

Case Studies

A Burdensome Gift: 1200 Irving Street and the Development Corporation of Columbia Heights, Washington, DC

INTRODUCTION

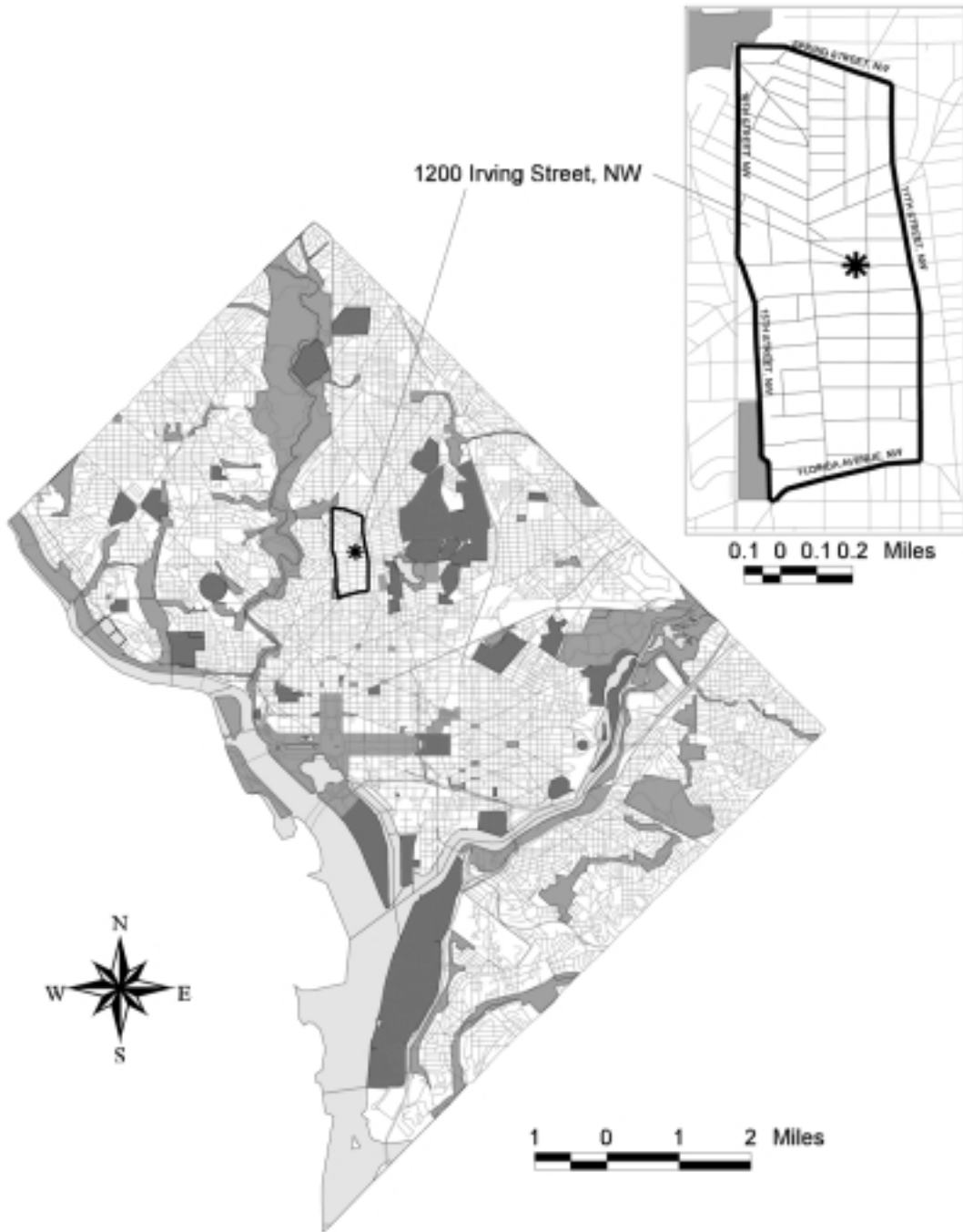
When Citibank of Washington, DC, offered the Development Corporation of Columbia Heights (DCCH) a two-story 12-unit apartment building as a gift, it seemed like a great opportunity to improve Washington's Columbia Heights neighborhood. Renovating the building at 1200 Irving Street would provide decent, affordable housing to the low-income residents of the neighborhood and eliminate a nuisance created by the prostitutes who worked there (see figure 1 for a map of the area). The members of the staff enthusiastically accepted the bank's gift in spring 1994 and adopted a plan to relocate the building's seven remaining tenants and turn it into an eight-unit limited-equity cooperative.

Soon, however, DCCH's staff members wondered whether the building was worth it even at no cost. William Bush, the director of Housing and Commercial Development for DCCH in the mid-1990s, considered 1200 Irving Street to be a "dog." Many times during the project he thought that if a for-profit developer would take the property off his hands, he would be delighted to sell it. Robert L. Moore, DCCH's executive director, recently said that 1200 Irving was the worst building he had ever worked on in his career. At a cost of close to a million dollars to renovate the property, it would have been cheaper, Moore concluded, to demolish the building and construct a new one (Bush 1997; Moore 1997).

The 1200 Irving Street project appears to give plenty of ammunition to critics of the community development system. It was exorbitantly expensive. It was a housing development that removed low-income tenants and reduced the number of inexpensive units in the building. And property owners influenced DCCH to develop the building for moderate-income, rather than very low income, households.

A close examination of DCCH and the development of 1200 Irving Street, however, reveals a more complex and ambiguous reality than might at first be supposed by either critics or supporters of the community development system. The project arose in large part out of the historic mission of DCCH to revitalize Columbia Heights, the goals that the resident board and executive director set for the organization, and the circumstances related to the property, including the opinions of Columbia Heights residents and the availability of financing. Neither philanthropic funders nor LISC forced this housing development venture on DCCH. In fact, the local LISC program officer was sympathetic to DCCH's agenda and provided crucial financing even though a commercial bank turned the CDC down. The organization's long-standing plan to make the building a limited-equity cooperative could

Figure 1. 1200 Irving Street, Columbia Heights Neighborhood in Washington, DC



be said to express a “use value” (rather than an “exchange value”), because it removed the potential for future profit from the building. And the property owners who rejected another low-income housing project were African-American homeowners who were responding specifically to the way the building had been used in the immediate past.

COMMUNITY DEVELOPMENT IN WASHINGTON, DC

Washington, DC, has a strong but distinctive community development support system, in part because of its jurisdictional and political history—only recently has the District enjoyed home rule, and the tenure of former Mayor Marion Barry has been controversial—and in part because of the city’s role as the nation’s capital and headquarters for national organizations.

The community development movement in Washington, DC, originated as a response to the government’s slum clearance and redevelopment projects. Although they were authorized by the enactment of the District of Columbia Redevelopment Act in 1945, the District’s slum clearance and redevelopment projects did not get under way until the late 1950s. These projects, especially those in southwest Washington, left many citizens angry at the District’s Redevelopment Land Agency for depriving people of their homes without adequately consulting or relocating them. During the 1960s with the civil rights movement as a backdrop, neighborhood groups began to contest the agency’s renewal plans.

The persistent anti-urban renewal protests paid off, and the city government adopted a policy of consulting local community groups about redevelopment plans for their neighborhoods. The riots following the assassination of Martin Luther King brought more attention and funds to Washington’s inner city. In 1968 neighborhood organizations took advantage of the announcement of a large urban planning grant from HUD and the housing act that had recently been passed allowing them to gain federal funds by devising short-term plans for their communities. The Model Inner City Community Development Organization, for example, pioneered community-based urban renewal planning in the Shaw district in northwest Washington. After the passage of the Home Rule Act of 1973, the District government established neighborhood advisory commissions, giving citizens a formal institution in which they could shape the plans for local revitalization (Gillette 1995).

A variety of local nonprofit organizations emerged to participate in neighborhood planning and grassroots-style redevelopment. Some, such as the Anacostia Economic Development Corporation, were funded by federal antipoverty agencies, especially the Office of Economic Opportunity, as part of President Lyndon Johnson’s 1960s War on Poverty. Later local residents started new groups such as Marshall Heights Community Development Corporation and DCCH. A few, including East of the River Community Development Corporation, were organized by the mayor and the District’s government. Other neighborhood nonprofit organizations, such as Manna, Inc., and Jubilee Housing, were the products of churches. As in other cities, in the 1970s Washington’s neighborhood organizations concentrated on economic development projects—usually by helping entrepreneurs start or run small businesses—but by the late 1980s they had broadened their approach to include housing and social programs (Newsome 1999).

The District of Columbia has supported community development generously. Since the passage of the Housing and Community Development Act of 1974, various mayoral administrations have distributed federal CDBGs to local community development organizations. In the late 1980s, the District government set up the Neighborhood Development Assistance Program to help defray CDCs' operating costs in certain service areas designated for economic and physical development. Since 1994, the city's Department of Housing and Community Development has administered the assistance program. The department defined eight service areas and then awarded two or three years of operating support to CDCs that demonstrated they were serving their area. (A ninth service area comprised a commercial corridor, and its funds were set aside for local Hispanic residents or business-people.) The awards have been and continue to be generous: CDCs may receive \$500,000 or \$1 million annually. In 1997 the Department of Housing and Community Development dispensed close to \$4 million out of its CDBG funds to help pay operating costs of eight CDCs—one for each service area. Thus, the District has been one of the few cities in the country to provide significant sums of money for the core support of its CDCs (Hammond 1998).

Yet the local government's community development efforts have had their share of problems. Frequent disruptions in the administration of the Department of Housing and Community Development at times prevented it from carrying out its programs in a timely fashion. Since 1985 the department has had nine directors—four of whom served for 18 months or less and one who served two separate terms—and in 1995 its accounts were frozen when the federal government took over the city's financial affairs. The department has also tended to provide most of its community development funds to a small number of CDCs. In the early and mid-1980s, the city gave significant CDBG financial support to only a few CDCs, such as Marshall Heights and Manna, Inc. In the 1990s the number of beneficiaries increased, but still several CDCs regularly received most of the CDBG money, even though some of them were more productive than others.

Many sources of support for Washington's CDCs exist outside government. Although Washington, DC, has relatively few large corporations, companies such as Verizon (formerly Bell Atlantic) and MCI give grants to community development organizations. Washington is also home to Fannie Mae and Freddie Mac. These large government-sponsored secondary mortgage market corporations (and their affiliated foundations) actively support nonprofit community development efforts in the District. The city also has several private foundations that are interested in housing and community development, the Eugene and Agnes E. Meyer Foundation, and the Morris and Gwendolyn Cafritz Fund, for example.

Washington is also home to Jubilee Enterprise, which is somewhat unusual in that it acts as both a nonprofit housing developer and an intermediary. Jubilee Enterprise has rehabilitated thousands of apartments for low-income tenants; it either manages them or turns the apartments over to tenant management and ownership groups that it helps to organize.

LISC began operating in Washington in 1981, soon after the organization was founded. The first recipients of LISC's loans and grants in the capital included Jubilee Housing,

with which James Rouse was affiliated, and Marshall Heights Community Development Corporation (LISC 1982, 1984). To provide operating support to CDCs, LISC officers in the mid-1990s helped organize a Neighborhood Development Support Collaborative, a consortium of the area's major banks, utility companies, and foundations. Although it was modeled after the Neighborhood Development Support Collaborative in Boston, the District's collaborative differs from those in other cities in that the participating foundations also support community development organizations directly. By the late 1990s the local LISC office was providing loans and grants to 10 to 13 CDCs each year, and the Neighborhood Development Support Collaborative helped from 8 to 10 CDCs annually (Newsome 1999).

THE COLUMBIA HEIGHTS NEIGHBORHOOD

During the first half of the 20th century, Columbia Heights was one of a series of contiguous residential neighborhoods in northern Washington where whites of European stock lived—Irish, Italian, and eastern European Jews. By 1920, according to neighborhood historians, 45,000 people lived in Columbia Heights; 20 years later the population had swollen to 70,000. The great commercial and entertainment boulevard of the area, 14th Street, attracted droves of shoppers from Columbia Heights and other Washington neighborhoods. During the 1950s middle-class African Americans began to move to Columbia Heights, where well-built houses and the bustle of 14th Street beckoned (DCCH 1995).

In the late 1950s and 1960s Columbia Heights began to receive poor African Americans, some of whom had been displaced from Washington's Southwest quadrant by the city's aggressive redevelopment plan. By then middle-class whites in Washington, as in other U.S. cities, were moving to the suburbs in large numbers. In Columbia Heights the arrival of poor African Americans accelerated that departure. Then on April 4, 1968, following the assassination of Martin Luther King, rioters wreaked havoc on the businesses along 14th Street. Two hundred seventy of the 320 businesses on 14th Street between Thomas Circle and Park Road were gutted. Decades after the riot only a few stores operated on 14th Street, which had become a shadow of the commercial street it had once been (Loose 1998).

After the riots the population of Columbia Heights dwindled rapidly. (See table 2 for neighborhood statistics.) By 1990 the census tracts served by DCCH were home to only 24,500 people.¹ Households in Columbia Heights had an average annual income of \$25,208, a little more than half the figure for all Washington households. Twenty-eight percent of households fell below the poverty line, as opposed to 17 percent in the city as a whole. The share of households in which the head of the household was a single woman was 27 percent in Columbia Heights, exceeding the 20 percent share in Washington (DC Office of Planning/State Data Center 1998; U.S. Census 1990).

¹The area of Columbia Heights considered in this report is slightly larger than the DCCH service area. The boundaries of the DCCH service area—Florida Avenue, 11th Street, Spring Road, and 15th Street—divide four of the six census tracts included in the service area. The Columbia Heights statistics in this report were compiled from entire census tracts rather than the portions of tracts that fall within the official service area boundaries.

Table 2. Case Study Neighborhoods and Cities, Population Statistics, 1990

	Columbia Heights	Washington, DC	Allston Brighton	Boston	Liberty City	Miami-Dade County
Households	9,223	249,634	29,422	227,958	8,784	692,237
Population	24,582	606,900	70,284	574,283	26,589	1,937,094
Population change 1980–1990	-3,858 (-13.6%)	-31,433 (-4.9%)	5,020 (7.7%)	11,291 (2%)	-2,297 (-7.95%)	+311,313 (19.1%)
Population by race	White (10.6%) Black (71.2%) Asian (1.6%) Other (16.8%)	White (29.6%) Black (65.9%) Asian (1.9%) Other (2.7%)	White (78.3%) Black (7.2%) Asian (10.8%) Other (3.6%)	White (62.9%) Black (25.5%) Asian (5.3%) Other (6.2%)	White (3.8%) Black (94.8%) Other (1.4%)	White (73.1%) Black (20.6%) Asian (1.3%) Other (5.1%)
People of Hispanic origin	5,952 (24.2%)	31,358 (5.2%)	6,091 (8.7%)	59,692 (10.4%)	1,662 (6.3%)	949,700 (49%)
Population by age	0–4 (7.7%) 5–17 (16.7%) 18–24 (12.6%) 25–44 (38.0%) 45–64 (15.1%) 65+ (9.9%)	0–4 (6.0%) 5–17 (13.2%) 18–24 (13.4%) 25–44 (35.9%) 45–64 (18.7%) 65+ (12.8%)	0–4 (3.5%) 5–17 (6.5%) 18–24 (28.5%) 25–44 (41.6%) 45–64 (9.9%) 65+ (10.1%)	0–4 (6.2%) 5–17 (12.8%) 18–24 (17.3%) 25–44 (36.7%) 45–64 (15.3%) 65+ (11.5%)	0–4 (10.9%) 5–14 (18.0%) 15–24 (15.4%) 25–44 (27.0%) 45–64 (18.2%) 65+ (10.4%)	0–4 (7.2%) 5–14 (13.0%) 15–24 (14.0%) 25–44 (31.5%) 45–64 (20.4%) 65+ (14.0%)
Mean household income (\$)	25,208	46,155	35,071	33,724	18,438	37,903
Percent of people in poverty	28	16.9	20.1	17.8	43.6	17.9
Unemployment (%)	9	7.2	6	8.3	16	7.7
Percent of households headed by single female	26.9	20.2	8	16.6	38	14.9
Homeownership	1,504 owner occupied (16.4%)	97,085 owner occupied (38.9%)	6,100 owner occupied (20.7%)	70,543 owner occupied (28.1%)	3,478 owner occupied (39.6%)	332,527 owner occupied (54.5%)
Median house value (\$)	(116,150)	121,700 (145,039)	184,000 (189,755)	160,100	(47,629)	(112,484)
Median rent (\$)	(397)	479 (526)	726 (755)	625	(272)	(441)
Rental vacancy rate (%)	11.4	10.4	4.6	8.9	13.4	10.2

Sources: U.S. Census Bureau; DC, Office of Planning/State Data Center; Miami-Dade County Department of Planning, Development and Regulation; Boston Redevelopment Authority; and the Boston Persistent Poverty Project.
 Note: Due to rounding, the sum of percentages may not equal 100%.

The racial and ethnic composition of the Columbia Heights population is predominantly black, but in recent years has become more heterogeneous. Blacks still composed more than 70 percent of the neighborhood population in 1990. Hispanics made up the next largest group, and their numbers increased during the 1980s and 1990s. A small number of whites and Asians lived in the neighborhood as well (DC Office of Planning/State Data Center 1998; U.S. Census 1990).

For many years the city government's primary response to the problems of Columbia Heights was to develop subsidized, low-income housing. According to DCCH figures, 80 percent of the neighborhood's housing units were rental units. Of these, 2,700 were federally subsidized (LISC 1996a). The rents for the privately held apartments lagged behind the rents for the city as a whole—the average rent was \$397 in Columbia Heights, \$526 for the city. Nonetheless, the 11 percent apartment vacancy rate lagged behind that of the city by only 1 percent (DC Office of Planning/State Data Center 1998; U.S. Census 1990).

In the recent past the most important event was construction of a new subway station at 14th and Irving Streets. Much anticipated during the three years it was under construction, the station was completed at a cost of \$643 million in September 1999. People in the neighborhood looked forward not only to the added convenience of a major transportation line, but also to the stimulus to new economic and real estate development. Indeed, land parcels adjacent to the station have been the subject of competing bids for commercial development and disputes over which development would better serve the neighborhood (DCCH 1999).

