

MORE THAN BRICKS AND STICKS

FIVE COMPONENTS OF CDC CAPACITY

A Report to the Ford Foundation

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Report One

SEPTEMBER 1998

I

INTRODUCTION

This nation's approximately 2,000 community development corporations (CDCs) have built housing, engaged in economic development projects, and provided a variety of other social services for the past thirty years (National Congress on Community Economic Development [NCCED] 1995). The extent to which CDCs have performed these tasks successfully is known as "capacity."¹ Although CDCs and funders stress the importance of capacity, the expression is imprecisely defined. The ambiguity results in confusion over what CDCs "do" and how they do it. Capacity must be delineated more specifically to be useful to CDCs, funders, policymakers, and the general public.²

The work of CDCs is difficult. They are trying to deal with systemic, structural problems in the economies of cities. Quite clearly, most of the long-term economic trends—the decline of manufacturing, changes in international trade, concentration of poverty and other demographic shifts—are beyond the control of neighborhood groups. This makes their jobs especially daunting, particularly since they receive support for relatively short time periods.

Intermediaries are a new vehicle that has been created to help CDCs deal with this array of problems. Beginning in the early 1980s, organizations that function as intermediaries between CDCs and funding agencies have grown in number and strength. Several funding agencies, including Ford, LISC, and the Enterprise Foundation, have established community development partnerships (CDPs) and collaboratives, intermediaries that operate at the local level (Yin 1997).³ These CDPs bring together the human and financial resources of community-based organizations, national and local foundations, for-profit corporations, and governments to help rebuild low-income neighborhoods. As the role of national and city-level intermediaries has grown over the last several years, some researchers believe this trend has led to greater efficiencies in CDCs' work (Ferguson and Stoutland 1996). CDPs often furnish funding and technical assistance to aid CDCs in obtaining operating support, training, strategic planning, and a variety of other services. Many CDCs do not work with local partnerships, however. They carry out their work with resources from a variety

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of sources, including local governments, foundations, and private corporations. Our main goal is to learn more about the value added that CDCs gain by working with a partnership. In short, how do CDPs help CDCs to build capacity?

The Ford Foundation argues that its “community development partnership strategy” has increased the capacity of CDCs in three important ways. First, the strategy has brought together corporations, governments, financial institutions, and other organizations to leverage the investment national funders make in local CDPs. These organizations find it advantageous to work together to strengthen CDCs and poor neighborhoods. Financial institutions and corporations, for example, find that the partnerships help lower the risk of investment because the CDCs become more stable. The partnerships provide banks with needed information about neighborhood conditions and help them identify profitable investments with CDCs, both in poor communities and in downtown areas. These investments, in turn, help make the neighborhoods more stable and add to the capacity of the CDCs as they gain experience in developing properties.

Second, Ford argues, local and national foundations are better able to diversify their funds and make a more comprehensive community impact when they work in concert with other funders. Through diversification, foundations also increase capacity by improving CDC management. Third, local governments often find it advantageous to work with CDPs because they share the same goal of revitalizing neighborhoods. Successful collaborations make limited local and federal funds (such as Community Development Block Grants [CDBGs]) stretch farther.

In this paper, we look specifically at the activities CDCs and CDPs undertake to build the capacity of CDCs. Although it is probably true that building capacity of a CDC results in increased capacity in the neighborhood in which that CDC operates, we do not look specifically at neighborhood effects in this paper. The next section examines the current context for capacity building. Following that, we review what scholars and practitioners have written about capacity and capacity building. The next section—the core of this paper—presents our conceptual framework for the concept of capacity. This framework operationalizes notions of capacity into five components: resource, organizational, programmatic, network, and political. We believe that this more concrete way of thinking about capacity will be particularly useful to practitioners, funders, and policymakers. We then briefly discuss the difficulties accompanying attempts to measure the impacts of capacity-building efforts. The final section offers conclusions and directions for future research.

II

THE CURRENT CONTEXT FOR CAPACITY BUILDING

Recent writing has begun to reflect the more expanded scope of CDC activity, stressing the term “comprehensive” to reflect CDCs’ output and approach to their work. Shiffman and Motley (1990) argue that CDCs were originally conceived as organizations “that would have the capacity to plan, develop, respond to, and initiate innovative as well as traditional community development strategies.” The current interest in expanding CDCs to include economic development and social welfare objectives “represents a return to the original, comprehensive intent of community development and reflects the growing recognition that housing alone cannot reshape distressed communities” (Stone 1996, p. vii).

An increase in calls for programs that build community is evidence of greater recognition and a renewed legitimacy of this role. The comprehensive community-building initiative (CCI) model that Stone and others advocate promotes a far-ranging view of the social, structural, and economic aspects of community revitalization. These theorists maintain that narrowly focused “crash” programs, designed to solve one narrow problem quickly, cannot cope with the interconnectedness and dynamism of community problems (Ford Foundation 1996), and that comprehensive planning and implementation are more effective than categorical approaches to problem solving and community change (Baker et al. 1996; Rich 1995). Ferguson and Stoutland call the community-building perspective “the modern incarnation of the ‘maximum feasible participation’ perspective of the War on Poverty” (1996, p. 4).

These recent community-building efforts stem from the recognition that the range of problems plaguing the areas in which CDCs work are complex and intertwined. Widespread dissatisfaction with current fragmentation of social programs has led to the creation of comprehensive community-building efforts predicated on the belief that interrelated problems require integrated solutions (Sviridoff and Ryan 1996). The beliefs that CDCs are appropriate vehicles with which to attack these problems and that the neighborhood is the appropriate focus for revitalization also characterize these efforts. Proponents of community building emphasize social capacity building and grassroots participation (Ferguson and Stoutland 1996, p.46).

