
**1**

## How City Governments Support

### the Functions of Community Development

**T**o effectively produce affordable housing and undertake other neighborhood revitalization activities, the community development system must deliver a range of functional supports to CDCs and other developers. The city's role in the handling of five critical functions can make or break the success of community development initiatives. These critical functions are (1) active response to market conditions, (2) provision of operating support to CDCs, (3) provision of gap financing to CDC-sponsored projects, (4) efficient transfer of city-controlled land and structures, and (5) efficient processing of project funding allocations and development permits.

#### Active Response to Market Conditions

Effective local governments shape their housing and community development strategies in explicit response to market conditions. In the best cases, the city uses its planning and funding processes to guide CDCs to projects that make market sense, and it offers them flexible tools to respond nimbly to market circumstances.

Residential neighborhoods in the 23 cities included in the overall research project can be roughly divided into two categories: (1) strong markets, where housing affordability and displacement of low-income residents are pressing issues; and (2) weaker markets, where disinvestment or lack of significant reinvestment is the principal housing challenge. The weaker markets predominated in the early 1990s, and constituted the primary image for these cities' neighborhoods. The number of stronger markets expanded in the later 1990s.

Market conditions varied among the three best practice cities covered in this report—Boston, Cleveland, and Portland. Further, each city experienced broad market changes during the 1990s. But the cities had in common an active local government that responded systematically to the changing market conditions they faced. In all three cases, the city government analyzed conditions, defined a core approach to address them, and helped CDCs succeed in dealing with them within their market contexts. Creative city officials assessed the circumstances they confronted and devised a policy, program, and practice to address the conditions at hand. Key city players had important allies across the community development system, but local government took a leadership role. The diverse powers and substantial financial clout of city governments, and their willingness to target and scale up their efforts, made them central players.

### How Best Practice Cities Responded to Market Conditions

**Boston** experienced a relatively weak real estate market at the start of the 1990s but soon faced the twin challenges of affordability and displacement. By 2001, four of every 10 city renters paid 50 percent or more of their income for housing. Private properties became difficult to acquire; tax-foreclosed buildings, an important source of properties for CDCs' projects, became more expensive. Subsidy levels in the city's housing programs became increasingly inadequate given rising acquisition costs. City government responded dramatically. It made housing affordability a number one priority and took the lead in developing a package of responses. An important component was a new plan—Boston Housing Strategy FY2001–2003. It offered data on housing conditions, set performance goals, established provisions for review, and otherwise represented systematic planning. To most observers, Boston's plan was detailed and comprehensive in addressing persistently high housing costs. Mayor Thomas Menino pushed forward an agenda that addressed land availability issues and expanded funds for gap subsidies.

**Cleveland**, by contrast, entered the 1990s suffering extensive disinvestment. A 1991 report to HUD put the number of housing vacancies at over 17,500 units, almost 8 percent of the city's housing stock. Demolition was the principal housing activity in many areas, and population of the central city continued its sharp decline. Cleveland responded boldly and systematically. Mayor Michael White and key staffers, led by Chris Warren, heading first the Department of Community Development and then the Department of Economic Development, set out to create a market for homeownership in Cleveland's inner-city neighborhoods where none had existed. White's team defined a multi-pronged strategy to make property available in good or even new condition, with affordable pricing and financing. Key elements included a ready

supply of properties, designated project subsidies, pressure on banks to offer conventional financing, and city control over the permit process. The city's efforts elicited substantial response. Hundreds of houses were renovated and sold to owner-occupants. By 2001, some submarkets, especially near the downtown, where much public investment had occurred, were experiencing significant private reinvestment. Some in-migration of new residents was occurring, including middle-income residents. Housing prices were rising moderately in the neighborhoods where reinvestment had taken place, but observers reported no consequential involuntary displacement as yet.

**Portland**'s housing market showed the sharpest change of the three cities during the 1990s. As the decade began, nearly 3,000 vacant or abandoned buildings dotted the city. Tax foreclosure properties provided a steady stream of buildings for improvement. Private investment was so weak that some city development subsidies went unused. Over the 1990s, a strong economy drove local housing demand. Restrictive urban growth policies may have also contributed. Prices of city housing rose so sharply that affordability and displacement became hot issues. Land and properties for redevelopment became scarce and expensive. Portland responded, undertaking three planning processes, each of which highlighted affordability as a central issue. With leadership provided by Portland's Bureau of Housing and Community Development (BHCD) and its strong director, Steve Rudman, the plans produced (1) a detailed allocation schedule for a new housing project fund, (2) a federally mandated Consolidated Plan, the goals of which for affordable housing were treated very seriously, unlike in most cities, and (3) a Regional Housing Strategy.<sup>4</sup> The city rapidly redirected subsidies from revitalization to affordability and preservation programs, and added new resources in the tens of millions of dollars. The city also crafted new approaches to accessing land and buildings in hot markets and redirected core support dollars for CDCs to assist organizations dealing with affordability.

Although it seems logical that local government would create a focused approach for housing and neighborhood revitalization—and then react to changes in its market conditions—this is not automatic. In fact, among the 23 cities, only a few had even a clear strategy for housing and neighborhoods or a focused core of activity that responded to local markets. Only a handful of cities outside of the best practice threesome had established an energetic strategy for housing and neighborhood revitalization. Fewer still met the condition that the strategy be explicitly responsive to market circumstances, and even fewer had CDCs at the center.

While the best practice cities were exemplary in addressing market conditions, most cities had not yet built a core of actions to recognize market issues and address them. Detroit, for example, faced many issues similar to those that confronted Cleveland in the early 1990s, especially vacant, tax-foreclosed properties. Despite recognizing its problems, however, by 2001 Detroit had not been able to solve the operational difficulties that kept it from developing a steadily flowing housing pipeline. CDCs and other developers still faced a debilitating process to clear land titles, secure properties, and contract with and reimburse developers. In Denver, with a heated housing market like Portland, city government had not taken the lead in expanding the resources for affordability or producing a sense of urgency to develop additional subsidy funds.

### **Provision of Operating Support**

The range of potential city commitment to CDC operating support and capacity building is broad. At the highest end, cities can supply their own general funds to CDCs, or Community Development Block Grant allotments, which could be put to many other uses. Cities can pay for technical assistance, too, or participate in the operating support collaboratives that many communities have established to channel funding and technical assistance to CDCs. (These collaboratives have become increasingly prominent in major cities as institutions that bring together foundations, banks, CDCs, and sometimes city government to provide funding, develop and support new programs, and advocate for the community development agenda.) At the low end of the support spectrum, cities can provide no operating support, nor play any role in collaboratives. Most of the study cities fell in the mid-range of the continuum.