DCCH

DCCH, the organization that rehabilitated 1200 Irving Street, was established as part of a decades-long effort to restore the neighborhood of Columbia Heights to the prosperity and vitality it had before the riot of 1968. Citizens of Columbia Heights formed the 14th Street Project Area Committee in 1968 with the same planning grant from HUD that had funded the Model Inner City Community Development Organization. The project area committee emphasized citizen participation and planning, but residents needed another entity to carry out the plans. Under the auspices of the Small Business Administration Section 502 program, they formed a local development corporation to stimulate small businesses but soon found that it was not as productive as they had hoped it would be (Hubbard 1997).

Led by M. Leroy Hubbard, a community activist who had helped organize the 14th Street Project Area Committee and the local development corporation, the residents formed a CDC in 1984 to go beyond the small business approach of the local development corporation. DCCH was to be, in Hubbard's words, the "mechanism" or "vehicle" to stimulate and, if need be, carry out the redevelopment of Columbia Heights. Hubbard enlisted local residents, ministers, and businesspeople to sit on the board of DCCH. African Americans were and continue to be in the overwhelming majority on DCCH's board, and the paid staff have always been made up of African Americans only (Hubbard 1997).

At first the board members planned to work with private developers to redevelop the vacant and blighted properties purchased by the District of Columbia Redevelopment

Land Agency after the 1968 riots. By 1987, however, few private developers had appeared to help renew the neighborhood, so DCCH board members concluded that the organization should take a direct role in redevelopment. For that purpose, in 1988 they applied for and won a grant of \$75,000 from the District of Columbia as the official CDC for their service area (Hubbard 1997; LISC 1996a).

With this funding, the DCCH board hired Robert L. Moore to be the organization's executive director. Moore knew how to carry out development projects. He had previously headed the District's Department of Housing and Community Development under former Mayor Marion Barry and carried out Barry's program of rehabilitating thousands of foreclosed properties the city had acquired. In the early 1980s, after the difficulty of such a large-scale enterprise became apparent, he had helped implement a new policy of financing nonprofit organizations to rehabilitate foreclosed properties.

Hence, Moore was an expert in housing and community development; indeed he was perhaps the most expert individual the DCCH could have hired. Moore was not a resident of Columbia Heights, although he had once lived in the neighborhood briefly, but he is African American, an asset in a majority black neighborhood. As director of DCCH, Moore expanded the organization with new real estate, economic development, and social programs and recruited young, enthusiastic African-American professionals to run them. Hiring Moore, Hubbard says, was a "big break" in the long campaign to renew Columbia Heights (Moore 1997, 1998).

From the beginning Hubbard and other board members hoped that the organization would help realize their vision for Columbia Heights: an ethnically diverse, mixed-income neighborhood that attracts businesses and real estate development (Dickey 1998; Hubbard 1997). In a neighborhood that already has thousands of units of assisted housing and even a few signs of gentrification, Moore and the DCCH board have focused on attracting and retaining what they call the middle-income families, those who earn between \$35,000 and \$40,000. Moore hopes to "turn on the spigot of private investment" in Columbia Heights, knowing that all DCCH can do is "prime the pump" by reducing the risk for private investors (Moore 1997).

The mission of DCCH is found within the private enterprise framework that some community development critics condemn. Yet the impulse to improve and develop the neighborhood comes not from outside funders or conservative property owners, but from progressive stakeholders within the neighborhood. The board of directors of DCCH—21 people strong in 1996—is composed of local activists, such as Hubbard and Anne G. Bennett, an advisory neighborhood commissioner; neighborhood businessmen, such as Emmanuel Dickey, the owner of a local hardware store (and DCCH treasurer); and representatives of community agencies and institutions, such as Gracie Rolling, director of Change, Inc., and Maria Tukeva, principal of the Bell Multicultural High School. Since Moore took charge, DCCH has succeeded in garnering funds from public and private sources. DCCH has received operating funds from the District since 1988; in 1997 it received \$500,000 to carry out its programs in service area eight. In addition, DCCH has received numerous grants from banks, corporations, and foundations, including two operating support grants from the local LISC office.

The organization's first development projects consisted of helping local property owners obtain financing to rehabilitate troubled properties. DCCH helped obtain refinancing for several small buildings, containing from 1 to 4 units, and a 20-unit residential cooperative. DCCH also codeveloped vacant commercial and residential parcels in Columbia Heights. Then in 1993 Moore and DCCH led a collaboration of nonprofit community development and social service organizations, the Nehemiah Development Group, in a successful bid to develop four vacant urban renewal parcels on 14th Street that had been left vacant since the 1968 upheavals. On these sites, the Nehemiah Development Group built moderately priced housing—in the form of a limited-equity cooperative, 15 town houses for sale to first-time home buyers, and 14 condominiums—as well as an 18,000-square-foot retail shopping center. Following in the tradition of its predecessor, the local development corporation, DCCH in 1990 instituted a loan and technical assistance program for small businesses in the 14th Street corridor (DCCH 1995; LISC 1996a).

By the early 1990s DCCH was a growing enterprise with a reputation as one of the most successful CDCs in Washington. It had a full-time staff of 12, which included Moore and Bush, a housing specialist, a director of business development, a comptroller, and an accounting clerk. The organization had assets of \$3,217,000 in property, plant, and equipment. In 1995 its annual budget climbed to \$1,084,000 (up from \$958,000 in the previous year). Revenues included \$391,329 from the District's Neighborhood Development Assistance Program for core operating support and more than \$460,000 in grants and contributions (LISC 1996a).

In October 1994 DCCH inaugurated biennial neighborhood strategic planning conferences to set the direction for physical planning and find ways to respond to the needs of Columbia Heights residents. The first conference was attended by more than 250 representatives of neighborhood organizations, planning and policy professionals, and residents. Volunteers from the Columbia Heights neighborhood set the conference format and chose youth empowerment, education and jobs, neighborhood housing, and multicultural leadership as subjects for the workshops. Following the conference, the organization expanded its agenda to carry out recommendations made by workshop participants. For example, with the help of a \$95,000 matching fund grant from the local LISC office, DCCH hired a "community building" director to be in charge of leadership training. In this capacity, the director organized block associations and a YouthBuild training program in partnership with the Latin American Youth Center (DCCH 1994).

DCCH adopted a strategy of developing housing on particular blocks to improve the surrounding area, rather than merely creating more low-income housing for its own sake. Any housing development produces housing units, according to former DCCH Housing and Commercial Development director Desa Sealy Ruffin, but "if we make the right strategic choices on what sites to rehab, we can also deliver a block that is safer, more stable" (DCCH 1995, 4). Thus, the organization had targeted three areas in which to develop property: Columbia Road, the major east-west thoroughfare in Columbia Heights; the 1400 block of Girard Street, notorious as a center of drug trafficking; and the 1400 block of Chapin Street, site of a large number of abandoned properties and close to the Nehemiah site where a shopping center and 13-unit apartment building were being built. Beyond its

bricks-and-mortar activities, DCCH helped organize the residents of those blocks so they could assert control over their neighborhoods (DCCH 1997).

THE 1200 IRVING STREET PROJECT

In the spring of 1993 Citibank of Washington, DC, approached DCCH to find out whether the organization would take a property off its hands. Citibank offered DCCH a two-story apartment building located at 1200 Irving Street, which the bank had acquired through a foreclosure. The masonry structure had been built in the 1920s and had obviously deteriorated. It was built on a concrete foundation and had a flat tar roof and utility, laundry, and storage facilities in the basement. The original apartments had been cut up into six one-bedroom units on each floor, but only 7 of the building's 12 units were occupied. DCCH staff members noticed that the floors of the building sloped considerably and concluded that they would have to put in new flooring.

DCCH's decision to accept the 1200 Irving Street property from Citibank was based on the staff's perceptions of community needs. When property became available—for what seemed like a nominal cost—there was little discussion within the organization about taking on the project. Although the property was not located precisely in one of the organization's target areas—it was a block away from Columbia Road and a few blocks from the 1400 block of Girard Street—the renovation of 1200 Irving seemed to clearly fit DCCH's goals. To begin with, the Irving Street project would help Tubman Elementary School, an important neighborhood institution and partner of DCCH. DCCH had been supporting the school by supplying trophies for students who excelled and by helping with maintenance work on the school. Located across the street from the school, the 1200 Irving Street building was an outrage to the school's principal, with whom DCCH had been working. In plain view of the schoolchildren and neighbors, prostitutes and drug addicts had invaded the basement of the building (Moore 1998).

Furthermore, by rehabilitating 1200 Irving Street for normal residential use, DCCH staff members believed they would encourage neighboring homeowners to stay and be a part of the community. The building contributed to a high turnover among owners of neighboring town houses; many became disgusted with the illicit activities and moved (Bush 1998; Moore 1998).

Finally, by repairing a deteriorated building, DCCH could create good, affordable housing. Moreover, the property apparently came at no cost, or rather at less than no cost, as Citibank also provided a \$30,000 grant to cover emergency repairs and relocation costs. In addition, Moore obtained a \$27,845 recoverable grant from the local LISC office for predevelopment costs such as insurance and architectural plans (LISC 1996a).

William Bush, who took over from Desa Sealy Ruffin as the director of Housing and Commercial Development for DCCH, interviewed the tenants of the seven occupied apartments and concluded that none of them felt attached to the building or wanted to stay in it. He then devised a clever incentive for the tenants to relocate quickly. DCCH offered to pay for the tenants' moving expenses. It also offered each tenant \$2,000 for moving within 30 days, \$1,200 for moving within 60 days, and \$600 for leaving within 90 days. Not

surprisingly, all the households had departed within 3 weeks. DCCH obtained referrals for new residences for two tenants who had trouble finding new places to live (Bush 1998; Moore 1998).

The DCCH policy of consulting with the residents of Columbia Heights gave rise to the plan for rehabilitating 1200 Irving Street. Once DCCH obtained the property, Bush called a meeting of people who lived in that area to find out their opinions about what should be done with the property. Using the format of an architectural charrette, Bush hired a local architect to listen to the neighbors' ideas and later translate them into a physical design.

The people who came to the meeting were African-American homeowners who lived in the 1200 Irving Street block. They were adamant that the property be transformed into something quite different. The neighbors wanted a building that would have an attractive appearance, contain amenities, and ultimately house a different type of person than it currently housed. Unlike residents of middle- and upper-class communities who oppose low-income housing on the general principle that it will lower property values, the residents of Irving Street disliked the prostitutes and drug users who were already in the building. Moreover, considerable criminal activity took place two blocks away on Sherman Avenue, and the Irving Street residents did not want to see their street become like Sherman Avenue. The neighbors did not mind if the new occupants of the building were not affluent, but they did want respectable, law-abiding people to live there (Bush 1998).

The architect responded to the neighbors by drawing up a plan for eight spacious apartments laden with features that would require extensive structural work. Bush would have been happier if the plan had called for 12 units—which would have provided more housing and a greater income stream when the renovation was complete. “He drew us the Taj Mahal,” Bush later recalled humorously, “but we would have been happy with a Marriott” (Bush 1998).

To make matters worse, after the design was submitted and the general contractor had estimated the amount of work to be done, a structural engineer hired by DCCH staff members informed them that decay and dampness had damaged a bearing wall and rotted the floor framing system and supporting joists, which would have to be rebuilt. The planned renovation now included changes to the façade; installation of new windows and doors; and replacement of the floor, joists, HVAC, plumbing, and roofing systems. Inclusion of dishwashers in the new kitchens also added to the project cost (Bush 1997; LISC 1996a; Moore 1998).

At this point, DCCH “ended up in a pickle,” Bush explained, because the total development costs for the project had reached over \$950,000, but only \$175,000 of that could come from bank financing. The DCCH staff went looking for “creative ways,” in Bush’s words, to complete the deal. Despite a small grant from the Potomac Electric Power Company to cover soft (nonconstruction) costs, the staff determined that the only way to make the deal work was to use long-term very low interest loans available from the District government through the HOME program (the first loan DCCH received would be a 30-year loan at the rate of 3 percent) (Bush 1997).

Bush did not think that eight units of housing costing nearly a million dollars was a good deal for the city. He would have sent the architect back to the drawing board to create a new design that was less expensive and had more units, but that would have taken too long. He also considered supplementing the building's income with Section 8 vouchers for tenants, but few were available and the process of applying for them was very slow (Bush 1997).

Moore and Bush knew that time was of the essence. DCCH owned an empty and deteriorating property in an insecure neighborhood. As long as the building was empty, DCCH had to pay the costs of insurance, taxes, and maintenance. Having made a commitment to neighborhood residents that the organization was going to be a responsible property owner, the staff felt obliged to maintain and secure the building, which meant boarding it up as vandals repeatedly ripped down the plywood. DCCH, a small organization with few reserves, could not afford to keep the property vacant for any length of time. The DCCH staff began to understand why Citibank had been eager to give away the property (Bush 1997, 1998).

Fortunately for DCCH, its track record of working on city-funded projects was good. The District's Department of Housing and Community Development promised a HOME loan of approximately \$960,000, or 100 percent of total development costs. But then in 1995 the U.S. Congress became concerned about the finances of the District's government and passed a law establishing a financial control board (the District of Columbia Financial Responsibility and Management Assistance Authority) to put the District's fiscal house in order. As one of its first steps, the control board began a systematic review of all the city government's financial arrangements. As a result, the HOME loan that had been promised to DCCH was suspended for many months, and the control board asked DCCH to submit a new loan application that would conform to the board's new requirements for such applications. Government officials assured DCCH that they would eventually approve its request for financing the 1200 Irving Street project, but the process was delayed indefinitely (Bush 1997).

To move the project forward—indeed, to keep it alive until the HOME loans came through—Moore and Bush applied for two interim construction loans, one for \$559,370 from a private commercial lender, Chevy Chase Bank, and the other for \$400,000 from the Washington LISC office. But when bank officials received an appraisal for the renovated building, they learned a disturbing fact: The amount of the loan that the city had committed to the renovation of 1200 Irving Street exceeded the property's assessed value. From a commercial banker's point of view, it made no sense to put more money into a property than it was worth. The Chevy Chase loan officers, who were not used to working with nonprofit groups, took a long time going over the deal and asked for further information concerning the city's commitments and deadlines (Bush 1997; LISC 1996a). When the loan officers found that the "amount of money the city would put in the back end of the deal exceeded the appraised value of the building," said one observer, "you could feel them sweating bullets" (Jenkins 1997).

Because of the cost of owning the building, however, DCCH needed a quick response. The staff turned to NationsBank. They had done business with the bank previously and had an

ongoing relationship with its loan officer. After scrutinizing the budget—which included the reassuring commitment of LISC for the \$400,000 construction loan—NationsBank provided DCCH with the second interim loan.

THE LISC PERSPECTIVE

As the program officer for Washington LISC, Michele Jenkins viewed project financing somewhat differently than a bank loan officer might. Unlike the bank officer who might wait for someone to come through the bank doors to apply for a loan, Jenkins makes a point of staying in regular touch with the CDC directors in her area to determine the kinds of projects their organizations are planning. She believes strongly that LISC needs to come into a project at the beginning. “If you’ve heard about a deal,” through the grapevine, she asserts, “it’s probably too late to play a constructive role” (Jenkins 1997).

LISC program officers want to make good loans. Most have been trained in business or banking—Jenkins has a master of business administration degree and had worked for Dun & Bradstreet. Program officers tend to agree with LISC policy that the discipline of repaying loans is beneficial to CDCs and allows LISC to circulate repaid loans into other projects. Jenkins, like other LISC program officers, maintains that an important function of her organization is to demonstrate to private lenders that seemingly risky loan applications are less risky than they might appear. She knew that the city was committed to financing the 1200 Irving Street project and she had faith that the city ultimately would come through with the loan money. She also knew that at the rents DCCH proposed charging—\$675 for seven two-bedroom units and \$600 for a one-bedroom unit in a neighborhood where rents ranged from \$600 to \$825—the organization would have no trouble finding residents to provide revenue for the project (Jenkins 1997; LISC 1996a).

Unlike bank loan officers, LISC program officers take into account the social value of a project—for the neighborhood or for an organization. According to Michael Rubinger (1997), formerly executive vice president and now president of national LISC, LISC is “willing to accept more [financial] risk than a conventional lender in order to achieve social goals but . . . still with the belief that the project is viable.” In the case of 1200 Irving Street, Jenkins and her fellow LISC officers felt that rehabilitating the building was socially worthwhile for the same reasons that DCCH staff did: The project would transform a liability for the neighborhood into a linchpin of a stable block, put a nonproductive blighted property back on the tax rolls, and provide affordable housing of good quality (Jenkins 1997).

The fact that the local LISC officer perceived the value of the Irving Street project in the same way as DCCH staff is not surprising. Like many intermediary organization program officers, Jenkins worked for a CDC (Georgia Avenue Community Development Corporation, Washington, DC) before becoming a program officer. Thus, she shares a common belief in the social value of community development with local CDC staff members and takes pride in the accomplishments of the CDCs that her office supports (Jenkins 1997).

LISC’s staff did have misgivings about the project, however, but they were different from those of Chevy Chase Bank. They worried that the organization might not be capable of

carrying out the project. LISC officers had a high regard for Robert Moore's abilities and his approach to revitalizing the community and as a result had given DCCH numerous loans and grants. At the time DCCH sought financing for 1200 Irving Street, LISC already had seven outstanding credit transactions with the organization on different projects. LISC officers feared that the small CDC might not have enough people on its staff to pursue any additional projects. When DCCH staff members made less progress than usual on their development projects during 1996, the local LISC office became "reluctant to put more money on the table until they finished the deals they had begun." Was it getting to the point, Jenkins wondered, that Moore was "doing proposals in the middle of the night on his fifth cup of coffee"? (Jenkins 1997; LISC 1996a)

Moore and the other DCCH officers were keenly aware of the need for a larger staff and set about filling the vacancies. They hired Jeanette Harris to be the director of single-family housing and an architectural intern to assist William Bush and they began a search for a person to serve as housing development coordinator. LISC officials were satisfied that DCCH was strengthening its staff and they approved the loan—contingent on completing two earlier projects and the commitment of bank loan financing.