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The current move to a more comprehensive approach reflects CDCs' maturity, greater local need, and an expressed interest from key funders (such as the Ford and Annie E. Casey Foundations) to support comprehensive initiatives.⁴ A group of CDCs that initiated operations in the 1960s—mainly funded by Ford and, later, the Office of Equal Opportunity—has demonstrated success by working comprehensively. In addition, the effects of political and economic factors—withdrawal of vast amounts of public aid, increased suburbanization and flight of the middle class and jobs, and economic restructuring of traditional industries that eliminated the better-paid entry-level jobs for low-skilled workers—have hit many of the communities served by community organizations forcefully (Wilson 1996). The link is clear: CDCs must build capacity to deal with an increasingly demanding environment. Still, many CDCs currently have little capacity and therefore require assistance in becoming strong organizations before they can take on the work of comprehensive community building. Despite the pressure to become more comprehensive, many CDCs have decided to specialize, arguing that they should do more of what they do best.

The movement by CDCs toward a more comprehensive approach is simultaneously liberating and problematic. On the liberating side, an emphasis on comprehensiveness allows CDCs to shift their focus somewhat from the production of housing to community planning and developing the organizational capacity to implement a broader set of services for the community. At the same time, it remains unclear whether funding will meet community need, how much CDCs can stretch their missions to fill new needs, and how to evaluate these more process-related objectives. According to Traynor (1995, p.13), shifting to a more comprehensive approach “demands a fundamental redefinition of an organization and its relationship to the community it serves.” CDCs must make decisions about moving into new areas of activity carefully. For many, it is more important to stabilize and strengthen the areas in which they are already working. Comprehensiveness should not be pursued if it diffuses a CDC's efforts too much. Those that pursue comprehensive community building must focus on creating a synergy among “the three major forces at work in neighborhoods: economic activity, social organization, and physical infrastructure” (Stone 1996, p. xii). Housing production is structured, disciplined, and outcome-oriented, but many of the tasks associated with comprehensive community building are not. In addition, CDCs are again becoming more active in economic development and employment training, which present even greater challenges to these organizations as they stretch their capacity to perform these additional activities.

III

DEFINING CAPACITY

The literature on capacity is uneven. The term is often defined narrowly, usually in terms of the production of housing and economic development. This limited definition is not surprising, because most of the work of urban CDCs has involved building and rehabilitating housing (Peirce and Steinbach 1987; Vidal 1992). In the most basic terms, much of the writing in this field claims that a CDC that builds, for example, 100 units of housing a year has more capacity than one that builds twenty. However, the definition oversimplifies a concept and process that are much more complex; the result is an understatement of the capacity of this country's CDCs⁵. New research highlights how capacity extends beyond housing production. According to Rubin (1994), "An over-emphasis on production distracts from the image of community building as a social, not merely a physical, process." To be useful, capacity must be defined both more broadly – to take account of the wide array of CDC activities – and more specifically – to include the details of CDCs' work to rebuild poor communities. Increasingly, CDCs and their supporters are looking at the issue of what capacity is needed to achieve enough development to have a significant impact on the neighborhood.

The practice of using the term "capacity" without carefully defining it has allowed for a broad range of meanings to be assigned to the term and has hindered efforts to study and measure it. For example, the United Way of America lists "promote capacity building" as one of the seven strategies its agencies use to build community (United Way 1997). Although the term "capacity building" is repeated throughout the report, it is never defined. Only by implication can we guess what the United Way means.

Capacity, in this usage, seems to include production, the ability to secure outside resources, and the ability to attain scale. The emphasis on production, in turn, implies that capacity building equals growth and expansion, but it is important to recognize that doing more is not always the best approach. Deciding on the optimal level of production and maintaining that level is also an important accomplishment. If a CDC decides to grow or expand, it must grow in a direction that is compatible with its current work. According to Ferguson and Stoutland, "it should be a principle not to insist that organizations take on incompatible roles" (1996, p.40).

To be useful, capacity must be defined both more broadly – to take account of the wide array of CDC activities – and more specifically – to include the details of CDCs' work to rebuild poor communities

Capacity is built from within and from without: it involves the development of the physical and financial assets of community organizations and the neighborhoods they serve. CDCs and CDPs use financial support, technical assistance, and political backing from outside the community to give them legitimacy and allow them to handle more work. External resources are needed but cannot be relied on exclusively. In reality, most CDCs try to build capacity from the inside while getting as much from outside sources as they can. As Vidal argues:

Outside resources and other types of support are critical . . . but resources alone do not ensure success. Community development is a difficult endeavor, and resources continually fall short of community need. The CDCs that have been most productive over a sustained period have the benefit of stable, capable leadership . . . act strategically . . . make their varied activities mutually reinforcing . . . in ways that enable their growing experience to increase the capacity of the organization. (1996, p.151)

Renewed emphasis on capacity and capacity building has led several other authors to try to define the term. The Phase I report distributed by the National Community Development Initiative (NCDI) says capacity building is: "creating and otherwise enabling existing CDCs to achieve their mission by providing the kinds of resources and technical assistance they need to increase production, develop and reinforce board and management skills, and otherwise strengthen organizational capacities" (1995, p.67). Meyer (1994, p.3), looking at the capacity-building efforts of CDPs, writes, "Community capacity is the combined influence of a community's commitment, resources, and skills which can be deployed to build on community strengths and address community problems."