In the most effective operating support programs, local government makes a significant contribution to CDC operating support. It funnels funds through collaboratives to gain efficiencies, and participates with others in the collaboratives' noncash functions, such as convening task forces or establishing performance measures. All of our three best practice cities made significant contributions to CDC operating support. Two funnelled funds through their local support collaboratives and the third contributed a very high level of funds on its own. All three participated in the collaboratives' work outside of grantmaking.

Evidence from other cities indicated that where local government did not contribute significantly to core support, such funds fell well short of CDC needs. Los Angeles, in which the city withdrew from the operating collaborative after an earlier significant contribution, shows sharply both the direct impact on funds available and the

indirect effects on the participation of others. The experience of declining funding contrasts with the rapid increase in Seattle CDC capacity development following creation of an Economic Development Office supportive of CDCs (as other city agencies had not been).

### How Best Practice Cities Treated Operating Support

**Cleveland's** operating support arrangement was the most generous of the three best practice cities—and the most complicated. Multiple pots of funds were available, each allocated separately. The city provided \$20,000 to \$74,000 per group to 30 organizations, chosen by competition, from funds budgeted through the Department of Economic Development. In addition, each city council member oversaw a \$1 million CDBG allocation; most devoted a substantial portion to CDCs, including for operating support. CDC operating support funds also came from a local community development collaborative, comprised of the corporate-sector-based Neighborhood Progress Inc. (NPI), the Local Initiatives Support Corporation (LISC), and the Enterprise Foundation. NPI separately funded 17 CDCs, using Living Cities/NCDI and other private funds, with maximum grants of \$150,000. Finally, three CDCs in the HUD-designated Empowerment Zone received \$350,000 a year for 10 years. Cleveland had no systematic method for determining the overall support level for a given CDC, and no one funder tracked all the different sources or uses such information in its own funding decisions.

In **Boston**, city government had become increasingly important in providing core support. The 15-year-old Neighborhood Development Support Collaborative (NDSC), one of the first such programs in the country, provided continuing operating supporting,

including funds from United Way and local government. Pressed by private funders and CDCs, the city joined NDSC, too; in 1994, it committed a portion of its HOME funds for operating support. Through NDSC, roughly \$300,000 was directed to 12 CDCs. Representatives from the city's Department of Neighborhood Development (DND) sat on NDSC's Operating Development Committee and had a voice in how funds are allocated.

**Portland** committed city resources to core support and capacity building through the Portland Neighborhood Development Support Collaborative (PNDSC). In addition to the city, participants included the Enterprise Foundation and the Neighborhood Partnership Fund (funded by several organizations). With a \$700,000 commitment, the city provided more than half of PNDSC's operating support funds for CDCs, on a matching basis with the other partners. The dollar value of that matching feature helped to keep city support strong, as had a similar arrangement in Cleveland. Through PNDSC, the city also encouraged a CDC merger in the city's northeast quadrant. While difficult, the merger happened because PNDSC partners spoke with one voice about the need for consolidation and indicated they would support a merged organization but not four CDCs in the area. The elected city commissioner's lead and support, and the close personal relationship between heads of BHCD, Enterprise, and NPF were important in enabling the city to play so active a role in the overall operating support effort.

### Provision of Gap Financing

As recipients of tax revenues and grants from federal and state programs, local governments have wide power to make grants and deferred loans to finance CDC projects. The challenge is consistently to find sufficient subsidy funds to meet project needs and maintain a pipeline for continuing action. This is hard both in revitalizing markets, where property costs are rising, and in distressed markets, where resident incomes are too low to defray a significant portion of the housing costs.

As with operating funds, local governments range in how much gap financing they supply. At the high end of the continuum, cities can provide general revenue dollars or find other specific local fund sources for housing. The low end of commitment is to spend HOME dollars, since they have no use other than housing, as well as any housing-dedicated dollars from state government. A middle ground is to spend CDBG dollars to plug financing gaps, since these funds have some restricted alternative uses. Most cities maintain fairly steady amounts for housing from federal pass-through funds, supplied through HOME and CDBG, despite the

opportunity to redirect CDBG resources elsewhere.

What about best practice cities? These local governments raise additional gap dollars from local sources, often a special or one-time source, to subsidize housing projects. The 20 study cities beyond Boston, Cleveland, and Portland almost uniformly reported a shortage of gap financing, except where CDC capacity is so low that projects are only slowly brought forward. Significantly, half of these 20 cities did make a substantial contribution to the housing finance pool from local resources, indicating that affordable housing and neighborhood revitalization remained important and politically visible issues.

Where local government has expanded gap financing, the keys are using special, sometimes one-time local funds; political support from the top; an entrepreneurial leader identifying potential funding sources and supporters; and the maintenance of a stable federal pass-through core. In most years, however, even with added local funds, gap dollars do not match the supply of seemingly feasible projects.

#### How Best Practice Cities Raised Dollars for Gap Financing

**Portland** provided gap financing of about \$4 million annually from the federal HOME and CDBG programs. But with rising prices and rents, this sum was not sufficient to meet the city's affordable housing needs. In response, Portland turned extensively to special sources of local gap financing.

In 1996, the city recorded over \$30 million in surplus general funds due to rising tax receipts and one-time refunds. Local officials allocated the vast bulk to low-income housing, spread over three years, in the Housing Investment Fund. The infusion more than tripled the city's annual gap funding for housing. Why did Portland commit so much of this one-time resource to housing? One reason was the strong position in the city government structure of Commissioner Gretchen Kafouri, a staunch supporter of housing. In addition, Portland's CDCs, with their trade association,

effectively advocated for the housing cause. The rising housing affordability issue caught the public eye just as decisions were being made about how to allocate the surplus. And CDCs were increasingly strong housing providers. With substantial new capacity-building and core operating support help from NCDI and others, CDCs' level of production had risen sharply.

Looking ahead from 2001, Portland faced both opportunity and challenges in delivering gap funds. While surplus monies were largely expended, new redevelopment districts had been designated and were expected to generate tens of millions of dollars per year in tax increment funds. These monies could multiply gap finance resources many-fold if used for affordable housing. Still to be determined at the time of our research: how much money to allocate to housing and, of that, how much should go to middle-income families needing help to become homeowners in an expensive market versus how much should go to help lower-income renters.<sup>5</sup> The result was expected to turn on the strength of existing housing plans, the Commissioner, CDCs and their association, and allies.