Nonetheless, Moore believes that LISC is constantly concerned about the number of projects DCCH does. He believes strongly that in the business of neighborhood renewal, it is worse to do too little than to do too much. On the other hand, Moore appreciates the help he has received from the local intermediary. He feels that LISC has been indispensable to his organization, especially since the departure of the first local LISC director who did business chiefly with just two of Washington's CDCs. To their credit, he notes, when the LISC staff had concerns about a CDC's operations, they were "ready to step to the plate and provide support" (Moore 1998).

And Moore readily admits that keeping staff is a problem. About five or six years ago, he says, he was able to hire people trained by banks, but now the city government, national nonprofits (such as LISC and The Enterprise Foundation), and government-sponsored enterprises (such as Fannie Mae and Freddie Mac) hire away talent at salaries he cannot afford to pay. He senses that the organization may need to grow in order to earn the income that would prevent turnover among the staff. But right now, Moore says, DCCH is "too big to be small and too small to be big" and wrestles with the problem of how to increase its staff and scope of operations (Moore 1998).

REDEVELOPMENT OF 1200 IRVING STREET COMPLETED

With the money from LISC and NationsBank, the redevelopment of 1200 Irving Street proceeded. In the summer of 1997 the District finally released the HOME loan to DCCH, allowing the organization to repay LISC and NationsBank. In September 1997 construction began. In the same month William Bush resigned from DCCH to accept a position as a director for housing finance at The Enterprise Foundation. Jeanette Harris, the project manager for 1200 Irving Street, then took over Bush's post as director of housing and commercial development at DCCH. For some of the construction tasks, Harris hired neighborhood young people under the organization's YouthBuild program. The discovery of a layer of

Styrofoam insulation between the back porches and the back of the building necessitated the demolition and rebuilding of the porches, delaying the project about a month.

DCCH completed the 1200 Irving Street project in December 1998 and came in, Harris proudly notes, under budget. (See table 1 for project summary.) The first tenants arrived in December, and by February the building was completely filled. When it was inspected in 1999, the halls were spotless, the apartments were well kept, and the maintenance staff were actively keeping up the premises. The rents were \$695 for a one-bedroom unit and for a basement two-bedroom apartment, \$745 for three two-bedroom apartments, \$765 for two others, and \$810 for a duplex apartment. The only setback was a low appraisal of the rehabilitated project; according to DCCH staff, the appraisal was based on the neighborhood's former reputation and did not reflect the opening of a new subway station and stores nearby. DCCH decided to postpone converting the building from rentals into a cooperative because the low appraisal meant ownership shares would not be worth as much as the building cost (Harris 1999).

At LISC, Michele Jenkins, who had monitored the project as it progressed, was pleased by the outcome. In 1998 she felt that staff turnover continued to be a problem for DCCH, but she felt confident in DCCH's capacity to take on more projects for the renewal of Columbia Heights. Although progress is sometimes slow, DCCH has pushed forward with new projects. The organization has unveiled its plan for building a \$3 million residential/commercial condominium complex as the final phase of the Nehemiah project and, in collaboration with six other nonprofit housing developers, will develop some of the 90 scattered-site properties acquired from the District's public housing authority (DCCH 1999; Harris 1998; Jenkins 1998).

In recent years Columbia Heights has conveyed a sense of a neighborhood on the upswing. On Irving Street, the external condition of the houses has improved; indeed, on a bright fall day in 1999 people stood on ladders painting the outsides of their houses. Several new construction and rehabilitation projects are under way across the neighborhood. It is impossible to say how much of the change came from DCCH's projects, including 1200 Irving Street, and how much from events such as the newly opened subway station or the development of fashionable restaurants and shops to the west in Adams-Morgan and to the south along U Street. Nevertheless, DCCH can take some credit for redeveloping key properties and for helping residents plan for the subway and commercial streets.

CONCLUSION

The case of DCCH and the 1200 Irving Street project suggests a number of important features of the community development movement. First, a neighborhood's history can influence its vision for community development. In this case, memories of Columbia Heights's past prosperity and the devastation caused by the 1968 riots inspired DCCH's goal of re-creating a socioeconomically and ethnically diverse neighborhood. Thus, board and staff members interpreted community development to mean increasing the stable, middle-income population and promoting business activity on the historic commercial boulevards, especially 14th Street. In addition, the creation of thousands of subsidized, low-income housing units in Columbia Heights in the 1960s and 1970s led the staff of DCCH to

develop housing, for purchase if possible, for the missing working- and middle-class component of the Columbia Heights population.

Second, the short-term decisions by CDC officers are influenced both by their long-term strategies and the exigencies of the moment. DCCH had adopted a policy of redeveloping certain strategic areas and, as luck would have it, was offered a dilapidated, crime-ridden building as a gift. Because the neighbors, including the principal of a local school, wished to be rid of a nuisance building—and the renovation did not appear at first to be a major undertaking—DCCH staff readily accepted the project (Rubin 1994).

DCCH staff members persisted in the project even after they (and the loan officer of Chevy Chase Bank) felt it had become too expensive for the returns they expected to receive. They persevered not because property owners or an intermediary's officer drove them to do so, but because of the existence of the government's funding program. The HOME loan program made it possible to pursue the project, and the schedule of the applications for the loans did not allow time to cut the costs of the plan. (Ironically, the reorganization of the District's finances then caused a great delay and additional expense.)

It could be argued that the HOME program's funds would have been better spent elsewhere, that such large subsidies can be justified only if they help house people of very low income. DCCH staff members would have agreed, but at the time their choice was not whether or not to pursue an efficient, appropriately subsidized project, but whether to pursue the project at hand or abandon it and the commitments they had made to the neighbors. Only after DCCH accepted the project did it learn that the building was in need of extensive—and expensive—structural repairs. Permanent private financing would have been difficult, perhaps impossible to obtain, given how difficult it was to secure short-term private financing. Meanwhile, the building, even when it was empty, cost the CDC time and money. Perhaps another strategy for 1200 Irving Street would have been better, but the pressures of the moment did not allow DCCH staff the luxury of devising one.

Third, for better or worse, the opinions of neighborhood residents influence community development programs. A major tenet of DCCH operations is consultation with the residents of Columbia Heights, whether in the form of block meetings, public planning charrettes, or strategic planning conferences. In drawing up plans for 1200 Irving Street, DCCH staff members consulted neighborhood residents—African-American homeowners in this case—and found that the plan eventually devised was more elegant than they might have desired. Some CDCs are not as attentive to residents' feelings, but without at least the tacit consent of residents, an organization's ability to carry out projects (which often require the approval of government departments) would be quite limited.

Fourth, the case suggests that the relationship between an intermediary and a CDC may be one of two parties with mutual interests, not one of demanding patron and subservient client. DCCH found the Irving Street project and approached the local LISC office for assistance. The LISC program officer was both sympathetic to the organization and in favor of the project. Indeed, as the project proceeded, the LISC officer never asked, nor did her superiors, whether the project used too many scarce government housing funds. Jenkins had followed the project's progress closely and agreed with DCCH officers' decisions.

The LISC officer's only concern—a concern that did not deter her from supporting two financial transactions—had to do with the practical matter of organizational capacity. As we will see in the case of a Miami CDC, the interactions between intermediary and CDC are not always so constructive.

Finally, the community development system, at least as seen in operation here, is not a diversionary or regressive tool of capitalism in disguise, but an imperfect, sometimes messy process. Many factors come into play: the kind of problems the neighborhood faces, the talents and beliefs of the people in the community development movement, the availability of funds to run the organization and to carry out projects, and, not least of all, luck. In a perfect world perhaps the best solution to solving the problem of 1200 Irving Street would have been to demolish it and build a mixed-income or market-rate building. In such a world, financing for worthy projects in struggling communities would be readily available. In the real world of community development, financing is almost always a struggle. After accepting the gift of a building, DCCH staff found they needed assistance from an array of sources—the intermediary LISC, private banks, and the government—to carry out a project that everyone agreed took too much time and money. Ultimately, nevertheless, the CDC succeeded in replacing a neighborhood affliction with a well-constructed building of homes for people of modest income.

The Place Factor: Brighton Allston Apartments and Allston Brighton Community Development Corporation, Boston, Massachusetts

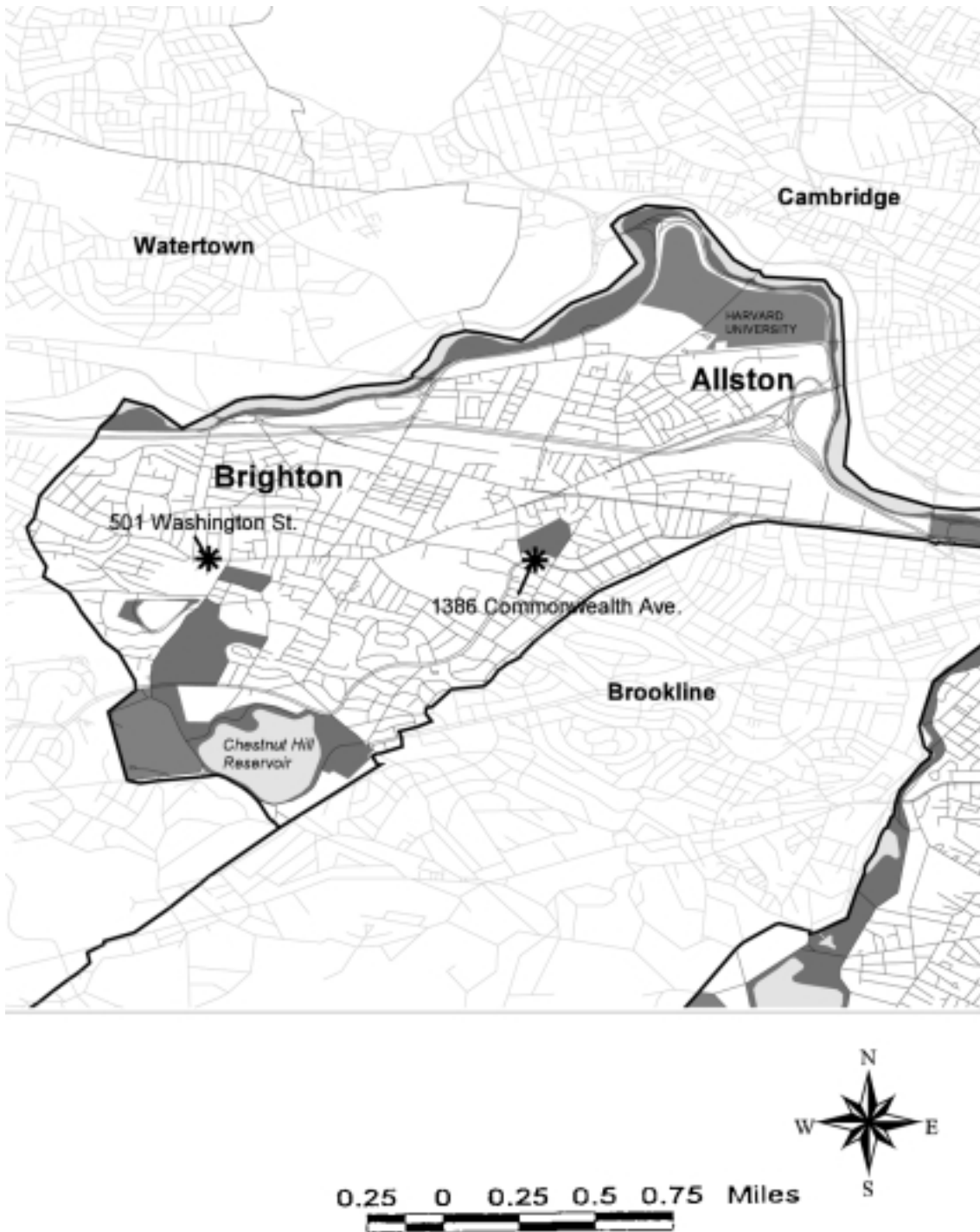
INTRODUCTION

In the late 1980s it appeared that the Allston Brighton Community Development Corporation (ABCDC) had reached an impasse. It was bogged down in two affordable housing projects it had started and was embattled in its own neighborhood. Its staff became demoralized, and one year it could not fill the position of director. In the early 1990s ABCDC progressed to the point of completing a small lodging house project and researching the effect that the recent collapse in condominium prices had on the local housing market. The organization remained small, however—it had only three staff members—and lacked a sense of direction. In 1993 ABCDC hired Bob Van Meter as its executive director to expand the scope and activities of the CDC. As the new director, Van Meter faced numerous obstacles to carrying out his mission of building up the operations and programs of ABCDC. In the competitive community development environment of Boston, his organization had failed to enter the inner circle of CDCs that received major funding for their operations. One reason for this failure was the tendency of funders to overlook ABCDC because it was located in Allston Brighton, a community that did not fit the stereotype of the depressed, inner-city neighborhood. In addition to poor people, the neighborhood was home to college students and working- and middle-class residents. Another reason for the failure was the size of the organization's projects; they were not large enough to qualify for some of the larger funding programs. To break out of the vicious cycle of unproductiveness and underfunding that plagued ABCDC, Van Meter sought a new housing development project for the organization. The neighborhood housing market, the organization's past problems, and its small size, however, made launching that project far more difficult than it would have been for a larger CDC in a neighborhood that was known to be impoverished (or in the community development term, "distressed").

Van Meter chose to acquire and renovate two apartment buildings, the Brighton Allston Apartments, which contained 63 dwelling units for low-income tenants (see figure 2 for a map of the area). At crucial junctures during the Brighton Allston Apartments project, Van Meter and his staff encountered major setbacks in obtaining funding, which threatened to stop the deal entirely.

Ultimately, however, the staff of ABCDC succeeded in carrying out the project. The story of how they did so reveals the way the community development system was able to help a small CDC "stuck" at a certain level of activity grow and take on more programs. The local LISC officers in the Boston office were instrumental in helping ABCDC overcome its funding hurdles in the Brighton Allston Apartments project. Officials in government agencies and other nonprofit organizations also helped ABCDC at crucial points in the project. Boston's positive environment for community development, this story reveals, provides possibilities for organizational development and effectiveness that might not exist elsewhere. In short, the strength of Boston as a place to do community development work overcame the problems of Allston Brighton as a place to carry out community development projects.

Figure 2. Brighton Allston Apartments, Allston Brighton Neighborhood in Boston



COMMUNITY DEVELOPMENT IN BOSTON

Boston's long history of resident participation in community planning has helped build one of the strongest community development systems in the United States. Resident participation in neighborhood planning began as a reaction to the draconian approach of early urban renewal programs, which in the late 1950s demolished the entire West End neighborhood and the New York Streets section of the South End. To win neighborhood residents' trust, Boston Redevelopment Authority (BRA) director Edward Logue (1960–67) invited groups of residents of Roxbury, Charlestown, and the South End to negotiate redevelopment plans for their neighborhoods with the city's planners—an approach that met with greater or lesser success depending on the ability of neighborhood groups to agree on common goals (Keyes 1969).

In the late 1960s, nonetheless, community politics in Boston turned tumultuous. With the cry “Remember the West End!” neighborhood residents fought against urban renewal and highway construction programs. Tenants picketed and protested against their landlords and the conditions in poorly maintained buildings. The street protests reached a climax when residents of the South End—led by Mel King, whose parents' home in the New York Streets area had been demolished in an urban renewal project—took over a neighborhood BRA office and set up squatters' tents on a redevelopment site, creating what they called Tent City (Mollenkopf 1983).

Some of Boston's neighborhood organizations went beyond protesting and began to develop housing on their own, in the process helping to endow Boston with “one of the strongest nonprofit housing development sectors in the nation” (Bratt et al. 1995, 34). As early as 1964 the United South End Settlements obtained a grant from the federal government and founded South End Community Development, one of the first community development organizations in the country, to rehabilitate deteriorated row houses for low-income families. In 1969 the group began assisting other local organizations to plan and develop housing, and the next year the group was renamed Greater Boston Community Development, Inc. (GBCD). (It was recently renamed The Community Builders to reflect its work throughout the Northeast and Mid-Atlantic regions.) From 1969 to 1982 GBCD helped Boston area community groups develop more than 1,200 units of low-income housing. Among the projects that GBCD assisted, the best known is Villa Victoria, several blocks of town houses, midsize apartment buildings, and high-rises developed by a Puerto Rican tenants' organization.

Boston's strong sense of neighborhood and its tradition of political activism have inspired its citizens to form numerous innovative and successful community planning and development organizations. At any given time during the past 20 years, the number of active CDCs in Boston has ranged from 25 to 40, including many, such as Urban Edge Housing Corporation and Dorchester Bay Economic Development Corporation, that are considered to be among the best in the nation. The Dudley Street Neighborhood Initiative, a coalition of community organizations, institutions, and residents of the Roxbury neighborhood, pioneered the practice of comprehensive community planning and became the model for community development groups across the country. With so many CDCs operating for such a long time, Boston has produced a plethora of experienced and knowledgeable housing and

community development practitioners, a valuable asset for a community development system.

In Boston, perhaps more than in any other city, state and local governments have sustained housing and community development. Within the government of the Commonwealth of Massachusetts, agencies such as the Department of Housing and Community Development, the Community Economic Development Assistance Corporation (CEDAC), and the Massachusetts Housing Finance Agency provide funds to community development projects. Since 1983 Boston mayors Raymond Flynn and Thomas Menino have made support for community development a centerpiece of city government. The Boston Housing Partnership, an unprecedented collaboration between representatives of the city's CDCs, government agencies, and businesses, has coordinated five citywide housing renovation and construction programs that were planned and executed by CDCs.

Boston boasts an impressive array of private financial backers who have supported housing and community development groups and projects. Philanthropies such as the Boston Foundation and the Riley Foundation have not only contributed money, but also have supported innovative programs such as the Dudley Street Neighborhood Initiative. Boston's corporations, especially banks, have contributed greatly to the community development cause. William Edgerly, president of the State Street Bank and Trust, for example, pushed tirelessly to establish the Boston Housing Partnership and make its first projects succeed. The Massachusetts Bankers Association Community Investment Program reflects the positive atmosphere of Boston's banking field: In 1990, 16 banks committed to investing \$386 million in housing finance, economic development, banking services, and mortgage programs. LISC's arrival in Boston in 1981 added yet another important resource to Boston's community development scene. The organization, for example, contributed money to the Boston Housing Partnership in its early days when the project badly needed help. With the backing of local foundations and corporations—including Cabot, Forbes, and the John Hancock Insurance Company—LISC invested \$13 million in loans and grants in CDC projects between 1980 and 1996. In addition, since 1986 the local LISC office has coordinated the Neighborhood Development Support Collaborative (NDSC), a group of Boston philanthropies including the United Way. The NDSC has provided operating and technical assistance grants to local CDCs to enable them to enlarge their scope of operation.