These definitions fail to take into account the full array of capacity-building activities and components of capacity needed by CDCs. We believe that it is most useful to define capacity more specifically and inclusively, by labeling precisely the many dimensions of capacity building and examining the particular strategies that CDCs, with the help of CDPs, use to attain each type of capacity. Our review of the literature and preliminary discussions with CDCs and CDPs lead us to conclude that there is no simple or unified definition of capacity, and working toward one would be an exercise in futility. Our definition of capacity includes five major components: resource, organizational, network, programmatic, and political. We believe that examining the separate elements makes the concept as a whole more manageable.

Resource Capacity. As a nonprofit organization, a CDC is dependent upon its ability to generate and acquire resources from grants, contracts, loans, and other mechanisms. It must attract, manage, and maintain funding to meet its objectives.

Our definition of capacity includes five major components: resource, organizational, network, programmatic, and political

Organizational Capacity. The capability of the internal operations of a CDC determines its ability to succeed. Several variables affect this kind of capacity, including the management style and skills of its staff, the size and experience of the CDC, the roles assumed by its board of directors, and the organization's fiscal capacity (its ability to raise and manage money). To be successful, a CDC must also develop the human resources within its organization through ongoing training and other mechanisms.

Programmatic Capacity. This component measures the types of services offered by a CDC. It includes a CDC's ability to build and manage housing, provide human services, undertake economic development, offer technical assistance to small businesses, and engage in other roles in leadership development, cultural, and educational activities.

Network Capacity. The ability of CDCs to interact and work with other institutions, both within and outside the community, is critical to their success. This facet of capacity represents the important external relationships that CDCs try to develop and maintain. CDCs build capacity by networking with other community-based organizations and with private firms, philanthropic, educational, and political actors. In doing so, they are better able to undertake fund-raising for projects and programs, have better access to non-financial resources, and increase their political power.

Political Capacity. The CDC's ability to represent its residents credibly and to advocate effectively on behalf of its residents in the larger political arena beyond the neighborhood have important ramifications for its success. Political capacity also involves work within the neighborhood, such as advocating on behalf of constituents. CDCs must be able to mobilize support and demonstrate the community's concern about issues and policies, as well as negotiate for the benefit of the neighborhood. Political capacity is a measure of these strengths and includes the ability of a CDC to involve residents in determining needs and shaping policy.

The following sections of this paper treat the components of capacity separately to illustrate what CDCs need and what strategies they can implement to build capacity. While this separation can lead to specific strategies and outcomes, we recognize that it is also overly simplistic. Before we move to an in-depth discussion of the five components defined above, we need to discuss briefly all of them together. Critical interaction effects exist among them. When changes in either the internal or external environment affect one component of capacity directly, that change reverberates to the other components. For example, a funder's decision to stop supporting a CDC affects its resource capacity directly, but it also may diminish the CDC's programmatic and organizational capacity indirectly. Similarly, gaining political capacity may have spillover effects into a CDC's ability to build resource capacity.⁶

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Figure 1: Interaction Among Capacity Components