Some key Portland housing supporters hoped to adopt a real property transfer tax that could generate \$25 million to \$30 million annually, dedicated for housing. Supporters understood that they must first undo a state legislative mandate prohibiting such taxes, a difficult prospect. Key city actors were planning a multiyear strategy to gain action. But Portland's situation highlighted a broader issue. In many cases, the additional resources that cities would like to tap for gap financing require permission from the state legislature. The state is often an important target for advocacy, even when it plays little direct role in housing and neighborhood revitalization.

Many elements of the Portland picture reappeared in **Boston**. Strong markets both magnified the need for housing subsidy for large numbers of residents and raised the cost of housing. HOME funds were heavily contended for, and a very substantial share of CDBG dollars went for housing. The city's CDCs, with a much longer history than in Portland, had the capacity to use

more housing funds effectively. Boston's Mayor Menino joined with CDCs to approach the Catholic Church, private businesses, and other actors for additional gap funds.

As in Portland, local government's special funds for housing influenced the scale of activity. In an earlier boom cycle, Boston established a linkage law that charged developers of downtown office buildings a fee per square foot of development to offset the stress on the housing market generated by new employees. By 2001, Mayor Menino was proposing a change in the linkage formula to increase the dollars generated. He also proposed to allocate sales proceeds from some city buildings to the housing pot and to institute inclusionary zoning. These proposals were expected to generate \$30 million per year. But the linkage fee and zoning required state approval. In Massachusetts, the state also directed new resources to the city for housing. These included a new state housing tax credit, a housing trust fund, and an increase in use of bonds for affordable housing—collectively amounting to \$70 million per year. CDCs were important in gaining both city and state action.

**Cleveland's** experience mirrored the other best practice communities. The city required gap funds for project subsidy to serve potential homeowners of limited means. The central gap financing pool was a trust fund, made up largely of CDBG and HOME funds. Its \$6 million per year was the biggest block of gap funds available. Because housing acquisition costs were far cheaper than in Boston or Portland, the pool, which was reserved almost exclusively for gap financing,<sup>6</sup> went farther. In Cleveland, too, special funds augmented the amounts available. These included tax increment funds from redevelopment districts and money from a one-time lawsuit-related payment by the local utility. Each pot had some use restrictions, and neither was exclusively for housing or low-income people. CDCs also received gap funds from the \$1 million in CDBG allocation provided annually to each of the city's 21 council members.



### Control over Land and Structures

To add to the housing stock, CDCs and other developers need vacant land to develop or structures to renovate. It makes sense that property in hot markets would be in short supply, but in fact, developable property is scarce in many weak markets, too. In some cases—Philadelphia, Detroit, and Cleveland, for example—many homes have been lost to abandonment and foreclosure for nonpayment of taxes. These properties are prime candidates for CDC redevelopment, provided neighborhood conditions are not too adverse.

The property transfer issue is no small matter, however. Indeed, when asked about the adequacy of local government supports for CDCs, CDC directors in 23 cities rated “provides timely delivery of sites/buildings” as the lowest scoring item among nine cited.<sup>7</sup> Of the 20 cities not profiled in this report, about a third took some action to ease foreclosure, clear title, and dispose of property. Most provided only partial solutions. Progress was slow; about as many cities suffered a setback in some property transfer effort as made noticeable progress. Additional city focus, along with collaboration by other players, may have been required to deal with land use and disposition challenges. Some changes needed enabling legislation at the state level.

Best practice cities designed and implemented systematic, multiprogram responses to the issues of property disposition. They recognized the centrality of efficiently making property available to CDCs and other developers and

devoted significant added resources to making improvements in their systems. Each used property availability to shape and contribute toward its broader housing strategy.

### Processing Project Fund Allocations and Development Permits

When CDC directors were polled in 1999 about the local government's community development policies and activities, they gave low ratings to cities' ability to “approve projects/zoning/permits in a timely way.” The pattern was the same in our best practice cities. CDC leaders in Boston, Cleveland, and Portland gave positive ratings to local government performance in every area *except* the transfer of property and awarding of permits, which got negative reviews.<sup>8</sup> Cities apparently have not effectively met developers' needs for timeliness in these functions—even where other support for community development is high.

## How Best Practice Cities Provide Land for Development

A decade or so ago, **Cleveland** had many properties available for potential reuse among its 15,000 abandoned structures. But only about 25 properties were renovated annually. That's because the city typically took two years to move a property from abandonment to disposition—and often depended on city council intervention to proceed even at that snail's pace. In 1989, a new state law greatly sped up the process. Counties were permitted to advertise the sale of tax-delinquent properties in batches. If no one bid on a given property in two auctions, the county could write off the back taxes and give the property to the city. In the early 1990s, further legislation allowed the city council to declare individual properties eligible for spot eminent domain, without declaring whole areas redevelopment districts.

With its flow of properties improved, Cleveland next created a land bank of parcels transferred to it through these mechanisms. By 2001, the bank had grown to 9,500 parcels. While properties still moved slowly into the bank from tax delinquency, once there, the disposition to CDCs was relatively fast. The availability of parcels allowed the city to shape the concentration of development, and CDCs can ask to have a hold placed on a property. About 70 percent of housing development at the time occurred on the small lots moving through the land bank. Availability of vacant property became a primary asset in the broader effort to create a market for homes in Cleveland's inner city. It provided an attractive development opportunity, released in selected areas and ready for prompt construction, which city government made part of package of resources for new home developers. The city encouraged the further use of land-bank properties by providing—and by encouraging others to provide—short-term loans for land assembly, using CDBG money for construction finance, getting banks to loan for model homes, and providing soft-second mortgages. Cleveland is now looking increasingly at how to clean

and finance the reuse of brownfield properties, especially for nonhousing projects.

In **Boston's** strong market, land for affordable housing was in short supply. As in Cleveland, Boston sped up the processing and transfer of city-owned land for affordable housing and made an inventory of publicly owned land that could be combined with city property for large development opportunities. The city coaxed other institutions to use their land for housing, set a priority for mixed-income housing on all city-taken sites, and addressed problems in coordinating disposition among agencies. The new collaborative effort resulted in more efficient handling of the disposition issue.

**Portland's** problem with abandoned properties solved itself during the market run-up of the late 1990s. Property owners paid off existing tax liens to put properties back to use, and other buildings were quickly purchased by for-profit developers. As in Boston, the challenge shifted to affordability. One of Portland's first responses was a property acquisition fund, managed by the Enterprise Foundation, although it too had difficulty keeping pace with expectations.