THE ALLSTON BRIGHTON NEIGHBORHOOD

Unlike economically depressed, riot-torn inner-city neighborhoods (such as Washington's Columbia Heights and Miami's Liberty City), the neighborhood of Allston Brighton is a growing, demographically diverse community, a fact that poses particular challenges to those who want to carry out community development programs there. Once the independent town of Brighton, Allston Brighton is connected to the rest of Boston by a narrow strip of land and wedged between the Charles River (across which are the cities of Cambridge and Watertown) to the north, the near-suburb Brookline to the south, and the prosperous suburb of Newton to the west.

A history of social and economic diversity has left its mark on the Allston Brighton neighborhood. As far back as 1874, the year in which it was annexed to the city of Boston, Brighton was home to both wealthy owners of country estates and industrial workers who toiled at the Brighton stockyards and Allston railroad depot. In the late 19th and early 20th centuries, developers built one- and two-family houses on the estates and large apartment buildings along the boulevards that extend between the Back Bay, Boston's fashionable urban neighborhood, and the suburb of Newton. Meanwhile, small brick row houses and wooden "three-decker" apartment buildings were built adjacent to the factories along the railroad corridor that ran parallel to the river. During the first half of the 20th century, Allston Brighton, as it came to be known, was home to a range of ethnic groups including Yankees, the Irish, eastern European Jews, and Italians.

During the 1960s and 1970s, real estate values in Allston Brighton sagged—but by no means as far as values in low-income neighborhoods in Boston's Roxbury and Dorchester section. Lower housing prices in Allston Brighton opened opportunities for low-income population groups to move into the neighborhood. By the 1970s new waves of immigrants and migrants, especially Chinese, Cubans, and Puerto Ricans, had begun to move to the industrial areas and the apartment buildings, which had lost the cachet of earlier years. At the same time, college students (many of whom attended nearby Boston University and Boston College) and recent college graduates found apartments in the neighborhood. Even in this period, however, Allston Brighton maintained a strong middle-class, predominantly Catholic, homeowner population.

Unlike the shrinking populations of many inner-city neighborhoods, the population of Allston Brighton grew during the 1980s. (See table 2 for neighborhood statistics.) As Boston enjoyed an economic boom and a rise in real estate prices, the population of Allston Brighton increased by 5,000, reaching a total of 70,284 in 1990. This rate of growth, 7.7 percent, far exceeded the Boston average growth of 2 percent, and by 1990 Allston Brighton was home to 12 percent of Boston's total population. The continued departure of whites (3,900 left during the decade) and arrival of members of minority groups created an increasingly diverse population. In 1990 the neighborhood's population was 78 percent white, 11 percent Asian, and 7 percent African American. Nine percent of Allston Brighton's population was of Hispanic origin.

Indeed, Allston Brighton is something of a melting pot. Those of European ancestry included not only Boston's widespread Irish, whose ranks were swelled by new immigrants in the 1980s and 1990s, but also Italians, Germans, Russians, and Greeks. According to the 1990 census, most of the Asians of the neighborhood were Chinese in origin (4,000 of a total of 7,600), but there were also more than 600 each of Vietnamese and Asian Indians and more than 400 each of Japanese, Koreans, and Cambodians. More than 1,000 people reported they were of non-Hispanic West Indian background. Among the Hispanics, 968 reported they were Puerto Rican, 889 Guatemalan, 594 Salvadoran, 451 Cuban, more than 200 said they were Colombian, and more than 200 said Honduran. Since the 1990 census, Brazilians have moved to Allston Brighton as well (Goetze and Johnson 1993). And thanks in part to the presence of students, the population is youthful and mobile. In 1990, 61 percent of Allston Brighton's population was between the ages of 15 and 34, compared with a

city average of only 43 percent. Almost 40 percent of heads of households had moved to their current address within the previous 15 months (Goetze and Johnson 1993).

Allston Brighton comprised a mixture of residents, diverse economically as well as ethnically. The 1990 census recorded the mean income for all households in Allston Brighton as \$35,071, a little more than the \$33,724 figure for the city of Boston as a whole. In 1989, 13,297 people, or 20 percent of the population, fell below the poverty line. The great majority—9,717 people or 73 percent—of those living in poverty were white. More than 2,050 of the white poor were ages 15 to 34, and many of them were probably students or recent college graduates. Of the other ethnic groups who were poor, about 2,000 were Asian, 1,500 Hispanic, and 1,000 African American (Goetze and Johnson 1993).

In contrast to inner-city neighborhoods where residences remain abandoned, in Allston Brighton the robust demographic situation created competition for living space and drove up the cost of housing. Despite the presence of single-family homes, in 1990 the great majority (79 percent) of occupied dwellings were rental units. Of apartments without a bedroom, 70 percent cost more than \$500 a month. The great majority of one-bedroom apartments cost between \$500 and \$1,000; most two-bedroom apartments cost more than \$750 a month and the rent for many of them was more than \$1,000. The median rent for the neighborhood was \$726, \$100 more than for Boston as a whole. In Allston Brighton three of every four households with an income under \$20,000 paid more than 35 percent of that income in rent. The tight rental market posed problems even for subsidized, low-income housing by driving rents above what the government would cover through Section 8 vouchers (Goetze and Johnson 1993; U.S. Census 1990).

ABCDC

ABCDC was founded in 1980 as an offshoot of the Brighton Allston Improvement Association (a local historian insisted that the old town name be given precedence in the group's title). The leaders of the campaign to start the organization were idealistic young professionals who were politically active and organizers of tenants' unions. A number of them, including Ray Dooley and Pat McGuigan, went to work for Raymond Flynn, the mayor of Boston. Brian McLoughlin, another ABCDC founder, later became a city councillor (Van Meter 1998b; Vasilides 1998).

The ABCDC board of directors encompassed both liberal professionals and leaders of local civic associations. It was composed of elected members, who made up 51 percent of the total board membership, and representatives of local civic groups, in which homeowners and merchants predominated. It is not unusual for CDCs to include representatives of local civic groups on their boards, and to some degree the diverse interests of the neighborhood population were reflected in the wide range of organizational goals board members had. But the structure of the board became a source of trouble for the organization during the late 1980s when the two groups of board members came into conflict over goals.

A small organization, ABCDC was able to improve its financial condition as it pursued the Brighton Allston Apartments project. In 1996 ABCDC had eight staff members, but three of them worked there courtesy of VISTA and AmeriCorps. Assets had climbed from

\$398,000 at the end of 1995 to \$912,500 a year later. Operating revenues grew from \$178,000 in 1993 to \$268,000 in 1995 to \$526,000 in 1996; the latter increase derived from grants and contributions and development fees from the Brighton Allston Apartments project. ABCDC's operating budget increased from \$246,500 in 1995 to \$327,000 in 1996 (ABCDC 1996; LISC 1996b).

ABCDC aimed to fulfill its mission statement, "to enhance the quality of life for neighborhood residents of all ethnic, social, and cultural backgrounds," by pursuing a variety of goals. These included generating employment opportunities for Allston Brighton residents, for example, through teen-age work programs. Reflecting a civic agenda, the organization conducted a popular parks maintenance program and held an annual neighborhood ethnic festival (ABCDC 1996).

Perhaps ABCDC's most important goal was to preserve and increase the scarce number of affordable dwellings in the neighborhood. Allston Brighton lacks the abundant number of subsidized housing units that can be found in many inner-city neighborhoods, including Columbia Heights in Washington, DC.

In the area of housing the group worked slowly, one project at a time. The first project it undertook was the redevelopment of the Oak Square school for market-rate condominiums. The redevelopment was both a housing and a historic preservation project, and the leaders of ABCDC thought it would stimulate neighborhood interest in the organization's work. During the early 1980s they developed a 20-unit low-income rental property for the Boston Housing Partnership. During the mid-1980s they acquired and renovated a block of small Baltimore-style row houses on Hano Street for low-income tenants (Van Meter 1998b).

By this time, however, the professionals and civic group homeowners on ABCDC's board began to argue over the organization's goals and projects. Charles Vasilides, a long-time ABCDC board member, recalls that the professionals tended to be passionately ideological, especially about the issue of affordable housing. In the opinion of some board members, the professionals were condescending toward people with different opinions and used their political connections to get their way.

The homeowners, many of whom had been raised in the neighborhood or had lived there for many years, supported the idea of affordable housing, but wanted to ensure that the neighborhood did not become a slum. Many of the homeowners intended to remain in Allston Brighton for the rest of their lives. They suspected, accurately in most cases, that the young professionals would eventually move away from Allston Brighton and, therefore, did not have the same stake in keeping the neighborhood a viable community. The local civic associations within and outside the board expressed and supported the homeowners' views (Vasilides 1998).

Soon the tension between ABCDC's development goals and the civic groups' and homeowners' aims to stabilize the neighborhood resulted in open conflict. In the mid-1980s ABCDC obtained the city's approval of a plan to develop a former school property (the Washington Allston School) as a factory despite the objections of the Allston Civic Association, which

proposed using the site for elderly housing. ABCDC then had trouble obtaining financing for the factory, and the lot remained vacant for years as a result (Clements 1989).

In the late 1980s a bitter fight split the organization. In 1987 ABCDC decided to buy several buildings on Carol Avenue in Allston Brighton and redevelop them as a \$2.3 million, 32-unit limited-equity cooperative, divided by thirds among low-income, middle-income, and market-rate tenants. Several ABCDC board members from the civic group contingent spoke out against the plan and when their objections went unheeded, they resigned in protest. That was only the beginning of the troubles associated with the Carol Avenue project. The original goal of the project was to make it possible for a group of poor Cambodians, who lived in overcrowded conditions and were in danger of being displaced from the buildings, to become homeowners. The staff of ABCDC, however, did little in the beginning to consult with or overcome the fears of the immediate neighbors of the Carol Avenue buildings. A number of the neighbors believed strongly that the project would perpetuate an obnoxious slum, and they were not convinced by subsequent ABCDC arguments that under CDC management the building would be cleaned up. The neighbors fought the project with a variety of stratagems and helped delay the project for more than two years. By then the market in condominiums had dipped, making it more difficult to sell the market-rate units and convert the buildings into a cooperative. Then, in an act that some in ABCDC interpreted as part of a harassment campaign, a tenant sued the organization for not providing enough apartments for handicapped people (Becker 1989; Braverman 1989; Van Meter 1998a).

Other problems followed. Reports in the neighborhood newspaper of dissension among the board members and the problems with the Carol Avenue project gave ABCDC an unfavorable image. The result was a “hemorrhaging of support” in the community (Van Meter 1998a). To make matters worse, the organization had trouble filling the crucial position of executive director and for much of 1988 did not have a director (Clements 1989).

ABCDC also became bogged down in an attempt to take over a large, federally subsidized expiring-use building (the government mortgage subsidy, provided to the developer in exchange for reduced rents for low-income tenants was expiring, allowing market rents to be charged). In the project, ABCDC hoped to transfer ownership of 235 units in the Commonwealth Glenville Apartments to tenants. The project entailed both a complex financial transaction and an extensive effort to organize the tenants. ABCDC embarked on this project in 1987 and pursued it for 11 years, draining staff members’ energy and time, before finally obtaining joint ownership with the Commonwealth Tenants Council. (ABCDC is now planning the renovation of the property.) (Becker 1989; Van Meter 1998a)

Because of all the controversies and the struggle over the Commonwealth Glenville Apartments, the small ABCDC staff were unable to initiate any more projects. In 1992, for example, ABCDC decided not to try to acquire a failed condominium building from the Resolution Trust Corporation, even though the acquisition would have provided an opportunity to create affordable housing at a reasonable cost (Van Meter 1998a).

In 1993 ABCDC hired Bob Van Meter as its new executive director in the hope that he would revive the organization and enable it to carry out its mission of preserving and

expanding affordable housing. Van Meter had extensive experience in community organizing and development. After graduating from the University of Chicago in 1978, he had worked as an organizer for two Illinois citizens' action organizations. In 1983 he moved to Boston where he worked first for Massachusetts Fair Share, a consumer organization, and then for the Massachusetts Tenants Organization. In 1987 he was hired by the Fenway Community Development Corporation, whose director, Matthew Thall, would later become director of the Boston office of LISC. While at Fenway CDC, Van Meter studied housing finance and accounting in evening courses (Van Meter 1998a).

When he became director of ABCDC, Van Meter proposed undertaking new projects but soon realized that ABCDC faced a number of obstacles to "doing deals." Some of those obstacles existed within the organization. As previously described, the board had been through a bitter fight, leadership had been unstable, and the organization had been preoccupied with time-consuming, controversial projects. Moreover, ABCDC had only three staff members and was too small to undertake many more housing projects.

Another factor that prevented the organization from developing low-income rental housing was the local circumstances. First, unlike the sluggish markets of economically depressed inner-city neighborhoods such as Columbia Heights or Liberty City, Allston Brighton's tight local housing market provided few opportunities for housing development. Allston Brighton did not have an abundance of vacant land, apartment buildings available for rehabilitation, or foreclosed properties that had fallen into the government's hands. The foreclosed properties in the neighborhood for the most part were condominiums (Van Meter 1998a).

Second, in a neighborhood in which demand for real estate is strong, often properties are bought before the slow process of applying for and receiving funds from the federal HOME program can be finished. Van Meter hoped to buy a building on Barrows Place at an auction, for example, but before he could act, a private buyer purchased the property and removed the nonsubsidized, low-income tenants of the building (Van Meter 1998a).

ABCDC's past inability to carry out significant housing development presented an obstacle to obtaining funds to undertake new projects. The city government, which dispenses CDBG funds, was not attracted to an organization that had been controversial in its own neighborhood. From 1986 to 1993, the NDSC supported 15 Boston CDCs, most of them mid-sized and successful ("mature") groups, but never ABCDC, which was beset by organizational problems. When NDSC held another round of funding in 1994, ABCDC applied but was rejected because it did not qualify under the application rules that required a CDC to have a project eligible for federal HOME funds in its portfolio. (The Carol Avenue and Commonwealth Glenville projects were not eligible for HOME funding.) (Clay 1990, 1993, 1996, 1997; NDSC 1997; Silverman 1998; Van Meter 1998a)

Van Meter and his staff took action to eliminate the obstacles to ABCDC's low-income housing agenda. He ensured that the controversial Carol Avenue project was better managed, which gradually persuaded its neighbors to accept the building. At the same time, he took care to enhance the organization's reputation and build bridges to the various interest groups in the Allston Brighton neighborhood. He placed the organization in the

forefront of street beautification and open space campaigns on which the civic associations also worked. In 1995, for example, ABCDC collaborated with two local civic associations—the Allston Board of Trade and the Allston Civic Association—and Allston Village Main Streets, a commercial street planning organization sponsored by the city government and the National Main Street Center. Their joint venture was a major community design project for the neighborhood's main commercial avenues (ABCDC, Allston Village Main Streets, and Boston Architectural Center 1996).

Under Van Meter's leadership, ABCDC launched an ambitious homeownership program, which met both the CDC's housing goals and the traditional, middle-class ideals held by many Allston Brighton residents. The program provided prospective home buyers with training courses and individual counseling in English, Spanish, Portuguese, and Vietnamese. Also it informed those who were financially eligible about government down-payment assistance and low-interest mortgages available from the Massachusetts Housing Finance Agency. In addition, the program provided a newsletter, seminars, and technical support to troubled condominium associations (ABCDC 1996).

THE BRIGHTON ALLSTON APARTMENTS PROJECT

In the spring of 1995 ABCDC began to pursue the possibility of purchasing and rehabilitating three buildings with low-income residents. The building at 1387 Commonwealth Avenue had 21 units and the two other buildings at 493–501 Washington Street had 41 units. Van Meter first learned of the buildings through a consultant with The Community Builders, a nonprofit housing developer; he then saw them on a list of HUD distressed properties; and finally he talked to an acquaintance who represented the owner in his attempts to dispose of the buildings. The properties had been subsidized under the federal government's Section 236 program (in which the government paid developers a portion of their mortgage costs in return for providing low-income tenants below-market rate rents), but had deteriorated and were in jeopardy of foreclosure by HUD.

For Van Meter, the Brighton Allston Apartments, as the combined properties were known, represented an important opportunity to preserve low-income housing. The 21 units on Commonwealth Avenue were in such bad condition that he thought they might qualify for condemnation by building inspectors (LISC 1995; Van Meter 1998a).

But besides protecting low-income properties in the tight housing market of Allston Brighton, the Brighton Allston Apartments presented a way for ABCDC to improve its position in Boston's crowded community development field. In Boston dozens of CDCs competed with one another to obtain the funds to carry out their real estate deals. By redeveloping the properties, ABCDC would position itself to receive the competitive grants offered by local government and funders. In addition, ABCDC would earn fees on the project, which would allow Van Meter to increase the staff and scope of organizational operations.

Van Meter and his staff looked to an array of government agencies to help ABCDC acquire and pay for the renovation of the Brighton Allston Apartments. ABCDC, according to the scheme, would assume the HUD mortgage from the current owners of the properties and apply for a federal tax credit allocation from the City of Boston. In addition, ABCDC

planned to apply to the state of Massachusetts, the City of Boston, and the Federal Home Loan Bank for soft debt financing and grants. As part of the mortgage, HUD provided a rent supplement of up to \$20,000 a year for each tenant who could not afford the basic rents. The federal agency also indicated that project-based Section 8 funds had been set aside for 28 of the project's units and would be available to ABCDC if it became the new owner.

As in almost all housing development cases, however, the main work of redeveloping the Brighton Allston Apartments project could not go forward until preliminary tasks were paid for and completed. In the summer of 1995 Van Meter went to Boston's LISC office to obtain a recoverable grant of \$25,000 to support an environmental engineering report, architectural plan, tax credit application fee, and predevelopment costs such as the nonrefundable deposit for the Purchase and Sales Agreement.