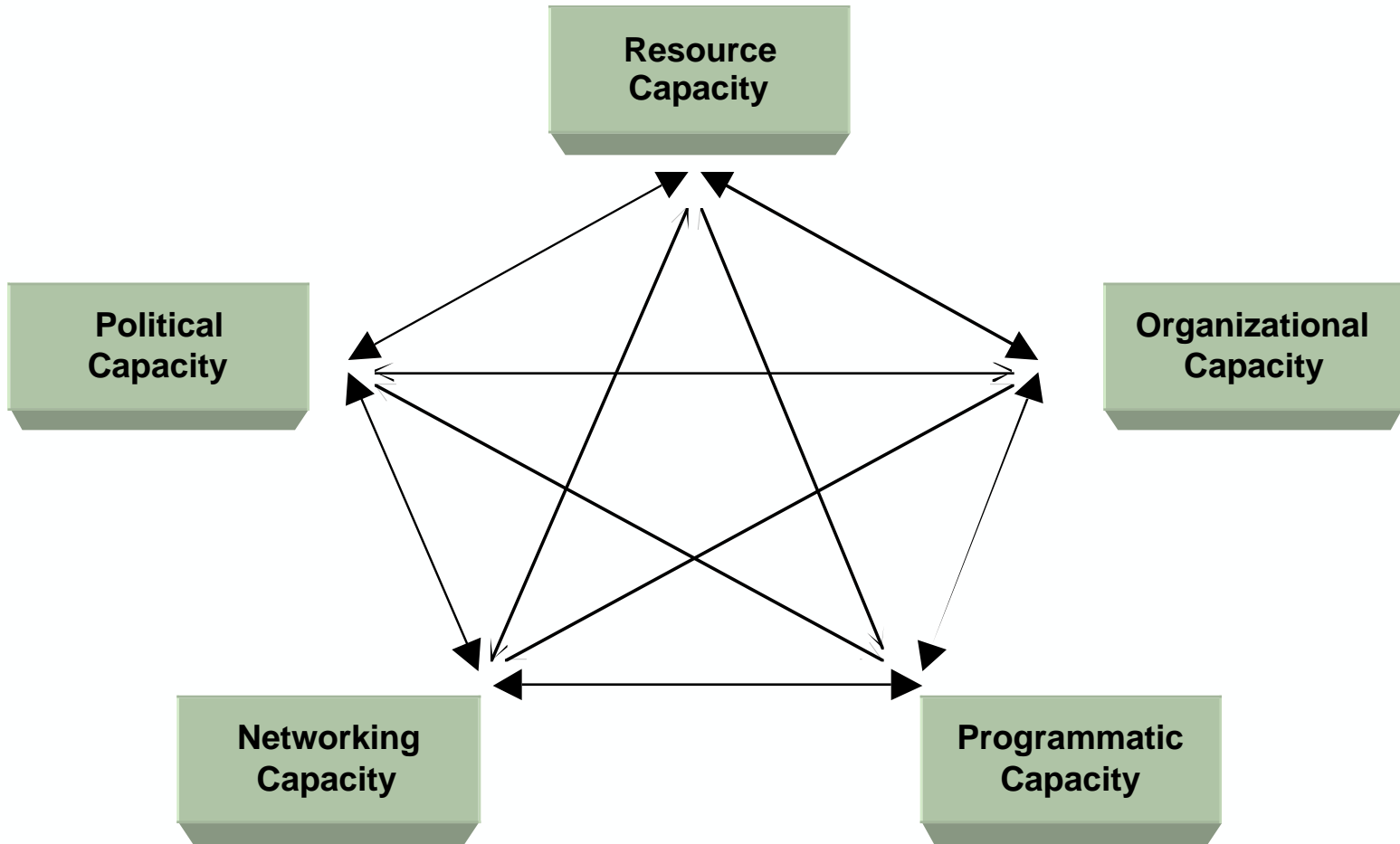


Figure 1 illustrates these interaction effects as a pentagon of forces at work. The specific ways in which changes in one component of capacity affect the other components vary from one CDC/partnership to another depending on the particular context in which each operates. CDCs and partnerships can use Figure 1 as a tool to help them prioritize their capacity-building efforts and to help them understand the ways in which building capacity in one area can create externalities in the other areas.

One other critical aspect of capacity cuts across all five components: flexibility. Flexibility has two sides: responsiveness and resiliency. Responsiveness refers to a CDC's ability to change focus and direction in response to shifts in the environment in which it works. For example, some CDCs might respond to the federal welfare legislation enacted in 1996 by providing access to child care in order to meet the needs of community parents who must enter the workforce. Research shows that CDCs do change their program mix over time.⁷ Not much is known, however, about what the CDCs are responding to when they change. In evaluating a CDC's responsiveness, it is important to distinguish between those CDCs that change direction to follow funding dollars and those that respond more directly to needs coming from the community.

Resiliency, the second aspect of flexibility, refers to a CDC's ability to rebound from setbacks and continue the pursuit of its mission even when the environment in which it works is uncooperative. A CDC that is resilient has staying power. CDCs that have this kind of flexibility are, by definition, more mature; responsive CDCs can be young or old.

IV

COMPONENTS OF CAPACITY

Our breakdown of capacity into components provides a clearer idea of the breadth of the concept. In order to operationalize these categories for CDCs, we must break them down further into needs and strategies related to capacity-building activity in each area. Before explaining the facets of each capacity component, two points of clarification are necessary. First, we constructed the tables that accompany each of the following subsections to be as comprehensive as possible. Therefore, the strategies listed could be led by the CDC itself, by the partnership, or by both. We highlight those strategies that CDPs tend to by marking them with a

Resource capacity, the ability to increase, manage, and sustain funding, is central to a CDC's ability to build capacity: it is often the basis for capacity building in the other components we have identified

"P" in Tables 1 through 5. We are limiting our discussion here to capacity built within the CDCs. Although the capacity of communities in which CDCs operate — and of CDPs themselves — are important topics, they are beyond the scope of this paper. Second, it is important to recognize that some strategies might be more useful to an embryonic or emerging CDC, whereas others would be more appropriate for a mature CDC. Embryonic organizations are start-ups, emerging CDCs are in the process of stabilization, and mature CDCs are stabilized and may be in the process of expanding beyond their original missions. Strategies and needs that occur more at one place in the development of a CDC than another are explained in each of the subsections that follow.

RESOURCE CAPACITY

The ability to increase, manage, and sustain funding is central to a CDC's ability to build capacity: it is often the basis for capacity building in the other components we have identified. The resource aspect includes raising funds, managing them, and deploying them appropriately to the various aspects of the community development process. Table 1 documents these aspects of resource capacity and sets out how each aspect relates to the needs and strategies of partnerships and CDCs. We follow the same format in Tables 2-5.

Long-Term Operating Support. Healthy CDCs require a sufficiently stable funding environment to initiate operations and expand them over time (Blackford 1994; Burns et al. 1995; McGrath 1995; Vidal 1992; Walker et al. 1995). In fact, Vidal (1992, p.12) found that "the single most important constraint on the growth of CDC activity is the need for additional capital," with one of the three most necessary types of capital being general operating support. There are several strategies that CDCs and partnerships pursue to help raise funds in this area.