Next, the city initiated a land banking program, also in collaboration with Enterprise. The program featured a *Smart Growth Fund*, which lent funds to local entities throughout Oregon to buy properties. The loans ran for up to five years. They could be used to capture properties for eventual development or renovation, although the cities and CDCs lack resources for immediate development. As the first partner in this land banking effort, Enterprise provided a line of credit so buyers can move swiftly when properties became available. CDCs (or other developers) that brought parcels to the city's attention got priority consideration for eventual development. As adequate resources to meet city goals for affordability became available, the properties were made available for sale or transfer. The city held properties until a developer and funding were in place.

### How Best Practice Cities Processed Project Fund Allocations and Development Permits

In **Cleveland**, the mayor and key staff had tried to smooth the flow of funds and permits. The city allocated project funds annually, with pre-defined dollar totals, timed to fit the Low-Income Housing Tax Credit allocation schedule. Staff made funding recommendations as a package so the city council did not need to act on individual projects. The city also made large loans to the Cleveland Housing Network (or CHN, an intermediary that centralized some development functions, such as finance and construction management, but decentralized others, such as property selection, to individual CDCs).<sup>9</sup> With these funds, the CHN could, in turn, take on major scale homeownership programs in collaboration with CDCs. The big advantage was that there was no need for all of the players to deal with each small loan separately.

Because many homeownership lots in older areas of the city were of substandard size, zoning variances were required. The mayor, who controlled most appointments to the Board of Zoning Appeals, limited the problem of slow turnaround. The mayor also appointed most of the Planning Commission, which created new zoning that allowed townhouses to be built without variances. In addition, the Community Development Department created a special division to help people through the process of acquiring land and permits for development. Even so, the building permit staff was notoriously understaffed and slow, and the legal department had come to a near halt in its reviews. Despite more than a decade of determined improvement, the project review function still needed continued attention.

**Boston** had undertaken a mix of changes to move affordable housing projects forward more smoothly. As in Cleveland, the city revised the timing of project awards to fit the schedule of Low-Income Housing Tax Credit allocations. The mayor brought together a development cabinet, comprised of the heads the City Department of Neighborhood Development, the Boston Redevelopment Authority, and the Boston Housing Authority, to facilitate processing.

Of the three best practice cities, **Portland** initiated the most broad-based changes in its fund allocation and

permitting processes. The city's redevelopment agency, the Portland Development Commission (PDC), oversaw the development and financing of many real estate projects, including affordable housing. PDC had come under criticism in the late 1990s for allegedly holding a negative view of CDCs, for discounting the value of affordable housing and neighborhood stability, for having confusion in its funding processes, and for being slow and unhelpful in the approval process. By 2001, PDC had turned the corner. Developers had come to see the agency as fair minded, with project specifications that followed city mandates and more logical and open processes. PDC pursued formal Request for Proposals (RFPs) instead of negotiated deals. Timing was clear, and RFP deadlines matched the Low-Income Housing Tax Credits schedule. The RFP selection committee membership was broader, and specifications for available financial instruments were published, indicating the criteria for award and the mix of income, tenure, and markets to be served by a given RFP. Response times to RFP were cut to two months.

There were multiple reasons why PDC improved. Agency funding, which had previously come heavily from tax increment financing controlled by PDC, later came from the city's general funds and federal dollars. The city council, with encouragement from housing activists, gave clear, specific directives about income standards before turning over local housing resources. Federal resources came with their own income and other restrictions. The council was also very concerned about transparency and equal treatment, given the high visibility and large scale of the local housing funds. In addition, new PDC staff, notably the housing director, had seen PDC's inadequacies from the state level and ordered changes. He was promoted and helped to bring in others of like mind. Finally, both nonprofits and for-profits complained about inefficiencies, which increased their credibility across the council. Portland's system is by no means perfect. PDC is still accused of nit-picking and takes up to one year to close on a loan once funds have been allocated. Disagreements between housing advocates and PDC's development division persist about the nature and source of policies for targeting tax increment financing resources. But the persistence of policymakers in shaping the organization's behavior and watchfulness regarding its staff hiring, supported by concerned citizens, made a concrete difference.

section  
**2**

## Institutional Relationships in the Community Development System

**L**ocal governments do not magically become effective in ensuring that CDCs have the functional supports necessary to produce affordable housing and other community projects. Rather, a combination of circumstance and intentional action are required. In the best practice cities, four factors appeared to be critical to a well-functioning city role in the community development system.

- City government and residential neighborhoods had evolved a positive relationship.
- City government forged a special relationship with CDCs as a key vehicle in dealing with affordable housing issues.
- City government responded to the appeals of an effective affordable housing lobby.
- City government was a learning organization—capable of assessing its own experience and improving internal practice and external relationships as a result.

### City Government and Residential Neighborhoods

In most cities, local governments and CDCs began as antagonists and, over time, eventually became partners in community development. This evolution came in three phases: (1) conflict, (2) accommodation, and (3) interdependence.

Phase 1: Conflict. The conflict in Boston between city government and neighborhoods was immortalized in Herbert Gans' *The Urban Villager*, describing the demolition of a working-class neighborhood in the 1950s to make way for high-rise luxury apartments.<sup>10</sup> The city used the federal Urban Renewal Program to bulldoze the West End, which it viewed as a slum that would infect other parts of

the city unless excised. There was little protest inside the West End, but residents of other Boston neighborhoods watched the demolition and vowed “never again.”

Community development in Cleveland originated not with urban renewal, but rather with organizations growing out of urban riots and civil rights activity of the late 1960s.<sup>11</sup> By 1975, funds from the Commission on Catholic Community Action supported 75 organizers and a \$1 million budget for neighborhoods. Populist Mayor Dennis Kucinich and neighborhood organizers had initially forged a strong relationship. By 1978, that alliance had dissipated, punctuated by fist fights at the Second Annual Neighborhood Conference between community organizers and members of

the Mayor's Community Development Department. A number of neighborhood-based advocacy groups would survive the battle and be transformed into CDCs.

Portland avoided most of the city government versus neighborhood conflicts of the civil rights and urban renewal era—but only because its conflicts occurred earlier, in the decade after World War II. The combatants were not neighborhoods and city hall, but rather factions within the city—including long-time residents versus newcomers, reformers versus traditionalists, and business interests on one side of the Willamette River versus those on the other.<sup>12</sup>

**Phase 2: Accommodation.** When Edward Logue came to Boston in 1960 at the request of the newly elected reform Mayor John Collins, he brought a clear understanding that urban renewal could not involve major clearance nor be undertaken without engaging local residents. The first Boston CDCs arose as vehicles through which to engage the community in the reconstruction of their neighborhoods. It was not always easy going; relocation and clearance plans often generated neighborhood opposition. By the mid-1970s, community groups had transitioned from protest and organizing to housing development, using urban renewal land and federal subsidies. It was an uneasy truce, and each deal had to be carefully crafted between the neighborhoods and the city.