THE LISC PERSPECTIVE

LISC officers could have easily justified refusing ABCDC's request for the crucial financial support of the Brighton Allston Apartments project. At the time ABCDC approached LISC about the recoverable grant, the organization had repaid a \$200,000 loan and two recoverable grants, but still owed LISC \$41,000 for another recoverable grant. Furthermore, the success of the entire Brighton Allston Apartments project—and the repayment of the new recoverable grant—depended on ABCDC obtaining control of the buildings by the deadline of August 15, 1995, when the city would allocate tax credits. However, the lengthy process of obtaining control of the buildings from HUD had just begun. The LISC program officer, Robyn D. Román, asked LISC headquarters for the recoverable grant, but noted that the program action was “very risky” (LISC 1995, 6).

Despite the risks, LISC approved the grant request for reasons that illuminate the way the community development system operates. The LISC officers were sympathetic to the plight of ABCDC, which they hoped would grow stronger and be able to undertake more projects. “The Allston Brighton CDC,” wrote Román, “is in need of assistance to develop some momentum around its affordable housing program” (LISC 1995, 7). They knew that the slow-moving Commonwealth Glenville project had hampered ABCDC from obtaining NDSC funds and wanted to enable the group to obtain such funding in the future (Thall 1998).

In particular, the head of Boston LISC, Matthew Thall, believed that CDCs in neighborhoods such as Allston Brighton faced particular challenges that people in the community development field often failed to recognize. For 10 years before becoming the program director of Boston LISC, Thall had headed the Fenway Community Development Corporation in Boston's Fenway neighborhood. As in Allston Brighton, the real estate market in Fenway was characterized by a large student population, numerous condominiums, high rents, and relatively few available properties. Thus, Thall keenly appreciated the difficulties of building up an operation in a neighborhood that did not fit the archetype of an inner-city ghetto. Furthermore, Van Meter had worked for Thall at the Fenway CDC, and Thall felt that Van Meter was a capable and resourceful administrator in a difficult position (Thall 1998).

By approving three other small grants, Thall tried to help ABCDC expand its personnel and programs, or in the jargon of the community development field, “build its capacity.” During the next year LISC’s Boston office gave ABCDC a \$3,000 grant to survey the housing stock in Allston Brighton to assess the number of potential properties that could qualify for LISC’s 1–4 Family Program (for housing rehabilitation) and \$7,000 for technical assistance to begin an economic development strategic plan. LISC issued another \$25,000 grant to support an AmeriCorps volunteer to supplement the small staff. As it happened, David Dologite, the AmeriCorps volunteer ABCDC hired, returned to the organization after his stint was over to work full time as a project manager. In effect, LISC had helped create and fill the staff position (Dologite 1998; LISC 1996b).

OVERCOMING OBSTACLES IN BOSTON’S COMMUNITY DEVELOPMENT FIELD

In the fall of 1995, however, ABCDC encountered a major obstacle in its efforts to acquire funds for the Brighton Allston Apartments project. The City of Boston rejected the organization’s application for federal HOME funds, and without obtaining such funds ABCDC was not eligible for matching HOME funds from the state. The City of Boston did not issue a formal request for proposals in awarding the HOME funds, and therefore ABCDC, which at that time had not developed many low-income dwelling units, had no objective way to demonstrate to local government officials that the organization deserved housing funding. Van Meter and some other local CDC directors were thus excluded from the charmed circle of community development groups that received funding from the city government (Van Meter 1998a).

The personal interconnections that bind Boston’s community development field together, however, again helped the ABCDC staff find a solution to the problem. After trying in vain to convince the official in Boston’s community development agency, the Department of Public Facilities, Van Meter appealed to Pat Canavan, the housing adviser to Boston’s mayor Thomas Menino. Van Meter had reason to believe that Canavan would give him a fair hearing because she was a veteran of the Boston housing scene who previously had directed NDSC and before that had worked for another intermediary, The Enterprise Foundation.

Van Meter contended that the city’s informal process for selecting CDCs did not allow groups to present the case for their projects and was therefore unfair to groups that had not previously received funding. Canavan concluded that the complaints of the officers of the aggrieved CDCs had merit. She helped the Department of Public Facilities devise new procedures, including the preparation and distribution of a formal request for proposals for allocating the HOME funds. Van Meter appreciated having a government insider who could be an effective advocate for the interests of CDCs that had not received funding from the City (Van Meter 1998a).

Soon ABCDC had another chance to obtain the necessary HOME funds, and with LISC’s help it prevailed. In January 1996 the city issued a request for proposals for the spring allocation of HOME funds. To keep the project alive while they pursued the necessary

financing, ABCDC staff members negotiated an extension with the owner of the Brighton Allston Apartments for the purchase of the properties. Meanwhile, they worked carefully to produce a strong application for the HOME funds. Their diligence paid off: The city committed \$390,000 of HOME funds to ABCDC. (Ultimately, the City of Boston and the Commonwealth of Massachusetts together loaned ABCDC \$1,110,000 in HOME funds.) (ABCDC n.d.; Van Meter 1998a)

From ABCDC's point of view, the assistance of local LISC officers was vital to its preparation of both the HOME funding proposal and the applications it later submitted for low-income housing tax credits. LISC asked ABCDC for a month-by-month breakdown of the sources and uses of revenue on the Brighton Allston Apartments project. Projected charges of \$8,000 in property tax and \$4,000 for the March oil bill, for example, meant that the organization would need compensating rental incomes or the whole deal might collapse. "They would push you on your assumptions—how the timing of a project would flow, the interim operating costs, and all the variables on the pro forma," Van Meter remembers. "Somebody who is sympathetic but will push you," he concludes, "is very helpful" (Van Meter 1998a).

But in June 1996 the organization received another blow when the state government's Department of Housing and Community Development allocated \$4.6 million in tax credit funds to 10 organizations, leaving 27 groups, including ABCDC, without tax credit funds. Most of the tax credits were allocated to a quasi-independent state entity, the Massachusetts Housing Finance Agency, to allow it to refinance its buildings. The leaders of the bypassed CDCs protested against losing the tax credit financing and grumbled that the Massachusetts Housing Finance Agency was taking unfair advantage of its position as a government agency (Kindleberger 1996).

The setback forced ABCDC to again spend precious time preparing funding applications and lobbying government officials. During the summer the ABCDC staff worked frantically to improve their application to the Department of Housing and Community Development in time for the deadline for the next round of tax credit allocations. In the previous tax credit award round, ABCDC had scored 160 points, a score good enough at other times but, in the last highly competitive round, 20 points short of the number the agency set as a threshold. To get more points, the ABCDC staff restructured their deal with a deed in lieu by persuading the owner of Brighton Allston Apartments to give the mortgage to HUD, which then transferred the mortgage to the Boston Redevelopment Authority, which in turn transferred it to ABCDC. The ABCDC staff thus rolled a \$1 million mortgage into the package, which turned the Brighton Allston Apartments application into a large-scale, low-cost project that was more likely to receive a tax credit allocation (Van Meter 1998a).

That fall, before the tax credit allocations were decided, ABCDC continued to campaign for its share of tax credits. On October 20, the city's major newspaper, *The Boston Globe*, published a prominent article "Turmoil over Tax Credits" on the plight of the CDCs whose tax credit applications had been unsuccessful. The article quoted leaders of housing and community development alliances such as Aaron Gornstein of the Citizens' Housing and Planning Association and Marc Draisen of the Massachusetts Association of Community

Development Corporations in support of giving more tax credits to the CDCs. (No doubt people in Boston's community development field had made a determined effort to interest the newspaper in the story.)

The *Globe* article focused on ABCDC and the Brighton Allston Apartments project. Over the headline, the paper ran a large photograph of Van Meter in front of 1387 Commonwealth Avenue. In the article, Van Meter was quoted as saying that his organization's application for tax credits for the Allston Brighton Apartments had been turned down even though it had scored enough points on the application to qualify for funding. Meanwhile, he pointed out, the situation of the Commonwealth Avenue building was becoming dire: It had been cited for code violations and needed emergency repairs (Kindleberger 1996).

Coincidentally, a few days after the newspaper article appeared the annual dinner of the Citizens' Housing and Planning Association provided another opportunity to lobby for tax credits. In Boston's thriving community development world, the dinner, which close to 1,000 people attend, is a major event. Lawyers, consultants, CDC staff members, and government officials attend and discuss matters of common interest. At the "giant shmooze," as he calls it, Van Meter introduced himself to Jane Gumble, head of the state's Department of Housing and Community Development, and told her the saga of the Brighton Allston Apartments (Van Meter 1998a).

By November 1996, however, the Brighton Allston Apartments deal depended on ABCDC obtaining not only the long-term equity from sale of the tax credits, but also an immediate inflow of loan capital for predevelopment costs. According to the rules of the federal Internal Revenue Service (IRS), to carry the tax credits into the next year, the CDC must incur 10 percent of the total development cost. Estimating the cost of the Brighton Allston Apartments project at \$4.3 million, ABCDC staff planned to spend \$495,000 for tasks such as replacing the roof and windows, managing and developing the properties, procuring architectural and engineering plans, and paying legal fees. The staff set the amount of the predevelopment budget slightly above 10 percent of the total development cost to ensure that IRS requirements were met (LISC 1996b).

To obtain the \$495,000 of short-term money for the expenditures that would preserve ABCDC's eligibility for tax credits, the staff applied for a \$125,000 loan from LISC and for a \$180,000 loan from CEDAC, a public corporation started by the state in 1987 to help nonprofit organizations develop low-income and special-needs housing. ABCDC obtained the remaining \$190,000 from the initial LISC recoverable grant of \$25,000 and by deferring payment of project management fees owed to ABCDC.

Despite the many contingencies on which the Brighton Allston Apartments deal depended, Matthew Thall, the LISC program director, was confident that ABCDC could carry out the project and asked national LISC to approve the loan. (The national office of LISC usually accepts the recommendations of local program directors.) In his request for program action (RPA) on the LISC loan, Thall placed the request in the risk or loan loss reserve category of "acceptable," the second highest possible ranking (out of five categories), in contrast to the RPA for the earlier loan, which had been placed in the second to last, "special mention," category. Thall pointed out that even with the tax credits, ABCDC needed \$186,000,

which it hoped to receive from the Federal Home Loan Bank in late December and, if not, then from the city government. Thall wrote as someone familiar with the thinking of local government officials:

The [Allston Brighton] CDC has made a strong case previously for City support of this project as a means of addressing the neighborhood housing crisis; it is very likely that the CDC could secure additional HOME (or CDBG) resources from the City if the FHLB [Federal Home Loan Bank] grant is not awarded. (LISC 1996b, 9)

And, if the project should fail, Thall noted, the value of the two rental properties in the tight neighborhood rental market far exceeded the amount of loans from LISC and the other first-position lenders (LISC 1996b).

ABCDC's hard work was rewarded. In late 1996 the Massachusetts Department of Housing and Community Development allocated tax credits to ABCDC. When they were later sold by the LISC-affiliated National Equity Fund, the tax credits generated \$2.9 million to finance the redevelopment of the Brighton Allston Apartments. Once the tax credits were allocated, to keep the credits, ABCDC had only six weeks to acquire the building and incur the 10 percent costs. To meet the goal, the small staff again was forced to work at a frantic pace. Fortunately, LISC and CEDAC approved its loans (LISC's loan was increased to \$225,000), giving ABCDC the working capital it needed. The Brighton Allston Apartments project at last moved ahead. Construction began in summer 1997 and was completed in April 1998. (See table 1 on page 4 for project summary.) The organization quickly leased all 60 units and today takes pride in the buildings (ABCDC 1998).

Once the logjam was cleared, Van Meter was able to expand the staff and scope of his organization. With the Brighton Allston Apartments project under way, ABCDC now qualified for funding from the Neighborhood Development Support Collaborative, which provided the organization with federal (via the city government) HOME money set aside for community housing development organizations, and separate grants for asset management training, financial management training, and technical assistance (Clay 1997). Using the HOME money from NDSC, developer fees from the Brighton Allston Apartments project, and project management fees from the Commonwealth Glenville Apartments project, ABCDC was able to hire five new staff members during the summer and fall of 1997. Thus, with the addition of these new hires to the 2 staff members Van Meter had previously added and 1 worker each from VISTA and AmeriCorps, the staff of ABCDC now numbered 11.

Meanwhile ABCDC started the Commonwealth Glenville Apartments project in September 1997 and finished it in spring 1999. With Brighton Allston Apartments and Commonwealth Glenville Apartments renovated and rented, the organization's staff are now looking for new projects. In the meantime, the shortage of low-income housing in Allston Brighton has become even more urgent as rents and home prices have continued to escalate in the neighborhood and in Boston generally (ABCDC 1998; Dologite 1998; Van Meter 1999).

CONCLUSION

As in the case of the DCCH, the character of the neighborhood shaped the community development agenda in Boston's Allston Brighton neighborhood. Because Allston Brighton, unlike some inner-city neighborhoods, was populated by stable and organized middle-class homeowners, ABCDC carried out programs such as parks maintenance, historic building preservation, and main streets planning that appealed to that element of the population. Such programs realized a type of community development that fit the needs of this particular community.

ABCDC, however, never became a tool of conservative residents. From the organization's founding, its mission was to carry out the sort of community development programs that serve low-income residents, much like those of other CDCs in both low- and mixed-income communities. After becoming involved in a controversy over one low-income housing project, ABCDC earned the credibility with its neighbors to develop low-income housing by improving the management of the housing project and pursuing civic projects.

Faced with a shortage of opportunities to develop new low-income housing, ABCDC looked for opportunities to preserve affordable housing such as the Brighton Allston Apartments and to help low-income families purchase homes for the first time. Affordable housing preservation efforts, however, often are complicated by the difficulties of acquiring previously subsidized properties that are in financial trouble. ABCDC's 10-year ordeal redeveloping the Commonwealth Glenville Apartments is a case in point.

Even more than in the case of DCCH's 1200 Irving Street project in Washington, DC, the success of the Brighton Allston Apartments project depended on close coordination between the officers of an intermediary and a CDC. The striking degree of trust in and sympathy for the ABCDC staff that LISC officers felt allowed them to support ABCDC despite the organization's past record of controversy and its relatively small number of projects. As an intermediary, LISC was able to play a crucial role in moving the project forward with the recoverable grant and, later, a large predevelopment and construction loan. The close working relationship between CDC staff and intermediary officers, in turn, reflects the hothouse community development environment in Boston. Many of the people in the community development field in Boston have worked with and for one another, creating a sense of common purpose among those who play different roles in the community development process. Thus, Van Meter won support not only from his old boss and now local LISC director Matthew Thall, but also from the mayor's housing adviser, Pat Canavan, whom Van Meter considers Boston's "godmother" of housing and community development. Of course, the supporters of community development in Boston can be found not only in city government, but also in state government (Jane Gumble is one example), local foundations, and corporations.

This case raises the issue of the role of personal connections within the community development network. It suggests that the success of a CDC may depend on the relationships of its director or board members with officers of intermediaries, foundations, and government agencies. Further research could shed light on whether successful collaborations between CDCs and their funders are built into the system, are a product of personal relationships,

or are some combination of both. At any rate, as a result of this positive environment for community development—which includes LISC, NDSC, governmental agencies, community development organizations, and trade associations—ABCDC was able to carry out the Brighton Allston Apartments project, expand its staff, and now can proceed to take on further projects. In other words, the community development system worked as it is supposed to, largely because in Boston it contained supportive and effective people and institutions.

Yet, as we will see in the final case study, not all urban centers are blessed with such a wealth of support for community development.