One important strategy is obtaining multiyear operating support for the CDCs' work. Here CDPs play an absolutely critical role by aggregating funds from several funders and providing operating support to CDCs linked to their organizational development and performance. Multiyear support enables CDCs to formulate and implement long-term planning (McGrath 1995; Vidal 1992; Walker et al. 1995). Ford- and LISC-sponsored operating support programs (OSPs) are good examples of the role CDPs can play in this area. OSPs typically commit to three or more years of technical and financial assistance for CDCs, filling a critical gap in CDC support. Because the application and evaluation processes that CDCs must complete to renew funding every year require a great deal of work, long-term support also frees the CDCs to plan

TABLE 1: RESOURCE CAPACITY

Capacity-Building Needs	Capacity-Building Strategies	Effects on CDCs	Potential Limits and Problems
Long-term operating support	Devote major effort to securing flexible, multiyear support	Capacities in all areas of activity increased	
	Allocate fund-raising efforts between support for operating costs and program costs		
Resources for stabilization and expansion	Attract and maintain multiple funders	Funding diversified	Possible dilution of CDC mission CDC could grow too quickly
	P Attract multiyear support	Enhanced ability to leverage additional funds	Patchwork financing difficult to manage
	Allocate sufficient staff hours to researching and pursuing new funding sources	New funding sources identified, solicited and possibly attracted	
	Allocate sufficient staff hours to researching and pursuing new funding sources	New funding sources identified, solicited, and possibly generated	
Development capital	Obtain funds from public sector	Annually available funding from CDBG	Funding declining in real terms
	P Raise funds through Low-Income Housing Tax Credits		Technically difficult procedure
	P Obtain funds from national foundations	Tap pool of nonprofit funds	
	Charge development and other fees	Able to plow funds back into other programs and to reinvest in additional housing	Funds not available until projects are complete
	Develop mixed-income/mixed-use projects to generate fees		Simultaneous challenge to keep rents low and need for fee income Convincing public finance entities/lenders to allow nonprofits to charge development fees comparable to those charged by market developers
Access to funders	P Train development staff in grant-writing techniques	Up-to-date knowledge may increase possibility to increase resources	
	P Advocate to funders regarding the importance of long-run operating support for CDCs	Long-run sustainability established Additional funding/support received	This is often a political exercise as well as a resource capacity issue
	P Create and participate in networking opportunities, conferences, social events, etc.	CDCs better able to solicit funding from more sources	
	Obtain joint funding with other CDCs to collaborate on projects	Economies of scale achieved	Poor performance by one partner may adversely affect other partners
	P Initiate and participate in matching grant programs		
	P Establish arrangements for sharing space, labor, and technical assistance	Provide CDCs with access to expertise, funding, labor, and information	
Balanced portfolio risk	Diversify project types to reduce dependence on single categories of housing production	CDCs less vulnerable to market forces that may adversely affect their portfolios	CDCs tied to low-income communities making locational diversification difficult to achieve

The funding environment for CDCs can be erratic. Successful CDCs cannot afford to rely heavily on one or two funders without agreements of long-term support

Multiyear support enables CDCs to formulate and implement long-term planning, which is critical to their health and longevity

and execute programs without having to worry desperately about meeting monthly payrolls and constantly chasing other funds—a time-consuming process that takes away from their activities on the ground.

Some successful CDCs learn to balance fund-raising efforts between support for operating costs and program costs. Funding agencies, public and private, often designate the use of funds and skew spending toward the program side, leaving a much smaller pool of funds for operating needs. Successful CDCs put sufficient effort into securing these scarcer resources.

Resources for Stabilization and Expansion. As CDCs graduate beyond the embryonic stage of development, they require resources for the stabilization and expansion of their activities. Moving to this next stage of development requires them to broaden and deepen their funding base. The funding environment for CDCs can be erratic, and successful CDCs cannot afford to rely heavily on one or two funders without agreements of long-term support. Reliance on multiple funders can also lessen the effect of changes in the funding environment and increase a CDC's autonomy (Vidal 1992, p.56). At the same time, however, multiple backers may also place conflicting demands on CDCs, and patchwork fund-raising can be complex and tedious (Leiterman and Stillman 1993; Stegman 1991; Vidal 1992). Inconsistent and multiple reporting requirements by different sources also means time-draining work for CDCs. In addition, CDCs that pursue support from multiple sources that require a certain program focus run the risk of diluting their core missions and spreading themselves too thin. Finally, embryonic and emerging CDCs sometimes accept more funds than they can manage; CDCs that grow too quickly may be unable to support that growth over the long term. Despite reductions in federal funding, most CDCs continue to receive the greatest percentage of their funding from public sources (CDBG, HOME, and so forth). Specific activities are often dictated, and the funding is generally for one year or less.

Commitments of multiyear support ease some of the fund-raising and organizational problems discussed above. Multiyear support also enables CDCs to formulate and implement long-term planning, which is critical to their health and longevity. However, as noted earlier, multiyear support is not the norm for those CDCs working without partnerships.

Development Capital. Money for projects typically comes from several sources. First, CDCs get capital from public sources, such as CDBG and HOME. Second, predevelopment funding often is provided by intermediaries—e.g., LISC, Enterprise Foundation, and NCDI—by some CDPs, and by some state programs. For affordable rental housing, CDCs engage in the technically difficult process of structuring low-income housing tax credits (LIHTC). Obtaining these tax credits requires the assistance of lawyers and financial experts, but LIHTCs have helped build a great deal of

housing (Ford Foundation 1996; NCCED 1995). LISC has been particularly active in helping CDCs to surmount the many hurdles inherent in wielding this legal/financial tool through its subsidiary, the National Equity Fund. In addition, for other projects, some foundations (like Ford and the Fannie Mae Foundation) make project-related investments, or PRIs, supplying capital in the form of loans or recoverable grants from their endowment to local partnerships and CDCs. CDCs often receive development and management fees for their projects and services to help pay for their up-front costs in development projects and for the ongoing management.⁸ CDCs also negotiate conventional and special financing arrangements with financial institutions for construction and permanent mortgages.

Capital for economic development is more difficult to find than for housing. CDBG funds are available, although in more limited amounts. Federal grants from the Health and Human Services Office of Community Services (OCS) and intermediaries may provide predevelopment funding. Empowerment zones and enterprise communities may also offer special financing for economic development in selected cities.