Cleveland peered over the precipice of civic and economic disorder in 1979 and pulled back from conflict to collaboration. The corporate community supported the winning mayoral

candidate, George Voinovich, a conservative Republican. The new city government, with help from foundations, secured funds to assemble a planning process—Civic Vision—bringing together downtown interests and neighborhoods. Chris Warren, a key community organizer, led the committee that focused on the future of the neighborhoods, as conflicts receded.

In the late 1970s, Portland's older residential neighborhoods, wary about urban renewal, poverty, and racial inequality, decided to work cooperatively with city government. Mayor Neil Goldschmidt, architect of the alliance, included neighborhood groups in decisionmaking. City government opted to provide financial support for voluntary neighborhood associations as an alternative to grassroots confrontation or top-down controlled citizen participation.<sup>13</sup>

**Phase 3: Interdependence.** In "Power, Money, and Politics in Community Development," Margaret Weir describes the relationship between local political systems and community-based organizations, with particular relevance for CDCs. Weir notes three types of possible relationships between community-based groups and city government:<sup>14</sup>

- In "elite-dominated" cities, there is little history of mobilizing neighborhood groups or connecting them to the city government.
- In "patronage politics" cities, city government has co-opted local groups through a carrot and stick system of rewards. Some groups are in, others

out. Participation is limited. Neighborhood power, while real in some instances, is manipulated and often demobilized.

- In “inclusive cities,” neighborhood organizations exercise independent power or win influence because city government finds them useful allies. Power is relatively stable, enabling community groups to both be strong partners and to develop their skills and capacities.

All three best practice cities exhibit the characteristics of “inclusive cities.” City government and neighborhoods have developed working relationships that have passed through turbulent times to equilibrium. The neighborhoods rely on city government for resources, and local officials look to neighborhoods for political support. These relationships, based on mutual gain, are not always without conflict. But it is generally a lover’s quarrel arising from a foundation of strong relationships.

Boston has elected two consecutive mayors who have centered their administrations on their neighborhood connections. The current mayor, Tom Menino, is sometimes criticized for being too tied to neighborhood groups, for responding too much to their concerns, and for focusing on daily neighborhood issues at the cost of an overarching vision for the city as a whole.

In Cleveland, George Voinovich was replaced by Mike White, a Democrat and African American, whose platform emphasized both

downtown and neighborhood development. White received support from neighborhood groups and appointed Chris Warren, neighborhood advocate and leader of the Civic Vision process, as director of Community Development. White’s successor, Jane Campbell, an executive of a community-based organization, won handily and has been a pro-neighborhood person since entering office.

Portland did not experience the conflict and accommodation exhibited in Boston and Cleveland between city government and neighborhoods. Portland moved rapidly to inclusion after Goldschmidt’s emergence as a neighborhood-oriented mayor. Ironically, the absence of conflict resulted in a lack of serious attention to neighborhood housing conditions before 1990.

Accommodation and interdependence have costs. City government must continually balance the demands of CDCs and neighborhoods against the demands of downtown business interests. The flare-up in Boston in 2001 over legislation that would have provided a major housing subsidy at the expense of some business interests caused Mayor Menino great pain. He eventually supported the neighborhood perspective, but over strong lobbying of key members of the financial community, and his reluctance undermined the momentum that might have led to eventual passage, despite support from all housing advocates. The current fiscal strains confronting all three cities have had an impact on the CDC capacity to produce housing with aspects of funding so dependent on City Hall.

### **Forging a Special Relationship between City Government and CDCs**

In our best practice cities, city governments deliberately decided to use CDCs as a central vehicle in tackling affordable housing issues in the neighborhoods.

In Cleveland, the Cleveland Housing Network, comprised of neighborhood-based CDCs, became the central, if not the sole, developer of housing for low income people in the 1980s. By 1989, with the election of Mayor Mike White, CDCs also became a crucial component of a new strategy to build market rate units for middle-income households. During the 1990s, city government continued to support the CDC industry. Many of the neighborhood advocates of the 1970s became players in Cleveland's city government in the 1990s.

The close relationships have been important. Cleveland exhibits little sense of "us versus them" in city government and neighborhood dealings. Many of the current players, both inside and outside of city government, have worked together since the 1970s. At each point in the transition from advocacy to community development, they have seen their roles expand and their connection to power and decision-making increase. Today, CDCs, bankers, and other major players in Cleveland's community development support system marvel at the degree to which the city and the outside players have become part of one system. Obviously there are exceptions to the sense of well-being. But the fact that so many neighborhood players are now in city government, and the tradition of working together and not worrying about turf,

has become part of the common language in Cleveland. The perception that others are part of a cooperative effort has probably increased the willingness of many individuals to cooperate in their turn.

Elected Mayor of Boston in 1983, Ray Flynn quickly emerged as an aggressive CDC supporter. Throughout the 1980s, CDCs increasingly became the city's vehicle of choice for addressing neighborhood housing needs—although not to the exclusion of private developers. With support from housing advisor Peter Dreier, Flynn became a national spokesman for CDCs and their role in affordable housing. When Tom Menino took over Flynn's job in 1993, one CDC-supporting mayor replaced another. Menino shifted somewhat from affordable housing during the real estate crash of the early 1990, but he remained attuned to CDCs and refocused on housing when the market turned. By the mid-1990s, housing affordability had become Menino's top priority.

The traditional pattern is for people to stay for a few years in city government and then move to the neighborhood level. However a number of Boston officials involved in community development for the city previously worked in CDCs. A prime example is Sheila Dillon, Deputy Director of the Department of Neighborhood Development (DND). A former head of a CDC, Dillon is respected both in city government and CDCs for her knowledge and commitment to an affordable housing agenda. She aggressively pushes both CDCs and local government to expedite the development process.

In both Cleveland and Boston, CDCs emerged as strong vehicles for affordable housing only after a long evolutionary process. Does this mean the emergence of CDCs linked to city government is inevitably a slow progression that cannot be jump started? Experience in Portland would suggest no. In this city, CDCs quickly became a vehicle for affordable housing as a result of deliberate and strategic intervention by the city and other key actors.