Divergent Strategies: Edison Gardens and Tacolcy Economic Development Corporation, Miami, Florida

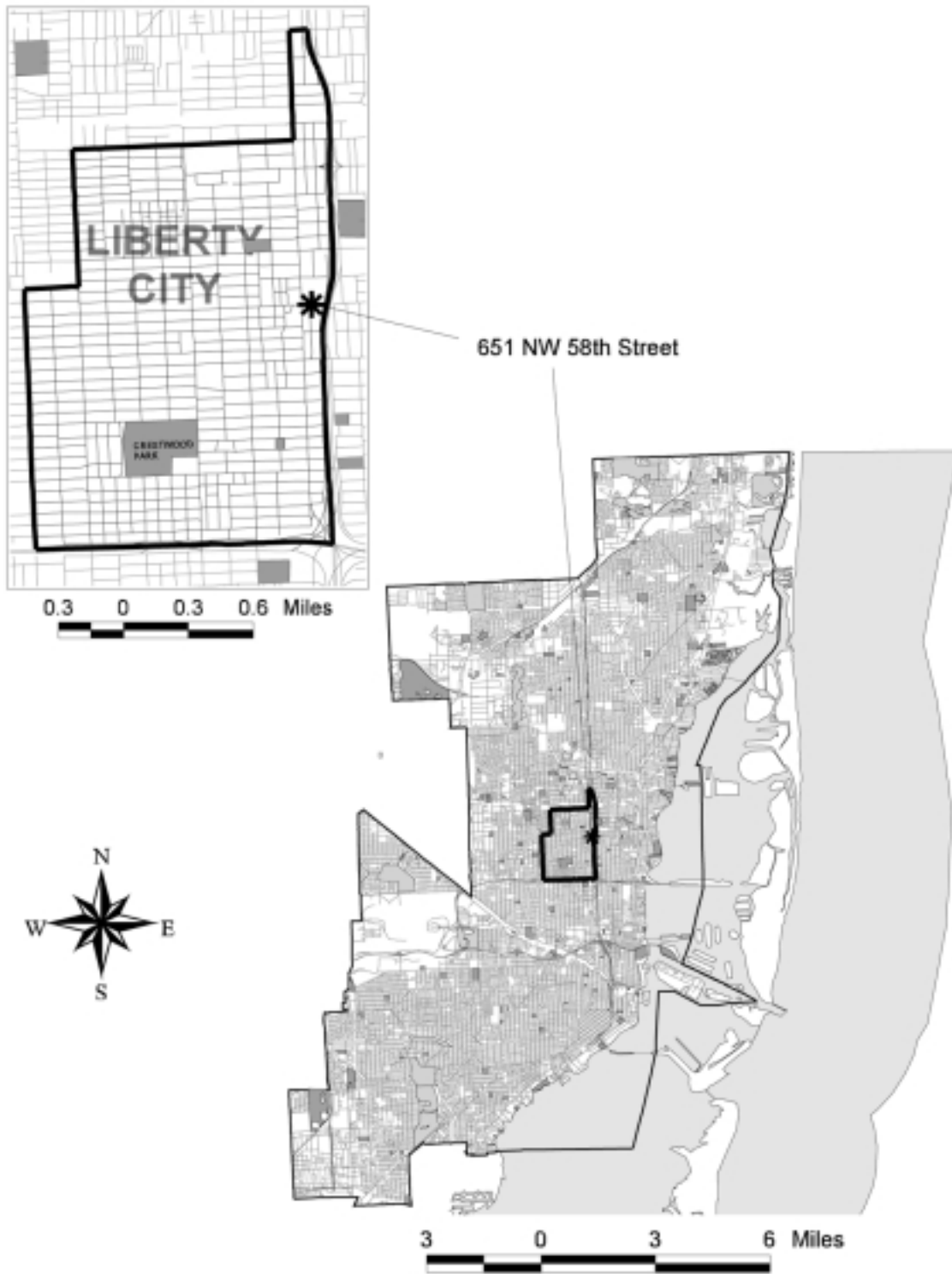
INTRODUCTION

In the early 1990s the Tacolcy Economic Development Corporation (TEDC) of Miami went from being a poster child to a problem child of the community development movement. In 1982, under the guidance of an energetic LISC program officer, a charismatic Miami policeman named Otis Pitts founded the organization to help restore his beloved neighborhood of Liberty City after the devastating riots of that year. With LISC's help, Pitts redeveloped a burned-out supermarket that the National Guard had patrolled during the riots into the gleaming Edison Plaza shopping center, and LISC and the national news media acclaimed Pitts and his organization as an example of what community development could accomplish. Pitts then acquired a large site nearby, where TEDC began developing the first new homes to be built in Liberty City in decades. Again assisted by LISC, TEDC built five large housing projects, including Edison Gardens, a garden apartment complex of 50 units (see figure 3 for a map of the area). Financial problems began to plague TEDC, however, and the close relationship between the rising CDC and the national intermediary began to break down. Many TEDC projects lost money, especially Edison Gardens, which proved to be poorly underwritten and expensive to maintain. LISC had approved the Edison Gardens deal and worked with TEDC to salvage it. But inevitably misunderstandings arose, and the relationship deteriorated between LISC program officers and TEDC's directors, especially Lorenzo Simmons, the financial manager and Pitts' successor as chief executive officer.

When the Ford Foundation announced it would scale down its support of community development organizations in Miami, Pitts and Simmons chose to pursue an unorthodox strategy for funding TEDC's operations and projects. Instead of relying on government or philanthropic grants as other CDCs did, TEDC formed partnerships with for-profit firms to develop large-scale housing complexes far from Liberty City. The fees and revenues from those projects—which produced more than 1,000 units of low-income housing during the mid- and late 1990s—allowed TEDC to survive and maintain its projects in Liberty City. Despite the entreaties of LISC program officers, TEDC stopped participating in the major financial support programs conducted by LISC that had provided it with crucial grants, loans, and technical assistance during its formative years. In a twist on the criticisms that intermediaries or their wealthy donors divert CDCs from programs that help local residents (Gittell et al. 1999; Rubin 1995; Stoecker 1997), Miami LISC urged TEDC to work in its home community, but the CDC insisted on collaborating with wealthy private financial partners to develop housing outside Liberty City.

This case study demonstrates that a weak nonprofit community development system underlay TEDC's choice of strategy as well as LISC's slow progress in Miami. Without a good supply of skilled practitioners in CDCs and enthusiastic confederates in support institutions—foundations, intermediaries, government agencies, and corporate philanthropic community relations departments—nonprofit community development cannot progress far or fast. The case of TEDC also indicates that the private entrepreneurial

Figure 3. Edison Gardens, Liberty City Neighborhood in Miami



approach to community development has great appeal, more so perhaps than practitioners and students of nonprofit community development usually realize.

COMMUNITY DEVELOPMENT IN MIAMI

Miami, in the words of LISC officer Sandra Rosenblith, is “a tough town” for community development. Unlike cities in which community development emerged from the anti-poverty programs and black protests of the 1960s, community development did not come to Miami until the 1980s. Riots provided the immediate catalyst for revitalization efforts. In 1980 the acquittal of policemen charged with the fatal beating of an African-American insurance agent, Arthur McDuffie, triggered violence that resulted in 18 people dead, 1,100 people arrested, more than \$80 million worth of property destroyed, and damage to 240 businesses in the amount of \$150 million. In 1982, 1984, and 1989 riots again broke out in Miami’s African-American neighborhoods (Porter and Dunn 1984). Immigration to south Florida played a role in those upheavals; Miami’s poor African Americans resented the new arrivals. In 1980 the Mariel boat lift brought approximately 125,000 Cubans to the United States and introduced a large, unskilled, poor working-class Cuban population to Miami. The Mariel immigrants created a striking contrast to the successful middle- and upper-class Cubans who had come earlier to U.S. shores. In addition, some 60,000 Haitians arrived by boat in south Florida between 1977 and 1981 (Portes and Stepick 1993; Russ 1999).

Convinced that the lack of African-American business entrepreneurs had caused the riots, Miami’s business and government leaders adopted a strategy of fighting poverty by financing the ventures of inner-city business entrepreneurs, rather than nonprofit community organizations. The chamber of commerce, Dade County officials, and the *Miami Herald* crusaded to attract the Control Data Company, whose subsidiary, Urban Ventures, had successfully implemented computer training and business development programs in Minneapolis. The city’s major corporations raised \$7 million to fund a business assistance center, which opened in 1982 and began offering loans and technical assistance to current and aspiring small-business owners. In 1983 the City of Miami created Miami Capital Development, a lending entity with a \$6 million revolving loan fund intended to help businesses create jobs. In the rush to begin the process, however, the business assistance center and Miami Capital Development failed to underwrite carefully, and local newspapers soon reported spectacular failures in the loan programs (Jones 1984; Martin 1999).

At the same time that local leaders embraced the entrepreneurial approach, LISC took an unusually direct role in launching a nonprofit community development system in Miami. After the 1980 McDuffie riots and Mariel boat lift, Mitchell Sviridoff, who was then starting LISC, asked Sandra Rosenblith to go to Miami and find ways that the new organization could promote community development. Before joining LISC, Rosenblith worked at the National Council for Equal Business Opportunity, an agency funded by the Ford Foundation, she worked for two years at the Federal Home Loan Bank, and she helped community development groups in Mississippi and the South Bronx (Rosenblith 1999).

Starting virtually from scratch, Rosenblith launched an educational and recruitment campaign for community development in Miami. She explained to business and community

leaders how CDCs operated and how they were funded. For those who were interested, she led tours to other cities to observe community development systems in action. Rosenblith forged an alliance with the deputy director of the Dade County Office of Community Development, Ernest Martin, who embraced nonprofit community development and funneled CDBG funds to CDCs (Martin 1999; Rosenblith 1999).

Eventually Rosenblith helped start three community development organizations: TEDC, East Little Havana Community Development Corporation, and the Haitian Task Force. She also established a network of private business leaders to support community development. Because Miami lacked a tradition of supporting community development groups, Rosenblith gave more grants to the fledgling CDCs than LISC usually did. In addition, she hired a lawyer to establish the new groups as 501(c)(3) nonprofit organizations and brought in consultants to help formulate strategic plans. Once the three CDCs were in operation, Rosenblith worked closely with the inexperienced directors and their staffs to help create their first deals (Pitts 1999; Rosenblith 1999).

In 1984 LISC made Miami an area of concentration by opening a permanent office in the city. To channel local money into community development, Rosenblith organized a local advisory committee, which was led at first by Anthony Burns, chairman and chief executive officer of the Ryder System, and subsequently by James K. Batten, then president and later chief executive officer of Knight-Ridder, Inc. Both companies maintained their headquarters in Miami. The committee also had representatives of major regional banks such as Southeast Bank and NCNB National Bank of Florida.

In 1992 Sandra Rosenblith began a new assignment—starting a new rural program for national LISC—and started transferring control of the Miami office to her chief program officer, Claire Raley. Raley became program director in 1994 and built on the pioneering efforts of her predecessor by working with Miami LISC's existing CDC partners while increasing the number of CDCs with which LISC did business (Burnham 1999; Rodriguez-Tejera 1999; Simmons 1999b; Williams-Baldwin 1999).

Nor was LISC alone in promoting nonprofit community development. In 1985 The Enterprise Foundation started Greater Miami Neighborhoods, a nonprofit housing developer that later became an independent organization affiliated with Enterprise (Enterprise 1993). Also active was Neighborhood Housing Services, a lending and home improvement program of the Neighborhood Reinvestment Corporation, which had been operating a branch in Miami-Dade since 1973.

Philanthropic institutions also responded to Miami's social problems after the riots. In the wake of the McDuffie riots, the Ford Foundation sent significant sums of money to local CDCs and the Haitian Refugee Center. The Dade Partnership for Community and Economic Development was established in 1989 largely with Ford Foundation money and was administered by the Dade Community Foundation, a leading philanthropy in south Florida. Like the Neighborhood Development Support Collaborative in Boston, the Dade Partnership for Community and Economic Development distributed funds from member foundations, banks, and other businesses to help pay the operating expenses of CDCs. For

several years the Dade Partnership contributed large sums to the three Miami CDCs LISC had helped establish (Perez Camayd 1999; Portes and Stepick 1993).

The activities of the foundations and intermediaries helped promote political support for community development in south Florida. Led by Miami mayor Maurice Ferré, several leading officials in Miami, neighboring cities, and Dade County endorsed community development and inaugurated task forces to encourage CDCs to help redevelop low-income target areas such as Little Havana, Overtown, Liberty City, Little Haiti, and the city of Opa-locka. In 1981 the Florida state legislature passed the Community Development Assistance Act, which enabled the state to pay about \$100,000 a year to each of 15 CDCs for their operating expenses. Soon thereafter the government of Dade County enacted a surtax on property sales to create a low-income housing development fund, through which it began distributing revenues in about 1985 (Martin 1999).

Unfortunately, enthusiasm for entrepreneurial development and a lack of understanding of nonprofit community development undermined government efforts. The Community Development Assistance Act, for example, established a revolving loan fund to make loans to businesses—the entrepreneurial approach—but provided no technical assistance to help new CDCs develop and carry out programs. Responding to press criticism of the business assistance center, legislators placed restrictive underwriting requirements in the state’s loan program, making it difficult for CDCs to obtain loans. The state also adopted rules for allotting low-income housing tax credits, which favor applicants that have site control, a building plan, environmental assessments, and projects with large sites and numbers of units. In practice, large private real estate developers are more likely to meet those criteria than are nonprofit CDCs, which are unable to pay the large expenditures (sometimes exceeding \$1 million) that are required in the early stages of housing development. Within Miami’s city government, Mayor Ferré favored nonprofit community development, but the more powerful city manager, Howard Gary, favored the entrepreneurship strategy (Burnham 1999; Duran 1999; Martin 1999; Perez Camayd 1999; Rodriguez-Tejera 1999; Rosenblith 1999).

During the 1990s Miami’s emerging community development system lost momentum. The quality of corporate leadership suffered after James Batten died and Knight-Ridder, Inc., moved its corporate headquarters out of Miami. First Union Bank bought out Southeast Bank and moved its headquarters out of town. Indeed, corporate mergers and moves left Miami without a headquarters of any Fortune 500 company, except Ryder Systems. The owners of Cuban-American businesses were more inclined to support the arts and education than community development efforts aimed at black urban poverty. In other cities LISC’s local advisory committees are composed of major financial institutions and philanthropic foundations, but in Miami the local advisory committee includes several representatives of small- and medium-sized banks and businesses (as well as a few large ones) and only one foundation member (Burnham 1999; Martin 1999).

In 1997 LISC took over the administration of the Dade Partnership for Community and Economic Development, which it renamed the Dade Partnership Capacity Building Program. By then, however, the amount available to each CDC had declined to about \$50,000 in operating support a year for three years. This decline occurred partly because the

number of CDCs receiving support increased and partly because the initial Ford Foundation partnership grant had expired and not been fully replaced by other funders (Burnham 1999; Perez Camayd 1999).

Like the city government as a whole, the city's CDBG program was highly politicized and not well run. In the course of transferring control of the city government from African Americans to Cuban Americans, deals were made by which CDCs that had not demonstrated an ability to carry out programs received long-term support. At the same time the city's bureaucracy became increasingly paralyzed as years of mismanagement took its toll. Finally, in 1995 the city had a \$63 million deficit, forcing the state of Florida to establish an oversight board to run the city. As was the case in Washington, DC, such changes initially slowed down all agency activities until the new regime took over (Martin 1999). Miami's CDCs also had problems. Some failed. The Haitian Task Force, for example, fell apart because of dissension over the election and overthrow of Jean-Bertrand Aristide as president of Haiti. Other CDCs were poorly run, but because they had cultivated powerful political sponsors, the government continued to support them instead of more productive groups. Surveying the landscape in 1993, Bratt and her colleagues found that few of the more than 20 nonprofit housing organizations in Miami had developed multifamily rental housing for more than four years, and these were primarily for the elderly (Bratt et al. 1995). By the late 1990s, 43 CDCs existed in the Miami-Dade County area, but only about a quarter of them were productive and at most 3 to 5 of them were in the top tier of CDCs across the country (Burnham 1999; Jones 1999; Martin 1999).

Ernest Martin, a strong supporter of community development, retired in 1992 from Dade County's community development department and was replaced by officials who, put off by ineffective CDCs, returned to the policy of distributing CDBG funds to infrastructure improvements rather than community development. In 1998, for example, Dade County spent almost three-fourths of its \$22.1 million CDBG funds on administrative costs and public works, leaving the county's 40-plus CDCs to fight for the rest (Burnham 1998; Martin 1999).

Today a cadre of experienced housing and community development operatives and officers of supporting institutions such as Greater Miami Neighborhoods, Legal Services of Greater Miami, the Fannie Mae Partnership Office, and Greater Miami LISC are working to build public awareness of community development and create an effective political coalition that can lobby for more favorable government programs. Although these supporters of community development have lately made progress, it is too early to judge whether they will finally create a viable community development system.

THE LIBERTY CITY NEIGHBORHOOD

Located four and a half miles north and one and a half miles west of downtown Miami, Liberty City was first developed and settled by African-American families in the 1920s. Many poor blacks lived in dilapidated shacks in the Overtown neighborhood, the old African-American neighborhood located just north of downtown Miami, and Liberty City offered them a chance to have better homes, especially when in the 1930s the government built public housing in the area. White neighborhoods grew up around the core area of

Liberty City until the 1950s, when whites began to move out and were replaced by African Americans. In the 1960s whites continued to leave for the suburbs, while urban renewal and highway construction projects in Overtown started another migration of African Americans into the Liberty City area.

Liberty City experienced significant losses in the 1980 McDuffie riots. According to a 1984 newspaper account, 53 businesses, many of them owned by whites, were destroyed. Twenty-three of the ruined businesses moved to other locales. Between 1,000 and 2,000 people lost jobs in the area. Damage estimates exceeded \$100 million. In response, the federal government sent in \$21.5 million in emergency aid to help 229 businesses that were damaged during the riots (Jones 1984; Rosenblith 1999).

In recent years Liberty City fit the stereotype of the inner-city neighborhood beset by poverty, declining population, social problems, and deteriorated housing. (See table 2 on page 30 for neighborhood statistics.) Dade County's Office of Community Development designated Liberty City and Model City (composed of unincorporated areas in Dade County outside Miami's borders but adjacent to Liberty City) as target areas for revitalization. Yet even as thousands of blacks moved to Liberty City, both whites and blacks left in even greater numbers. Its population decreased by 18 percent during the 1970s, falling to 28,886 by the end of the decade. In 1980 another 37,273 people, 90 percent of whom were black, lived in the adjacent Model City. During the 1980s the population declined further both inside and outside Miami. By 1990 Liberty City was home to a population of 26,500, 95 percent of whom were black, and the Model City area housed 31,311 people, 91 percent of whom were black (Miami-Dade County Planning Department 1993, 1998; TEDC 1985).

Despite the presence of middle-class residents, Liberty City had a large and growing poor population. By 1990 the average household income was \$18,438—less than half the figure for Miami-Dade County as a whole. Forty-three percent of all family households had incomes below the official poverty line, and 33 percent of households received public assistance. The proportion of households headed by a woman was 38 percent, a much higher figure than the 15 percent recorded for all of Dade County. Liberty City contained a relatively high proportion of children: Nineteen percent of the population was under 10 years of age, as opposed to 14 percent for Miami-Dade. But about 61 percent of children under five years of age lived in poverty and more than half of the children under 18 years of age were poor. (The adjacent Model City had similar demographic and economic characteristics.) (Miami-Dade County Planning Department 1993, 1998).

Liberty City contains a mix of middle-class homeowners and impoverished renters. In 1990, 68 percent of the housing stock was composed of single-family homes and owners lived in 40 percent of all occupied units. But as might be expected in an area plagued by riots and poverty, average housing values dropped during the 1980s and by 1990 lagged far behind Dade County's average (\$47,629 as opposed to \$112,484). The average rent in Liberty City, \$272, was far below the \$441 county average. The vacancy rate more than doubled in the 1980s, from 6 to 13 percent, and by 1990, 40 percent of vacant units were boarded up, eight times the average for all of Dade County. Although some units were vacant, others were overcrowded. About 30 percent of all occupied units in Liberty City

contained more than one person per room; by comparison, the figure in Dade County was 18 percent (Miami-Dade County Planning Department 1993).

TEDC

When Sandra Rosenblith of LISC began to look for likely candidates to start CDCs in Miami, several sources, including people at the United Way, told her about Otis Pitts Jr., a former Miami policeman who directed Belafonte Tacolcy Center, a Liberty City social services agency. (The first word in the agency's name paid tribute to the entertainer Harry Belafonte, who had given a major grant to the organization; the second was an acronym for The Advisory Committee of Liberty City Youth.) Pitts had grown up in Liberty City and was passionate about helping its people. While working for the City of Miami's police department, he volunteered his time at the Belafonte Tacolcy Center to start youth programs. In 1974 he was named the center's director and in that capacity helped restore the organization to financial health and institute numerous new programs (Pitts 1999).