Access to Funders. Partnerships often help CDCs obtain the resources necessary for stabilization and expansion. One way is to train development staff in effective grant-writing techniques. In addition, partnerships have some clout to lobby for and initiate matching grant programs with other funders. Matching grant programs can greatly expand a CDC's funding base. The same connections that enable CDPs to initiate matching grant programs often help them provide CDCs with greater access to funders than they could attain on their own.⁹ Specifically, some partnerships encourage the CDCs they work with to collaborate on projects. Collaboration has become increasingly necessary as funding decreases and resources are spread thin. Linking up with other CDCs both expands what community groups can accomplish and broadens the range of funders to which a CDC has access. However, turf issues remain thorny, and poor performance by one partner can adversely affect other partners.

CDCs have the most difficulty getting unrestricted risk capital that allows them to act quickly on development opportunities. As some CDCs have generated development fees and positive fund balances, they have been able to use these funds for the initial investment in new projects without the need to apply to external sources for risk financing. The majority of CDCs, however, are too lean to support a cushion.

Balanced Portfolio Risk. CDCs try to balance their portfolio risk by diversifying by project and type¹⁰ to reduce dependence on a single market (Walker et al. 1995). Diversification can protect a CDC against a downturn in any one market. However, CDCs are limited geographically in their ability to diversify because of the neighborhoods they target.¹¹

Organizational capacity comprises the ways that staff, boards of directors, and others carry out the functions of nonprofits

CDC leadership requires vision and a blend of interdisciplinary skills that include entrepreneurship, talent in negotiations, communication, development, finance, public relations, and management

Interaction among the Components

Resource capacity is clearly connected to the other components in critical ways. Sufficient resources, for example, enable a CDC to build organizational capacity by hiring staff with necessary skills, compensating them appropriately, and continuing to train them. Resource capacity also abets programmatic capacity by providing CDCs with the freedom helpful to run programs that meet community members' needs. The link between resource capacity and political capacity arises out of the power that a CDC with resources commands. This power also increases the ability of the CDC to network effectively with other organizations.

ORGANIZATIONAL CAPACITY

Organizational capacity comprises the ways that staff, boards of directors, and others carry out the functions of nonprofits (Table 2). It also refers to the depth, skills, and experience of board and staff members. Without the ability to coordinate and work through problems strategically, CDCs can find themselves operating inefficiently and without needed focus. Increased organizational capacity allows a CDC to get more from its resources. Across 130 sampled CDCs, Vidal (1992, p.13) found that "the need for some type of increased organizational capacity importantly constrains the expansion of between 25 and 30 percent...and an equal number faces constraints of lesser magnitude." Scarce resources and extensive needs mandate that CDCs strive continuously to perform at maximum efficiency. These organizations engage in complex activities that require a range of skills in several disciplines. Ongoing skill development is therefore essential. Because funding is increasingly based on performance, good organization is critical.

Effective Executive Director. Leadership by the executive director is central to organizational capacity (Kelly 1977; Mayer 1983; McGrath 1993, 1995). CDC leadership requires vision and a blend of interdisciplinary skills that include entrepreneurship, talent in negotiations, communication, development, finance, public relations, and management. Because staffing is sometimes not much more than one or two layers deep, executive ability at the top of the organization is crucial to success, and succession of leadership is difficult. Because of low salaries and benefits, CDCs are extremely vulnerable to sudden losses of key people (Vidal 1992, p.50). Continuity of leadership is also closely linked to a CDC's goal attainment. Vidal found that "the average total output of organizations that have enjoyed stable leadership is consistently greater than the output of other groups, and it falls as the degree of leadership instability increases" (1992, p. 93). In order to bolster this leadership, CDCs try to create clearly defined objectives and

TABLE 2: ORGANIZATIONAL CAPACITY

Capacity-Building Needs	Capacity-Building Strategies	Effects on CDCs	Potential Limits and Problems
Effective executive director (ED)	P Hire person with range of skills necessary to lead internally and advocate on behalf of organization externally		
	Ensure that ED maintains good relations with board, community, and political figures		
Competent and stable staff	Ensure that ED hires competent staff to support all aspects of the organization	Managed growth	
	P Train key employees		
	Employ technical consultants when necessary		Technicians may lack a personal history in community work
Effective fiscal management	Compensate (salaries, benefits, and pensions) employees commensurate with skills, experience, and commitment to CDC	Employee turnover lowered	Higher salaries are perceived of as going against the mission of serving very-low-income people
	Allocate staff hours to accounting, budget management, and fiscal planning		
Board development and leadership	P Train relevant staff using up-to-date fiscal management skills		
	P Employ management information systems and train CDCs to use them	Increased efficiency and effectiveness	
	Select board with diverse talents and connections		
Managed growth	Recruit board members with expertise and external contacts	Increased resources and skills	
	P Create vision with clearly articulated objectives	Shared vision obtained	
Project management	P Review organizational performance regularly		
	Assess operational needs, sometimes change programs		
Evaluation	Monitor time and cost efficiencies of construction		
	Use MIS to control costs and ensure quality and affordability of projects		
	Contract out to professional property managers		
	Plan strategically	Reflexive thinking encouraged	
Evaluation	Build evaluation into funding requests		
	Participate in funder's evaluation design	Ensure that data gathered are appropriate	

Building a competent organization requires staff training and, sometimes, the employment of outside consultants

to divide responsibility among the board, executive director, and staff in order to maximize the organization's efficiency.