In 1993, researchers for this project rated Portland's CDC industry as "nascent"—a diplomatic way of saying "nonexistent." Neighborhoods were described as demographically stable and well-organized "due as much or more to public-sector initiatives as to community organizations." The city's five emerging CDCs had little production capacity, and several public figures expressed doubt about the capability of local CDCs to produce housing.<sup>15</sup> By 1989, when Oregon began encouraging CDCs through a state program, only one Portland CDC, REACH, had significant production capacity. The situation had not changed much by 1991.

Today, 15 Portland CDCs produce housing, and six are becoming highly productive organizations. The capacity turnaround is due to the efforts of Living Cities/NCDI, the Enterprise Foundation, the Neighborhood Partnership Fund, and a core operating support collaborative designed to advance CDC capacity. City support from a key city council member and the Bureau of Housing and Community Development also contributed to the CDCs' rise, along with growing public recognition of affordable housing shortages.

The Portland Development Commission (PDC), historically not a supporter of nonprofits, also made substantial adjustment to collaborate. Today Portland has a clear strategy to strengthen CDCs in providing affordable housing.

### **City Government and the Affordable Housing Lobby**

In a textbook version of public policymaking, city government sets policy and strategy—and others follow. But the picture in our three best practice cities is more complex. Policy and program development looks more like two-way arrows than top-down mandates.

In all three cities, participants in the community development system beyond city government exert major influence. Affordable housing is a salient local issue, and many institutions promote an affordable housing agenda. Importantly, those institutions have strong ties to city government, and therefore can exert constant pressure on agencies as they adopt policies, reframe programs, or reconsider regulations.

### **City Government and Organizational Learning**

Each of our three best practice cities exhibits a capacity for organizational learning: to examine their policies, strategies, and performance and change their internal practice and external relationships to reflect lessons learned.

City government is not a monolithic institution. It includes both the people who work for the city



and the bureaucracies they inhabit. From an outsider's perspective, neither is viewed in a particularly flattering light, and the challenges confronted by large institutions when faced with the need to adapt and change internally are typically substantial.

### The Housing Lobby in Boston, Cleveland, and Portland

In all three best practice cities, the community development system included a potent housing lobby that could exert major influence. In **Boston**, Mayor Tom Menino made housing a top priority because he considered it an important concern—and because of its saliency as an issue across the city. A network of seasoned organizations hovered around city government in pursuit of the affordable housing agenda:

- The Massachusetts Association of Community Development Corporations (MACDC), a statewide CDC association, was a major player in the community development system. Its entrepreneurial, politically astute, and aggressive leadership over the 1990s elevated MACDC. The executive director formerly worked at the state community development agency and was a state representative.
- The Neighborhood Development Support Collaborative (NDSC) was, in the eyes of local players, indistinguishable from the local office of the Local Initiatives Support Corporation (LISC). Its director was the former head of a Boston CDC.
- Citizens Housing and Planning Association (CHAPA) was one of the nation’s preeminent nonprofit housing organizations. Its highly respected executive director lobbied effectively for affordable housing at Boston City Hall and the state house. The CHAPA annual meeting drew over 1,300 “housers.” CHAPA often served as a research arm for the city, undertaking projects at the local government’s request.
- Greater Boston Interfaith Organization (GBIO) was a new organization at the time of our research, created by the Industrial Areas

Foundation. GBIO placed affordable housing at the top of its lobbying agenda. More confrontational than the other groups, GBIO enabled the others to negotiate from a more accommodating position. Leaders from all four of these organizations had long-standing professional relationships. With the exception of GBIO, all coordinated their lobbying to discuss strategy and ensure tactics were lined up.

In **Cleveland**, housing was a high priority for potent players in the community development system, including The Cleveland Foundation, Neighborhood Progress Inc., the local intermediary, and Cleveland Tomorrow, a business organization. These organizations often collaborated to push a housing agenda and were a major force in focusing city attention and structuring city policy and programmatic response. The fact that so many of the key players inside city government once worked for outside organizations—and vice versa—provided a natural environment for recommendations and lobbying.

In **Portland**, the city council had been a strong advocate for affordable housing, but pressure also came from key organizations outside city government. The city, for example, resolved a continuing struggle over the use of urban renewal monies outside of downtown districts by deciding to increase expenditures for affordable housing. This policy outcome resulted in part from lobbying by citizen housing advocates. Oregon Housing Now, and later the Community Alliance of Tenants, led the organizing efforts. In one renewal district debate, the Portland Organizing Project assembled data about campaign contributions from developers who would benefit from the non-affordable-housing options. That data proved to be important in the public debate. The association of CDCs—the Community Development Network (CDN)—also sent representatives to speak at the public hearings, as did individual CDCs, although they left mobilizing neighbors to others.

The prevailing assumption about city employees is that they are long-time civil service and union-protected bureaucrats, risk-averse, with little imagination, energy, and interest in advancing the community development agenda. A progressive mayor may bring in some good people to head agencies, and the first lieutenants in those departments may be public entrepreneurs. But boring down within the individual bureaucracies, energy flags, competence wanes, and progress dies. Contracts and permission forms sit on desks. Rules are narrowly interpreted. The competence level in the depths of the bureaucracy raises the perennial complaints about how “slow” the process in city hall even in our best practice cities.

The organizational view of city government sees problems in terms of the institutional relationships among the organizational elements—the organizational ecology. Urban governments are institutionally complex. The intricacies of the formal structure—the departments, bureaus, offices, authorities, city council—are rivaled only by the informal relationships among these various elements. In most city governments, most or all of the following structural elements affect the community development system:

- Mayor
- Community development department, which dispenses HOME and CDBG fund
- Redevelopment authority, which oversees development functions and can

be part of the community development department or an independent authority

- Office of neighborhood services, the mayor's political eyes and ears in the neighborhoods
- Office of housing inspection
- Planning department
- Departments for property disposition, assessors, collector-treasurer, real property, law department
- Public housing authority
- City council

Over the 1990s, our best practice cities intentionally worked to improve the coordination of the organizational ecology of city government and overcome the many institutional obstacles to internal change. These cities tried, for example, to deal with the differences in the goals and mandates of individual departments, some working at cross-purposes, even when the objective—affordable housing—is clear. The tax collection agency, for example, wants to maximize collected revenues, while the community development department wants to minimize taxes to lower renovation costs. The city law department focuses on due process in foreclosures, while the community development department wants to speed up foreclosure to get property back in use at affordable levels.

Such internal conflicts are common across the institutional ecology of city government. In each of the best practice cities, the mayor or a highly placed commissioner has worked hard to mitigate these conflicts by arguing for the importance of neighborhoods, by championing the participation of CDCs, by shaping the allocation of resources to operating support and project gap financing, and by guiding the appointment of sympathetic and entrepreneurial lead staff.