Rosenblith tracked Pitts down—not an easy task because the riots had made him a person much in demand among foundations and government officials—and began to explain the concept of community development. Pitts was intrigued and wanted to know more. In response, Rosenblith provided a briefing that lasted two days (Rosenblith 1999).

In 1982 after much thought and discussion—and trips to New York and Mississippi to study community development firsthand—Pitts and the Belafonte Tacolcy board founded their own CDC, TEDC, to help rebuild Liberty City. From the first, Pitts and the TEDC board set their sights on attracting private investment to Liberty City to provide jobs and businesses to African-American residents. In a 1985 brochure TEDC stated that its mission was “to increase jobs, business opportunities and income for the black residents of the area” by helping create “the infrastructure and environment required to stimulate private investment and make the development process self-fueling” (TEDC 1985, 1). Two years later the organization published another booklet stating that “TEDC’s mission is to create an economic environment in the Liberty City neighborhood in which investment becomes a self fueling process” that would increase “the availability and quality of goods and services, entrepreneurial and job opportunities.” Pitts had no illusion that making Liberty City a place where investment was self-sustaining would be an easy or quick task. “TEDC’s mission is ambitious,” he wrote, “and it is not expected to be fulfilled by TEDC alone or in the near term” (TEDC 1987, 1).

Pitts began the community development work by attempting to revive Liberty City's languishing commercial corridor, Seventh Avenue. After surveying residents and business owners along the corridor and in Liberty City, TEDC conceived a plan to redevelop the site of the Pantry Pride Supermarket, which had closed after sustaining severe damage from looting and fire during the McDuffie riot. Pitts planned to replace the store with a shopping center. Rosenblith helped Pitts and the TEDC staff prepare and submit applications to the U.S. Department of Health and Human Services and the City of Miami for funds to acquire the land for the proposed Edison Plaza shopping center (Simmons 1999b). TEDC eventually raised more than \$2 million for the project from the federal, county, and city governments; Miami Capital Development; philanthropies such as the ARCO Foundation;

Winn Dixie Company; and LISC, which extended \$322,500 in loans. Edison Plaza's tenants included a Winn Dixie supermarket as the anchor, dry cleaner, pharmacy, beauty salon, and shoe store. The supermarket soon became one of the most profitable of Winn Dixie's Florida outlets, demonstrating the viability of inner-city retailing. When a McDonald's franchise opened across the street and a new shopping center with 10 small shops was built nearby, TEDC seemed to have taken a big step toward the self-fueling economic development Pitts had envisioned (LISC 1984; Peirce and Steinbach 1987; Rosenblith 1999; Simmons 1999b; TEDC 1985).

It is worth noting, in light of TEDC's later decision to reduce the community representation on its board of directors, that the Edison Plaza project encountered local opposition. At one of the opening celebrations, a local African-American political leader criticized the shopping center project because the supermarket was not owned by an African American (even though the shopping center and its other shops were owned by African-American organizations or individuals). In the following years Pitts felt harassed by what he considers "political" or "ethnocentric" community pressures to impose impractical demands, such as the demand that he hire an unqualified architect or construction company or hire unemployed people as construction workers because they were local or African American. These demands, he felt, could ruin the deals for TEDC's community development projects (Pitts 1999; Rosenblith 1999).

Nevertheless, the replacement of the devastated store by a thriving shopping center soon made Pitts, TEDC, and Edison Plaza advertisements for the exciting possibilities of community development. TEDC held a series of celebrations of the opening of the shopping center, with local dignitaries presiding. In its annual reports, LISC praised the project as "a dramatic turnaround," the journalist Neal Peirce in *Corrective Capitalism* celebrated TEDC's accomplishments, and national news magazines and newspapers echoed the acclaim of the organization and its colorful director (Hue 1989; LISC 1986, 4; Peirce and Steinbach 1987).

Pitts and the TEDC board members next turned to housing problems. They held the shortage and the poor condition of the housing stock responsible for the out-migration of African Americans from Liberty City. They reasoned that a declining population would not be able to support the new businesses on Seventh Avenue. Pitts and Lorenzo Simmons, then TEDC's financial officer, consulted with Rosenblith about the practicality of and the proper strategies for developing housing. The TEDC staff found a feasible site on which to develop new housing for Liberty City: a six-acre parcel of vacant land two blocks from Edison Plaza owned by Dade County (Simmons 1999b; TEDC 1985, 1987).

With advice and assistance from Sandra Rosenblith, TEDC developed its first housing project, Edison Towers, an eight-story apartment building containing 121 one-bedroom rental units. Before the development of Edison Towers, officers of Southeast Bank (now First Union) told Pitts and Simmons they would give TEDC a construction loan for the project if TEDC added an experienced housing developer to its team. In response, Rosenblith put Pitts and Simmons in contact with Theo Rodgers, a private, low-income-housing developer in Baltimore. Rodgers and TEDC formed Shell City Associates, a for-profit subsidiary, to develop and manage the Edison Towers project. Ultimately, TEDC received financial

support from LISC, the Ford Foundation, Swire Properties, the Dade County surtax program, Southeast Bank, and the social lending department of Equitable Life Insurance Company and completed Edison Towers in 1987 at a total cost of \$5.5 million. It was the first low- and moderate-income housing project to be built in Liberty City in more than 20 years (Simmons 1999b; TEDC 1987, 1990).

In the following years TEDC became an active housing developer with continued assistance from LISC. Between 1989 and 1994 TEDC completed a total of 220 dwelling units in four housing developments—Edison Gardens I and II and Edison Terraces I and II—on sites adjacent to Edison Towers. LISC provided financing and technical assistance for all five of TEDC's large housing developments in Liberty City. All told, LISC invested \$1.5 million in loans, recoverable grants, and grants in the operations and projects of TEDC during its first 12 years of existence.

As the director of TEDC, Otis Pitts gained a national reputation for developing projects in riot-torn Liberty City. He was invited to join the national board of LISC and was awarded a MacArthur Fellowship. In April 1993, after the destructive Hurricane Andrew struck south Florida, Pitts was appointed deputy assistant secretary for federal relief in Dade County for HUD, in which capacity he dispersed \$3 billion of federal funds for disaster relief, much of it to rebuild destroyed housing in south Florida. In 1995 Pitts left that post and became vice president of Codina Development, a private development company. Although no longer the president of TEDC or involved in its daily affairs, Pitts maintained an active interest as the head of its board of directors (Pitts 1999).

When Pitts went to work for HUD in 1993, Lorenzo Simmons, TEDC's financial officer, assumed the position of president and chief executive officer. Previously a financial analyst for Miami Capital Development and before that financial manager of the Belafonte Tacolcy Center, Simmons had been hired by Pitts in 1984. The organization's new leader believed in the same goal laid out by TEDC founder, Pitts: to carry out projects that would help bring back businesses and residents to Liberty City. A successful TEDC, Simmons believed, would help realize his vision of stores lining both sides of the Seventh Avenue commercial corridor, well-managed multifamily residences behind the shops, improved single-family houses, amenities such as swimming pools and recreation areas, and some small industrial enterprises to provide jobs to local residents (Simmons 1999a, 1999c).

Under Simmons, TEDC maintained its existing housing developments. The organization also continued to develop housing, but not in Liberty City and not with LISC funds. Between 1994 and 1997 TEDC joined with for-profit partners to develop 1,572 rental units in eight projects located in other Miami neighborhoods and south Florida towns.

Besides real estate development, TEDC engaged in community development activities that reflected the economic theme expressed in its name and mission statements. TEDC helped local landlords and merchants renovate more than 100 storefronts and secured almost \$265,000 worth of streetscape improvements in the commercial areas of Liberty City. It aided 10 businesses along Seventh Avenue and owned and leased a car wash business. In 1992, after the death of the owner of a fish market, one of the neighborhood's longest-running businesses, TEDC opened a seafood market and restaurant at Edison Plaza.

TEDC continues to be interested in commercial real estate development in Liberty City and is helping develop a site for a national chain drugstore, bringing in a new supermarket, and planning the redevelopment of Edison Plaza (LISC 1993; Simmons 1999d).

Throughout most of its history TEDC received more generous financial assistance than other Miami CDCs. It attracted this support because it served the neighborhood at the center of the 1980 riots and because its director was a well-respected and charismatic community leader (LISC 1982; TEDC 1985). TEDC derived about 60 percent of its operating expenses from grants and the rest from project revenues. Working through the Dade Partnership for Community and Economic Development, the Ford Foundation contributed an annual grant that reached \$200,000 to fund the operations and programs of the fledgling CDC. In 1990 TEDC's operating budget was \$467,000, the following year it climbed to \$580,000, the year after it was \$548,000, and in 1993 it rose to \$598,000. With such generous funding, TEDC was able to slowly expand the size of its staff, which numbered six by 1992 (LISC 1992, 1993).

Beginning in 1994 under Simmons's leadership, TEDC began to earn substantial revenues from joint venture housing development projects and became less reliant on philanthropic gifts. In 1997 TEDC lost the grants from the Ford Foundation and Dade Partnership. Since then Simmons has run TEDC without major operating support from foundations, government, or intermediaries. Because of the organization's debts and financial commitments, he reduced the number of full-time staff from six to three (TEDC 1999).

THE EDISON GARDENS PROJECT

During the late 1980s TEDC began developing Edison Gardens, a garden apartment complex of 50 units, on another section of the block in which Edison Towers stood. Edison Gardens was completed in 1989. (Edison Gardens II, a similarly sized and shaped complex north of the original, was completed in 1991.)

In developing Edison Gardens, TEDC functioned as the sole nonprofit developer and relied on the kinds of financing sources CDCs often use to develop housing, including nonprofit intermediaries and government agencies. Working closely with Sandra Rosenblith again, TEDC obtained predevelopment loans from Miami LISC, which it repaid as the project was completed. TEDC also made use of the new Low-Income Housing Tax Credit program that Congress had enacted in 1986, obtaining tax credits that were syndicated by LISC's NEF. Edison Gardens was the first CDC project in Florida to use the low-income housing tax credits. In addition, TEDC received permanent financing from Dade County's surtax program and Homes for South Florida, a consortium of banks that lent money to community development projects. Homes for South Florida provided a 15-year mortgage at 11.5 percent for \$905,000 as well as a 7-year bridge loan at 10.5 percent for \$903,000; the surtax program furnished a 30-year mortgage at 3 percent for \$1 million. Including the proceeds from the syndication of tax credits by NEF, which repaid the bridge loan and interest, the total development costs of Edison Gardens I and II were \$3.7 million and \$3.8 million, respectively. (See table 1 on page 4 for project summary.)

TEDC's staff and consultants planned Edison Gardens carefully. The complex was made up of four-story garden apartments grouped around an open-air landscaped atrium. Responding to the demand for larger units than the one-bedroom apartments at Edison Towers, TEDC designed the apartments at Edison Gardens with two bedrooms. Each apartment had a large balcony, cross-ventilation as well as air conditioning, and wall-to-wall carpeting, and each came equipped with electric stove, oven, and refrigerator. The complex included amenities such as secured parking, laundry facilities on each floor, tot lot, and basketball court (LISC 1993; Simmons 1999b).

Despite TEDC's impressive start and carefully planned projects, by the early 1990s the organization was losing substantial amounts of money. A combination of mistakes and bad luck caused its early projects to hemorrhage financially. During its first project, Edison Plaza, the organization was involved in a dispute with a contractor that ended in an arbitration decision TEDC lost. As a result, in 1988 TEDC had to pay \$22,000 as a down payment and \$33,600 annually for 10 years thereafter. Even though it received the start-up capital for the seafood restaurant from a government grant, like many CDCs, TEDC was not able to operate a small business profitably. After estimating it would cost \$50,000 to launch the seafood business, TEDC actually invested \$400,000 before closing the enterprise (LISC 1993; Simmons 1999b).

Among TEDC's most nagging financial problems was Edison Gardens, which drained significant amounts of money. Although constructed successfully, this project encountered some of the crucial problems in financing and management that can plague low-income-housing developments (Bratt et al. 1995). Edison Gardens was overleveraged—it had too much debt per unit. It was an early tax credit project, and neither LISC nor the National Equity Fund—the organizations that constructed the deals—knew at the time how the new tax credit program would work in practice. Interest rates were high, and the equity invested was only 50 cents on a dollar, whereas today it is more common for equity to be 70 cents or higher on a dollar. Because the margin was so thin, management became much more important in making the deal work (Rosenblith 1999).

Managing Edison Gardens, however, proved to be far more difficult than anyone expected. When the buildings were opened for occupancy in 1989, TEDC hired the Related Management Company, a group with extensive experience managing subsidized apartments, to oversee the property. At the time Edison Gardens was developed, none of the officers of Miami LISC, TEDC, or Related Management Company had any experience with projects funded by the Low-Income Housing Tax Credit program. The original provisions of the tax credit program required that tenants not pay more than 30 percent of their income, adjusted for family size. In practice, that meant family size and income, rather than apartment size, set the rents, which ranged in 1992 from \$384 to \$506 (LISC 1993).

In trying to maintain adequate revenues for the project, therefore, Related Management faced the dilemma created by the “two glass ceilings,” maximum limits on rents and tenant incomes, which project-based subsidies often impose (Bratt et al. 1995, 162). The management company faced unpalatable alternatives. It could fill the units at project rents by lowering its standards for accepting tenants, fill the buildings with families whose rents (set at 30 percent of their income) would not meet the development's projected receipts, or

let units remain vacant until ideal tenants were located. Related Management decided to lower its screening standards, and as a result, Edison Gardens soon experienced high rates of rental delinquencies and disorderly tenants (LISC 1993).

Unhappy with Related's performance and perhaps hopeful of producing a new revenue stream, TEDC started its own management company in 1991, Tacolcy Property Management Company, to manage all its residential developments. The new company was headed by a member of the TEDC staff who had little experience managing real property, but LISC and TEDC hired consultants to set up accounting and management control procedures for the management company's staff (LISC 1993; Simmons 1999b).

Unfortunately, Tacolcy Property Management Company inherited a difficult situation at Edison Gardens and could not find a solution. With dangerously high vacancy and delinquency rates—only 35 of 50 units were occupied and half of those were delinquent in rent payments—the management company decided to relax the eviction policy. That move only resulted in further reducing revenues, and in 1992 the complex of problems forced TEDC to write off more than \$14,000 in bad debts. Finally Tacolcy Management imposed a tight screening process and strict eviction policy and began to benefit from new Low-Income Housing Tax Credit regulations, which allowed the size of a unit, rather than the size of the family, to set rent levels. (Because of the new regulations, TEDC's subsequent and almost identical project, Edison Gardens II, had a better record of rent collection.) (Bratt et al. 1995; LISC 1993)

Adding to the difficulties at Edison Gardens, LISC and TEDC staff had underestimated the costs of operating the project at the time they arranged the financing. They had realized there would be a shortfall, but planned to cover the gap with excess tax credit syndication proceeds and a LISC recoverable grant of \$85,000, approved in 1988. In reality, however, the cost per unit was \$3,000, 50 percent more than the projected \$2,000 figure. The difference multiplied by the number of units—the actual shortfall—was much higher than expected. The cost of maintaining the property was increased by the failure to screen tenants as well as the unexpectedly high real estate tax. None of the people who planned the Edison Gardens project expected the property to be taxed near its assessed rate of \$720 per unit. TEDC's argument that subsidized low-income housing should not be charged at the same rate as commercial market projects fell on deaf ears at Dade County's tax department (LISC 1993; Simmons 1999b).

To reduce the costs of Edison Gardens, TEDC, working with LISC, decided to try to refinance its major loans. It persuaded Homes for South Florida to refinance its permanent loan, originally \$905,235 at 11 percent, with an interest rate of 9 percent. LISC, for its part, "took out" (repaid) the Homes for South Florida bridge loan, originally \$903,420 at 10.5 percent, with its own bridge loan of \$310,639 at 6 percent, saving TEDC \$15,000 (LISC 1993). Nevertheless, TEDC had to pour more than \$200,000 into Edison Gardens to keep it afloat until it was refinanced. According to Lorenzo Simmons, without the additional revenues that came from joint venture projects outside Liberty City, Edison Gardens "would have tanked" (Simmons 1999b).

It is not uncommon for CDCs to have problems managing residential properties they have developed, and frequently these problems are related to insufficient underwriting (Bratt et al. 1995). Nor is it unusual for the nonprofit lenders to assist in the financial “work-out” and other management changes that will put a troubled project on sound footing. That is what happened in the case of Edison Gardens. LISC, NEF, and TEDC worked together to straighten out the problems that arose from their and the banks’ erroneous underwriting. LISC program officers, as shown by the takeout loan, risked LISC money, and TEDC staff learned from their experiences.

During the lengthy process of correcting these problems, however, the parties became exasperated with each other. LISC and NEF staff members worked for three years with TEDC to improve the operations of Edison Gardens, but felt that TEDC staff did not recognize soon enough that the management problems—bad tenants, deterioration of property, vandalism—were preventing the project from getting out of its financial difficulty. TEDC staff felt that because they were willing to accept the responsibility for having made mistakes and did eventually hire a new property manager, LISC and NEF could have spent less time criticizing them and instead could have taken constructive action, such as writing off their loan on Edison Plaza (LISC 1993; Simmons 1999b).

TEDC’s leaders grew alienated from the institutions that support community development in Miami. Simmons balked at the program requirements LISC and its equity affiliate imposed, believing they were better suited to a young organization than an experienced nonprofit developer. When NEF offered Simmons an equity deal for a housing project in south Dade County with the proviso that TEDC funnel the proceeds back into Liberty City projects, TEDC rejected the offer and contracted with a private syndicator. About 1995 TEDC withdrew from LISC’s capacity building funding program for technical assistance and operating expenses because Simmons felt that it was not worth the effort to obtain a relatively small grant (Simmons 1999a, 1999b).