Competent and Stable Staff. In addition to a competent executive director, the rest of the staff must be of appropriate size, talent, and structure. To build a competent organization requires staff training and, sometimes, the employment of outside consultants. However, CDCs face large barriers to gaining access to adequate training, including lack of funds to pay for training (Blackford 1994; Leiterman and Stillman 1993) and lack of time among staff to attend training sessions. Partnerships assist CDCs by funding training and technical assistance. Some of this training is general to all CDCs in a program whereas some is CDC-specific and is delivered on-site.

Long hours, low pay, and inadequate fringe benefits contribute to a high burnout rate among CDC staff. The effort that goes into continually recruiting, orienting, and training new people takes away from a CDC's ability to meet its goals and maintain a stable organization (Blackford 1994; Leiterman and Stillman 1993). CDCs that recognize the importance of stability to achieving organizational capacity tend to compensate employees with salaries, benefits, and pensions commensurate with their skills, experience, and commitment to the CDC. A continuing problem, however, is that small budgets make it difficult for many CDCs to hire and retain staff (Vidal 1992). Some workers leave to take jobs in city agencies; some leave to work for developers and others in the private sector. High staff turnover also inhibits a CDC's ability to take advantage of internal specialization of functions and interferes with efficiency (Walker et al. 1995). A lack of appropriately skilled applicants may hinder CDCs in their drive to maximize organizational capacity. Many CDCs, therefore, hire consultants for specialized functions in lieu of permanent staff. Although this gives CDCs more flexibility, outsiders seldom have the intimate knowledge of the community or the long-term interests of the organization compared with permanent employees.

Effective Fiscal Management. While sound fiscal management is important in any kind of organization, it is particularly important for nonprofit organizations that often run on shoestring budgets (Blackford 1994; McGrath 1995; Nye and Glickman 1996). In order to deploy their dollars most effectively, CDCs allocate sufficient staff hours to accounting and budget management. Emergent CDCs that cannot afford to dedicate a full-time position to financial management may fill this need with non-specialists and part-time consultants. Partnerships boost the fiscal management of CDCs by training community organizations' staff in fiscal management and other skills. CDCs and CDPs increasingly recognize the value of management information systems (MIS) and are building capacity in this area. Many CDCs request support and training to enable them to obtain these systems and employ them effectively.

Board Development and Leadership. Leadership is also important at the board level of CDCs. Finding appropriate board members and having them efficiently involved in the workings of the organization are very important. Board members are chosen for a variety of reasons: They are recognized community leaders and live in the neighborhood and know it well; they have specialized talents (e.g., architects, lawyers, bankers, local business owners) that can help the CDC; or they have good contacts to funders and businesses that can help the organization. An effective board helps create a clear vision of the CDC's future, aids the CDC's strategic planning, and participates in determining how the nonprofit is managed. There is sometimes tension, however, between some board members and some of the staff about the board's involvement in CDC activities. This tension occurs when staffers think that board members are "interfering" with staff duties to run the organization on a day-to-day basis or when board members think that they are being "ignored" by staff and are not given room to assume their fiduciary roles. The board carries the CDC's long-range vision for the neighborhood and provides the continuity for the organization.

Managed Growth. CDPs help CDCs with the leadership aspect of organizational capacity by engaging in strategic planning with the CDCs to mark progress and focus long-term goals. Strategic planning encourages members of the organization to think reflectively and plan for the long term. The role of local partnerships in this process is often critical because CDCs rarely have the time or resources to set aside for strategic planning. CDPs support this activity and often build it into their relationships with CDCs. Partnerships also use the goals set by the strategic plans to judge the progress of CDCs.¹²

Managing growth requires the ability to make long-term plans. However, the uncertain funding environment coupled with the changing nature of community needs makes managing growth a difficult task for CDCs. Embryonic CDCs face a steep learning curve with respect to organizational capacity—they must learn quickly how to do a great deal of diverse work and to make decisions that affect their growth with relatively little experience. Emerging CDCs are better able to manage growth and create a structure that allows for more specialization of staff. For some, this stage may also involve shifting to a more hierarchical structure, which is a difficult step for those organizations built on a consensual foundation. Mature CDCs find ways to introduce change and allow for reflection on their work. Managed growth is a necessary ingredient for neighborhood organizations at all stages of development to react successfully to changing external conditions.

Project Management. Effective project management is another important aspect of organizational capacity; the financial consequences of inept management can be enormous (Clay 1990; Gittell 1989). To manage projects effectively, CDCs must continuously

An effective board helps create a clear vision of the CDC's future, aids the CDC's strategic planning, and participates in determining how the nonprofit is managed

The uncertain funding environment coupled with the changing nature of community needs makes managing growth a difficult task for CDCs

try to monitor the time and cost efficiencies of construction. By keeping track of these elements, increasingly through the use of MIS, a CDC can attempt to control costs and ensure the quality and affordability of its projects. In addition, successful CDCs sometimes contract out to professional property managers when appropriate and when funding permits (Bratt et al. 1994; Vidal 1992). However, most CDCs, especially newer organizations, usually have to make do with the expertise they have in-house because they cannot afford consultants.

Evaluation. To plan for the future, CDCs draw upon the knowledge of what they have—and have not—done well in the past. To learn from their own experiences, CDCs try to build evaluation into their funding requests. CDPs often conduct evaluations, but to avoid conflicts, CDCs and partnerships need to work together in evaluation design. Evaluations designed solely by the funder may fail to capture CDCs' accomplishments; they sometimes miss outcomes that are not easily measured. CDCs can work with partnerships on evaluation design and help to ensure that the data gathered are appropriate. There is also a widespread belief in the field that CDCs (as well as other nonprofits) often try to exaggerate their successes and suppress their problems in evaluations that have consequences for their funding. This is rarely discussed in print.