In Boston, institutional learning was reflected in efforts to rationalize the foreclosure and disposition of land owned by the city and redevelopment authority. Once separate processes, these processes became better coordinated because of collaboration and neighborhood focus of the new heads of the city development department and Boston Redevelopment Authority. In another example, improved communication between inspectional services and neighborhoods improved, and the use of project-based Section 8 subsidies by CDCs was advanced because of the closer working relationship between the Boston Housing Authority and the mayor's office.

In Portland, five city council members, elected in citywide balloting, became the commissioners of a combination of city departments. As a result, commissioners were tightly connected to issues, not territory. Each exerted strong control over his or her priority areas. Commissioners Kafouri and later Sten, with responsibility for housing and public works, demonstrated passion about housing issues and made local government a driving force, influencing other citywide actors and sending resources toward CDCs.

In Cleveland, an important element of the city's internal strategy was to reorganize to put zoning in Chris Warren's economic development department, so that the most powerful community development player in the city could move the housing agenda along more efficiently.

City governments can also adapt their external relationships to reflect lessons learned. They can determine how to use other players in the community development system and exert pressure themselves—not just be influenced by it.

### **Learning and Adapting External Relationships in Portland**

In Portland, local government contributed in a major way to identifying and solving a problem across the community development system. In the 1990s, Portland CDCs came under pressure to minimize operating costs and per unit subsidies in the production of rental housing. Staff at the Portland Development Commission (PDC) pressed the case and had limited trust in the figures supplied by the CDCs. When the new HIF fund was capitalized with substantial city surplus funds, the city council created a Housing Evaluation Group (HEG) to oversee HIF's accomplishments. Many viewed HEG's role as maximizing production per dollar. CDCs complained that they were being forced to use unrealistic operating cost figures to win funding for their projects. Their complaints initially went unheeded.

As more projects were in operation for longer periods, the evidence of funding shortfalls became visible. Relatively new buildings showed signs of deterioration. PDC and state and private lenders all recognized cash flow problems as CDC reports came in, and as money to fund reserve accounts was unavailable.

With help from others, the Bureau of Housing and Community Development (BHCD) prepared analyses showing the results of current underwriting standards and management practices. The analysis helped lead to the creation of a task force to deal with the set of identified problems. The new Community Asset

Management Initiative (CAM), with representatives from across the community development system, identified a series of problems involved in underestimating operating expenses, the treatment of asset and property management expenses, and incorrect underwriting formula. It determined, for example, that operating expenses in the CDC buildings were estimated as percentages of rent, using industry standards that neglected the effect of deliberately suppressed rents in the subsidized units.

CAM found that the original guidelines had overlooked the effect of special needs populations, scattered site structures, and other factors on operating expense levels. Asset and property management expenses were treated as below-the-line costs, to be paid out of net cash flow if any, which minimized resources available for those activities. And CAM discovered that PDC's project analyses extended for only 10 years, while the city had 60-year affordability requirements, missing the fact that even projected cash flows became deficits in later years. Overall pressure was intense to lowball operating and management costs.

In response, CAM produced new recommendations to monitor portfolios, fix old transactions, produce better deals in the future, and develop the capacity of property owners to manage well. CAM highlighted the work of the CDCs in helping to devise new standards for asset and property management, directing PDC to use the work the CDCs had already done as a starting place in developing its guidelines for evaluating project performance.

## Recommendations

The recommendations to city officials, funders, and other supporters of community development below are grounded in our belief that the best lessons about city government’s role in community development can be shared and learned by others. National and local supporters of community-based development could play a highly useful role in bringing about positive change by investing strategically, comparing and disseminating information from many cities, and using their influence with the community development community to press for adoption of best practices.

1. *Funders and other community development supporters must encourage cities to adopt focused, market-responsive community development strategies.*

Unlike the best practice cities, most do not have a focused housing and community development strategy with a clear logical relationship to market circumstances. Training, technical assistance, and information sharing in this area could be helpful. Cities will not all pursue such strategy formation, even with additional help. But funders and other community development supporters could communicate their interest in strategic plan development in target cities and commit resources in a few test situations where intermediaries and CDCs are active in the process.

2. *National funders can use their financial clout and public platforms to elicit cities’ more active support of*

*community-based capacity-building efforts.*

City government plays a key role in the community development system by providing operating support to CDCs, by joining capacity-building collaboratives, and by participating in coordinating activities. Some pressure for cities to assume this role must come from other local actors. But national funders of community development could help disseminate information about the value of the city’s operating support role and how best practice cities handle this function. They could offer funds, whether new or as part of the standard local allocation, specifically as a match for local government resources and active participation. Alternatively, national funders could offer to substitute their loan funds for predevelopment monies the city now provides if the city agreed to redirect predevelopment resources to operating support.

3. *National funders can use this same financial strength to encourage cities to provide more affordable housing dollars.*

Shortage of dollars to help finance affordable housing is a critical community development barrier. New local money may be the best source to supplement federal dollars, which requires active lobbying by local and state advocates in the face of multiple political obstacles. National funders and other community development supporters can help by supporting advocacy research on housing affordability challenges and solutions, offering to match new local funds, even on less than a one-to-one basis, or substitute their own predevelopment dollars for city funding, which could then be used for new permanent finance.

4. *Land banking is an important but under-utilized strategy that could be more widely adopted with the right kind of national support.*

Effective capture and reuse of property is very important to community development in both hot and weak markets. A land banking approach that gets property into the hands of the city and ready for disposition to CDCs, even as financing and other aspects of opportunity arise, appears especially useful, although experience is not yet wide. National funders could help develop and disseminate information

about the land bank approach among its cities. It could convene interested localities and partners and potentially take a role in financing land banking in certain situations. There would also be value in convening and education about other aspects of property transfer, at the local and state levels.

5. *By working more closely with other players in the community development system, cities can improve speed and smoothness in administrative and regulatory tasks, probably at limited cost.*

While processing remains a challenge across cities, there are good ways to get funds allocated to housing projects and permits approved. In the best practice cities, for example, we did see improved coordination between city government project approvals and Low-Income Housing Tax Credit awards. National funders and other community development supporters could help convene, pay for a consultant, and/or bring information on practices in other cities. Again, some appetite for institutional learning between the city and others is necessary. But since these processes are often well-recognized frustrations, there may be an opportunity to expand the institutional learning experience.