Similarly, TEDC did not apply for the state’s Community Development Assistance grants, which required that a CDC select a majority of the members of its board of directors by an election open to all residents of its community. The board of directors had long been a problem at TEDC. When TEDC was first organized, board members of the founding organization, Belafonte Tacolcy, refused at the crucial moment to sign the contract to develop and manage Edison Plaza because they were afraid they would be liable for \$2 million—despite Pitts’s repeated efforts to explain that the liability insurance would cover them and that the federal government was financing most of the project. Later, a board member who owned a drug store at Edison Plaza stopped paying rent, and Simmons had to remove him from the board. A political member of the board who wanted the business owner’s support fought to keep him on the board, causing a struggle in which Pitts became involved. To avoid further problems, Pitts reorganized the TEDC board and carefully chose its members for expertise rather than community representation (a type of board common to non-community-based nonprofit organizations) (Pitts 1999; Rosenblith 1999).

CHANGE IN STRATEGY

Pitts and Simmons felt that the decision to withdraw from Miami's community development programs was an easy one to make because government, philanthropic, and intermediary agencies offered CDCs little financial support. The agencies, according to Pitts, gave relatively little "soft money" to cover the operating expenses of CDCs, preferring instead to lend money for projects. Although Miami LISC initially recruited energetic business leaders to channel money into community development, Pitts felt that LISC never did raise as much money in Miami as it did in rich community development environments elsewhere. He noted that the amount of money available to CDCs declined further as corporate leaders died or departed and pro-community-development political officials left office. In addition, TEDC's officers knew that the Ford Foundation was planning to reduce its contributions to Miami's CDCs, which meant that in 1997 TEDC would lose some or all of its annual \$200,000 operating subsidy (Pitts 1999; Simmons 1999b).

To cope with the financial pressures of the organization's substantial debts, staff salaries, and overhead, Pitts and Simmons pursued a new strategy to earn revenue. In the new approach TEDC would form partnerships to carry out large-scale housing development at sites outside Liberty City. Pitts had long admired private sector companies for their ability to develop housing without government and philanthropic grants, and now hoped to work with and emulate them (Pitts 1999).

Pitts and Simmons learned from the private developers whom they consulted that large-scale housing development projects (more than 100 units) produced revenue more efficiently than small-scale projects. Pitts believed that intermediary program officers preferred small-scale projects because they felt these were easier to finance and carry out, but experience had taught TEDC's leaders that expenses in small projects outstripped income. Edison Gardens, for example, incurred high fixed costs from Miami's property taxes and insurance rates (which soared after the hurricane in 1992), but TEDC could not raise rents in Liberty City's stagnant real estate market. As a result, Pitts and Simmons shifted to a policy of developing housing on a large scale (Pitts 1999; Simmons 1999b).

Liberty City, TEDC's home base, however, lacked lots large enough to accommodate the size of the housing development the organization planned. To develop housing on a large scale, TEDC was forced to find sites in the outlying neighborhoods of the city and beyond in the towns to the south. Government agencies and philanthropies provided TEDC with another incentive to develop outside Liberty City by making funds available to rebuild areas in southern Dade County that were damaged by Hurricane Andrew (Pitts 1999; Simmons 1999b).

In 1994 Simmons completed the first housing development project in the new joint-venture, large-scale strategy he and Pitts had begun. TEDC and Related Group of Florida, a for-profit housing development and management concern, developed 290 rental units at Walden Pond Villas for approximately \$15 million. The units are several miles north of Liberty City near the Miami border (Simmons 1999d). In contrast to the multiple lenders CDCs must use to finance their housing projects, only three sources provided the outside funding for Walden Pond Villas: a bank that provided a \$7 million mortgage; the HOME

loan program administered by Dade County, which provided three mortgages totaling about \$3.3 million; and a syndicator and limited partner, which raised \$4.8 million worth of equity by the sale of tax credits (Simmons 1999d; Walden Pond Associates 1994).

The Walden Pond Villas project, according to Simmons, was extraordinarily rewarding for TEDC. TEDC earned developers' overhead costs, developers' fees, profit from construction, a percentage of the management fee after its partner Related Group had taken its share, and general partnership fees after the project generated a certain level of cash flow. Moreover, TEDC's for-profit partner gave the organization immediate access to large sums of capital, which normally TEDC could assemble only with great difficulty. Although the partners were theoretically equal, in the early stages of the deal Related Capital invested \$800,000 in Walden Pond Villas, and TEDC only \$110,000. Even with such a small stake, Simmons recalls agonizing over the negotiations before the deal was approved lest TEDC lose its \$110,000 (Simmons 1999b).

The for-profit partner derived benefits from the alliance also. By having a nonprofit organization on an application for low-income housing tax credits, the commercial company in the partnership earned precious points that might make the difference between winning or losing the valuable credits. Moreover, nonprofit community-based housing development organizations were eligible for the low-interest loans of the HOME program. The savings for the partnership were significant. The partnership converted the \$7 million construction loan into a bank mortgage bearing interest at 8 percent. In contrast, the first HOME mortgage (worth \$1.3 million) did not become due until the partnership had received a 10 percent return on its equity and then only at 6 percent, the second HOME mortgage (\$480,000) was payable at 5.8 percent, and the third (\$1.5 million) had a trifling 1.5 percent interest rate (Walden Pond Associates 1994).

After the success of the Walden Pond Villas project, Simmons led TEDC into a series of joint-venture developments in south Dade County, making use of the funding that had become available for low-income housing in areas affected by the hurricane. As it had in the Walden Pond Villas project, TEDC formed partnerships with for-profit companies and used the federal Low-Income Housing Tax Credit program. As before, the for-profit companies looked to TEDC to help obtain tax credits and acquire government soft money set aside for nonprofit organizations. In six projects executed between 1995 and 1996 in the Florida towns of Florida City, Homestead, Goulds, and Naranja, TEDC helped develop 1,062 units of housing at a total development cost of \$67.3 million. Each of these developments had more than 100 units; together the projects averaged 177 units and \$11.22 million per project (TEDC 1999). Unlike the lucrative arrangements in its first joint venture deal, however, TEDC usually had only a 30 to 40 percent interest in each project—as opposed to the 50 percent stake it had in Walden Pond Villas—and with a couple of exceptions did not receive the kinds of fees it earned in the Walden Pond Villas project (Simmons 1999d).

Since 1997, when TEDC lost the grants from the Ford Foundation and Dade Partnership, Simmons has run the organization without major operating support from foundations, government, or intermediaries. Because of the organization's debts and financial commitments, he reduced the number of full-time staff from six to three, but has continued to

pursue projects, including a 220-unit, \$15.5 million joint venture development in north-west Miami and two single-family home projects in south Dade County (TEDC 1999).

Although committed to TEDC's strategy of joint-venture, large-scale projects, Simmons has not closed the door on LISC or the conventional community development model of operations. He bears no ill will toward LISC, and gratefully acknowledges its past help. From 1996 to 1998 TEDC enrolled all its apartment properties in a LISC youth program, and Simmons does not rule out working with LISC in the future. Simmons would gladly see TEDC carry out deals by itself if money for predevelopment costs was available and it was fortunate enough to score high on the low-income housing tax credit application and receive 100 percent of the allocation. Meanwhile, however, he thinks that to survive in Miami other CDCs may want to emulate TEDC and work with for-profit partners (Simmons 1999b).

THE LISC PERSPECTIVE

Beneath the particular issues related to the Edison Gardens work-out and the requirements for participating in funding programs lies a basic conflict between TEDC and LISC over the proper approach to community development. LISC's program officers, like most people active in the community development movement, subscribe to the principle that CDCs should carry out programs within or adjacent to a circumscribed service area. LISC had enthusiastically supported and contributed significant sums of money to Edison Gardens and TEDC's other housing projects in Liberty City. When TEDC began to pursue projects outside Liberty City, LISC's Sandra Rosenblith argued at length with Lorenzo Simmons to convince him to reverse TEDC's decision. Rosenblith objected to the policy because she felt it diverted too much of TEDC's organizational effort away from neighborhood projects. Rosenblith also believed that when CDCs carry out projects in unfamiliar markets and fail to pursue comprehensive development strategies, they lose their competitive advantage over private developers (Rosenblith 1999). It was essential, as Rosenblith expressed it, "to take care of your knitting at home first." Even if no fee income was immediately available, she believed, the staff of CDCs should tackle projects that would directly help the people of their neighborhoods. In Rosenblith's view, money would somehow be found for CDCs carrying out worthwhile projects (Rosenblith 1999).

CDCs, according to that reasoning, should not choose projects merely to maintain themselves. A group can pursue deals outside the neighborhood, but unless all the money earned from those deals was returned to neighborhood projects, Rosenblith believed, the outside revenues were probably maintaining the organization only, not the neighborhood. Sharing these tenets, long-time observers of the Miami community development scene such as Ernest Martin criticize TEDC for not basing its operations in Liberty City and for not having a long-term strategy for its service area (Martin 1999; Rosenblith 1999).

Another important principle of the community development movement is that nonprofit organizations, as opposed to businesses, are best suited for carrying out community development. LISC officials and staff (as well as foundation officers and government officials) strongly believe that although community development projects should be economically viable, they should be projects that the private market will not undertake. In low-income

neighborhoods in which there is little investment, activities such as housing or retail projects, job training, and after-school tutoring programs do not generate enough income to pay for themselves. Only when and where such activities provide a significant rate of return will the private market implement them. CDCs, according to community development advocates, lay the groundwork for the private market to return to such low-income neighborhoods. Thus, until we have eliminated poverty, Rosenblith believes, we will always need to support CDCs with operating subsidies. Observers of Miami's CDCs, such as Rosenblith and Martin, worry that TEDC lacks a method in its choice of projects and behaves like a private business by undertaking projects simply to make money (Martin 1999; Rosenblith 1999).

Both Pitts and Simmons reject the assertions of critics who feel that in the location of its projects and the selection process for its board of directors, TEDC has forsaken its community, Liberty City. Otis Pitts grew up in Liberty City and his parents still live there. He is held in high esteem by most residents of the neighborhood, who have supported his many endeavors to improve the area. Pitts scoffs at the criticism that the method of selecting the board—a method he put in place to allow TEDC to be effective—makes it unresponsive to its community. He notes that from the first TEDC surveyed people along the Seventh Avenue corridor and in the neighborhood about their needs and studied the demographics and market carefully and objectively to ensure that the projects would be successful. Pitts feels he listened to the community's wishes, but also resisted ideas—such as hiring unqualified local people—that would alienate lenders and doom TEDC's projects. Simmons points out that there is a continuity between TEDC's Liberty City and Dade County housing developments because the great majority of tenants in projects outside Liberty City, like those in the Liberty City projects, are African American (Pitts 1999; Simmons 1999b).

TEDC's leaders insist that the organization is continuing to help improve Liberty City. Simmons and Moses Florence, a real estate agent and TEDC board member, point out that TEDC uses funds it earns from its development deals outside Liberty City to sustain its projects in Liberty City. The moneys from Walden Pond Villas and the south Dade County projects helped keep Edison Gardens afloat and can be used to redevelop Edison Plaza as well as help the organization develop a site across the street from Edison Plaza for a new Walgreens drug store (Florence 1999; Simmons 1999b).

Pitts and Simmons cheerfully admit that they are "deal-driven." As Pitts explains, a small nonprofit group that produces a few dwelling units can survive on CDBG funds from local government and foundation grants, but an organization such as TEDC, which pays for 80 percent or more of its operations from its projects, needs to pursue deals that will produce income. Pitts is working on his own in Liberty City to develop a large office building that would have a government agency as primary tenant and that, along with transportation improvements, he hopes will encourage further investment in the neighborhood. He approves of any project that stimulates further real estate development and business growth in an inner-city neighborhood such as Liberty City, whether that project is carried out by a nonprofit or for-profit entity. And like Robert Moore, the director of Development Corporation of Columbia Heights in Washington, DC, Pitts believes that once the goal of an economically viable neighborhood is achieved, the local CDC can go out of business (Pitts 1999).

It is interesting to note that unlike TEDC, two of Miami's most successful CDCs pursue the conventional means of community development, but cope differently with the stringent Miami political environment. East Little Havana CDC has worked within its Cuban and Central American neighborhood. It has pursued mostly homeownership condominium developments, in part because tax credits for rental projects are difficult for CDCs to obtain in Miami. Low appraised values limit the revenues a developer can earn, however, so the projects barely break even after grants are injected into them. Opa-locka CDC has built small homes, rehabilitated abandoned houses, and constructed rental apartment complexes in and adjacent to its large predominantly African-American service area in northwestern Dade County. Opa-Locka CDC is currently planning housing projects with a range of partners—including a government agency, a nonprofit CDC, and for-profit companies. In contrast to TEDC, both CDCs elect community residents to their boards; accept operating support from city, state, and county governments, foundations, and the Dade Partnership for Community Economic Development; and work closely with LISC (East Little Havana CDC 1998; Opa-locka CDC 1998, 1999; Rodriguez-Tejera 1999; Williams-Baldwin 1999).

Meanwhile, TEDC has three more housing projects (two of which are made up of houses for sale) outside Liberty City under way and has begun construction of the Walgreens commercial retail development in Liberty City. It continues to run its operations without benefit of grants from government, foundation, or intermediary sources.

CONCLUSION

The relationship between a CDC and an intermediary could hardly have been closer than the relationship between TEDC and LISC during the 1980s and early 1990s. Through Sandra Rosenblith, LISC introduced the idea of community development to Otis Pitts, helped him found TEDC, and worked unusually closely with Pitts and his staff on several development projects, even suggesting the site where Edison Towers and Edison Gardens would be built.

At first, as in the other case study locales, LISC program officers and CDC staff members in Miami shared common community development goals and strategies. LISC's Rosenblith and her successor Raley and TEDC's Pitts and his successor Simmons all wanted to help revive the Liberty City neighborhood through real estate development and related projects.

As was true of other CDCs, long-term goals and immediate circumstances dictated TEDC's short-term strategy of developing Edison Gardens. After the successful Edison Plaza commercial development, Pitts decided TEDC should produce attractive housing that Liberty City's low-income residents could afford. With Rosenblith's help, he found an available site to build Edison Gardens and funds from various sources, including the new Low-Income Housing Tax Credit program.

Until then the arrangement had been progressing smoothly. But the parties making the deal—TEDC, LISC, and NEF—erred in underwriting the project. Edison Gardens carried a great amount of debt per unit. In addition to its financing problems, TEDC fumbled the

management of the property. Rent delinquencies and problem tenants bled money from a project that could not afford the loss. Such problems in underwriting and management are not uncommon in the community development field and call for further research that builds on this case and the groundbreaking work of Bratt et al. (1995).

The mistakes made in planning and managing Edison Gardens (combined with TEDC's other financial problems) soured the relationship between TEDC and LISC. At the surface level, personal reactions to the mutual efforts to rescue Edison Gardens caused the discord. LISC and NEF officers grew frustrated with TEDC's decisions regarding the management of Edison Gardens and with the slow way the organization moved to correct its mistakes. TEDC staff members, particularly Director Simmons, felt that the representatives of the intermediary and its equity arm were not treating them with the respect due experienced CDC directors. Finally Simmons decided that he did not wish to submit to the program requirements of the intermediaries and government community development agencies.

At a more fundamental level, however, the political environment of south Florida encouraged TEDC's deviation from orthodox community development. Unlike other cities, Miami had never developed the proto-CDCs—neighborhood organizations that were formed to fight urban renewal and poverty and that then became interested in real estate development. As a result, nonprofit community development came late to Miami, and when it did, agencies such as LISC and The Enterprise Foundation were not able to build as strong a community development system as they did in other cities. Miami still lacks a large number of influential individuals—especially within government—who understand and enthusiastically support local nonprofit organizations and who can help channel the efforts of these organizations to improve their communities. If those kinds of individuals had come to the fore, according to a veteran of the community development scene, the unproductive CDCs would have been winnowed out and the productive CDCs would have received more financial and technical assistance (Martin 1999). In a system that provided more sources of operating and project funds to nonprofit developers, TEDC might well have stayed on a more conventional course of community development.

If support for the nonprofit community development system was weak in Miami, for-profit entrepreneurial polices were popular. After the riots of the 1980s Miami's government and civic leaders encouraged business entrepreneurs as a way of reviving low-income communities, and many still support that approach. Although TEDC continued to be a nonprofit organization, it adopted a strategy in keeping with the entrepreneurial ethos by forming partnerships with for-profit real estate firms.

TEDC's leaders, Pitts and Simmons, admired the business world in general and supported the concept of black capitalism in particular—both of those sentiments were in accord with the prevailing political philosophies in Miami. More to the point, the revenues TEDC earned from joint ventures with for-profit firms allowed its leaders to forgo the support of foundations, intermediaries, and government community development agencies. TEDC wanted to join forces with private for-profit firms to enjoy the advantages that government programs such as the Low-Income Housing Tax Credit gave large real estate companies. This entrepreneurial strategy required undertaking profitable large-scale housing

developments, and the best sites for such projects were in areas remote from the neighborhood of Liberty City.

Both for-profit partnerships and the choice of a remote location for development projects contradicted main tenets of the community development movement. The program officers at LISC—and at other community development intermediary and governmental agencies—could tolerate TEDC's partnerships with commercial firms on the grounds of expediency, but they could not accept the location of the joint-venture housing projects far from TEDC's base. LISC officers fervently believe that locally based organizations should consult the local populace and carry out projects locally; the idea is the bedrock of their concept of community development.

Hence, the directors of TEDC and the officers of LISC found themselves in a fundamental conflict. In the conflict the CDC and the intermediary took sides opposite from what critics of community development would have expected them to take. When TEDC's director placed a higher priority on housing development outside the neighborhood, LISC operatives insisted that the CDC expand its programs in Liberty City.

Ultimately, all organizations engaged in housing and community development in Miami have been forced to find ways to manage without a strong support system. In the 1980s intermediaries such as LISC took on the task of trying to re-create in Miami the conditions conducive to community development that existed in cities such as Boston. They made some headway, but so far have been unable to create a permanently strong community development support system. In the absence of effective help for nonprofit organizations, the rival entrepreneurial approach vied for the support of policy makers and practitioners. Thus, the case of TEDC and the Edison Gardens project teaches that without a strong system of support, a strictly nonprofit approach to urban revitalization may not always prevail.