6. *While the relationships between city government and others in the community development system that contribute to*

*best practice usually take a long time to build, the process can be sped up intentionally.*

The city can and should help forge the community development network by identifying the kinds of institutions and connections needed, by helping relationships grow with capacity-building resources, by providing its stamp of approval on well-run organizations, and by convening key players. Funders and other supporters of community development can help by assuring that local LISC and Enterprise offices have a strategy to build the network, by coupling foundation capacity-building resources strategically with those of local government, and by helping to convene local community development system players around specific issues.

7. *Efforts to educate candidates and elected officials are important to nurture new champions for community development.*

In best practice communities, the mayor or another powerful elected official champions CDCs, affordable housing, and neighborhood revitalization. CDCs could become more active in educating candidates and elected officials about the importance of affordable housing and the quality of CDC work. This recently occurred in the Los Angeles mayoral contest. Such efforts are traditionally very difficult to fund, but

not terribly expensive. Funders of community development may want to encourage use of the Los Angeles and other models for increasing education of candidates and elected officials and provide resources for the activity.

8. *Highlighting CDC accomplishments is a good way to encourage a more responsive city government.*

City government's willingness to make CDCs a central player in community development depends in part on how well CDCs are performing and how solid they are as organizations. Foundation and corporate funders' continuing contribution to building CDC capacity is thus critical in gaining city confidence and support for CDCs. Funders and other supporters can be of further assistance by expanding their support for communication strategies to highlight CDC local accomplishments and pressing CDC associations and others to find the time and energy to undertake communication tasks.

9. *Special task forces devoted to particular community development issues have proven to be an effective way to fix chronic or acute system breakdowns.*

Special tasks forces, with city government as a central participant, can be effective in sorting out complex problems in the community development system. Portland's work on asset management is a prime



example. The process often involves fixing one or a few elements, learning more, and proceeding to new and better solutions. National supporters of local community development could usefully

choose to support the expansion of this process by serving as convener, partial funder, and provider of information about approaches to the same issues in other cities.

## Endnotes

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<sup>1</sup> Launched in 1991 through a collaboration of national foundations and corporations, *Living Cities: the National Community Development Initiative* has since that time committed more than \$350 million to CDCs and the local institutions that support them. Living Cities has relied on two national community development intermediaries—the Local Initiatives Support Corporation and the Enterprise Foundation—to carry out the national program. For a comprehensive report on the first ten years of the initiative, see Christopher Walker, Jeremy Gustafson, and Chris Snow, *National Support for Local System Change: The Effect of the National Community Development Initiative on Community Development Systems* (Washington DC: Urban Institute, 2002).

<sup>2</sup> Chris Walker and Mark Weinheimer, *Community Development in the 1990s* (Washington, DC: Urban Institute, 1998), p.10.

<sup>3</sup> More explanation about the methodology used in this analysis can be found in the appendix.

<sup>4</sup> Unlike most other U.S. cities, Portland has a powerful regional government body with substantial city government buy-in.

<sup>5</sup> In Oregon and many other states, a redevelopment district enables local government to set aside tax revenues from the district that exceed those collected in the initial year and to use them for physical improvements and certain other uses in that district.

<sup>6</sup> Not acquisition, predevelopment, or construction, which are in ample supply elsewhere in the system.

<sup>7</sup> See a description of the survey and a summary of results in Christopher Walker and Mark Weinheimer, *Community Development in the 1990s* (Washington DC: Urban Institute, 1998).

<sup>8</sup> With one exception in Cleveland.

<sup>9</sup> Notably a construction loan, from CDBG funds, each year.

<sup>10</sup> Herbert J. Gans, *The Urban Villager: Group and Class in the Life of Italian Americans* (New York: Free Press, 1962).

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<sup>11</sup> Cite: Jordan Yin p.6.

<sup>12</sup> Abbott p.20

<sup>13</sup> Abbott-23

<sup>14</sup> Margaret Weir, "Power, Money, and Politics in Community Development," in *Urban Problems and Community Development*, edited by Ronald F. Ferguson and William T. Dickens (Washington, DC: Brookings Institution Press, 1999), pp. 139-92.

<sup>15</sup> p.3 baseline report 1993 need footnote cite

## Appendix: Methodology

This study used several different methods to obtain information for analysis of good local government practice in the community development system. The primary approach was to examine the practices of three high-performing local governments: Boston, Cleveland, and Portland. Our study throughout the initial three phases of NCDI indicated that these cities were helping significantly to drive forward the provision of affordable housing and the revitalization of neighborhoods in their localities. Those studies also indicated that these cities represented the infrastructure of partnership and the working processes, along with the specific actions, that made local government a successful contributor to community development systems. Our discussions with key informants over a decade of interviews established that, while the specifics of which things were done well and done poorly varied somewhat over the cities, Boston, Cleveland, and Portland were among the set that were overall doing a good job for community development and CDCs. A review of current and earlier reports about all 23 NCDI cities gave reassurance that these three cities were among a small number of best choices to represent an array of positive behavior.

Visits were made to each of the three cities an extra time, for three days, in fall 2001, to capture detailed information specifically from the point of view of people looking out from local government and others looking at it. Using semi-structured interview outlines, we interviewed members of the government itself,

talked to other players in the community development system regarding their view of city policy and performance, and developed summary reports from which to assess common patterns and differences among the three cities. We also summarized the main city-government-related points from previous site reports for these locations and added them to the results of the extra visits. The results concentrated on the environment and infrastructure for the work of local government and its partners, the level of city performance and its change, the reasons that they performed as they did, and possibilities for instituting other change.

The second method of study was to review and analyze relevant material from the other 20 NCDI cities, again seeking the information that focused on the performance of city government and its impact. All past reports were revisited and a new report was prepared for each, in a consistent format representing major city issues. Then the common patterns were gleaned from these new reports, and important examples culled, specifically as they amplified or modified findings about key issues from the three best practice cities, supported them, or diverted sharply from them.

In addition, the analysis drew on investigations from previous rounds of NCDI assessment. The 1999 survey of CDCs—resulting in 163 responses—included a series of questions about how well they thought city government was doing in matters of policy, strategy, and implementation. The answers to that series were

analyzed for direct observation about CDCs' experience dealing with city government. Further, ratings were made of city-related issues within the broader site rating scheme carried out by members of the NCDI assessment team. These were reviewed for consistency with the local-government-specific study findings. Finally, a new series of surveys was fielded in

10 cities in 2001, titled the Neighborhood Recovery Index, which concentrated on cities community development performance, but with a broader span than their connections to CDCs and CDC work. The responses provided additional observations, primarily in short, multiple-choice form, about the nature of performance of additional NCDI cities.