Interaction among the Components

Increasing organizational capacity helps CDCs build capacity among the other components as well. It enables CDCs to devote sufficient time to fund-raising, which pays off in the form of increased resource capacity. Organizational capacity is also connected to programmatic capacity. A CDC that is managed and staffed well and that has good leadership will be better able to offer the services that the community requires. Finally, a CDC with sufficient organizational capacity will help build political capacity because it will likely be better connected to the local political system and able to more easily encourage participation among residents. A CDC that has built its organizational capacity will also be able to more effectively create linkages with other organizations and to offer more to those with which it partners.

PROGRAMMATIC CAPACITY

Community development corporations try to build their programmatic capacity so that they can continue to respond to the growing and changing needs of the communities they represent (Table 3). However, there is no agreement among researchers and practitioners as to whether or when CDCs should build capacity in-

Community development corporations try to build their programmatic capacity so that they can continue to respond to the growing and changing needs of the communities they represent

ternally by attempting to meet new needs themselves, or externally, through linkages with other organizations. Many CDCs employ a mix of both strategies. CDCs engage in a wide variety of programs, including building and managing housing, economic development, family services, crime fighting, and job training. The typical CDC in Vidal's 1992 study was active in three program areas: (1) housing; (2) either commercial real estate development or business enterprise development; and (3) one non-economic development program area, typically some type of social service or advocacy work. Capacity building in these diverse fields requires great organizational dexterity, and successful CDCs take on new programs only after extensive strategic planning and careful deliberation.

Types of programmatic capacity building differ for CDCs at different stages of development. For instance, embryonic CDCs usually focus on a single type of activity – often housing – so as not to become stretched too thin too quickly. For the majority of CDCs, “housing was the ‘point of entry’ because it was the sphere of activity in which it seemed most likely that [they] could demonstrate clear successes and thereby gain credibility and access to additional resources, both financial and intangible” (Vidal 1996, p.162).

Often, the initial activity is tied closely to the availability of funds – a link that continues throughout the life of the CDC. New CDCs try to obtain training in all areas of their chosen activity and begin to network with other organizations and institutions that can help them to establish themselves. Emerging CDCs often begin to expand to new program areas as new needs arise – and as funding becomes available. Mature CDCs recognize and actively attend to new community needs and sometimes help to broaden and strengthen networks that include other institutions and younger CDCs. The first part of this section focuses on skills related to specific program areas: housing, commercial development, economic development, and organizing. The second part deals with those aspects of programmatic capacity that apply to all CDCs regardless of their programmatic agenda.

Skills Related to Specific Program Areas

Skills Related to Housing. Housing continues to be the dominant focus of community development corporations, a consequence of the lack of adequate housing in the areas they serve and of a willingness among funders to support housing. In order to build more housing, and build efficiently, most CDCs work to develop leading-edge skills in the various aspects of housing production and management (Burns et al. 1995; Clay 1990; Mayer 1983; Rohe 1995). To build capacity in housing, CDCs engage in training, often with the help of partnerships, in such diverse areas as predevelopment planning, site selection and feasibility analysis,

Capacity building requires great organizational dexterity. Successful CDCs take on new programs only after extensive strategic planning and careful deliberation

Housing continues to be the dominant focus of community development corporations, a consequence of the lack of adequate housing in the areas they serve and of a willingness among funders to support housing

TABLE 3: PROGRAMMATIC CAPACITY

Type of Capacity	Capacity-Building Needs	Capacity-Building Strategies	Effects on CDCs	Potential Limits and Problems	
Skills related to specific program areas	Skills related to housing	P Provide training and technical assistance in all skill areas	Increased production skills		
		Do pre-development planning	Better understanding of the production process; costs kept down		
		Do site selection, market and feasibility analysis			
		Obtain better understanding of housing finance, marketing, and program regulation Strengthen property management skills			
	Skills related to commercial development	Develop same construction and management skills needed for housing			
		Develop retail or office properties	Fulfill other community needs		
	Skills related to economic development	P Provide training and technical assistance for entrepreneurial and business development			
		P Participate in public and private economic development projects	Private funds leveraged, expertise from for-profit firms gained		
		Conduct employment training and or referrals	Increased skills of community residents; higher wages in neighborhood		
		Promote education of residents to reduce unemployment and increase wages			
		P Encourage development of community-based financial institutions and greater responsiveness of private banks			
		Target job and employment programs that keep money in the community			
		Engage in or promote microlending activities and other investment in small, local businesses	Neighborhood economy strengthened		
Skills related to organizing	Learn different methods of organizing				
	Become affiliated with a local organizer or hire a professional organizer to do this work			Funding for this is difficult to obtain	
Skills that apply to all CDCs	Responsiveness to changing community concerns	P Continually reassess community needs and incorporate into CDC mission			
		Hire staff with knowledge of, and a strong commitment to, the community			
		Hire residents	Ensures critical connections to the community		

market analysis, housing finance, marketing, construction management, permitting and zoning, property management, and government program regulations¹³—in addition to training construction workers. As CDCs acquire and own larger portfolios of housing, they are increasingly seeking training in asset management to understand the long-term preservation needs of their affordable housing projects.

Skills Related to Commercial Development. Commercial development consists of building and rehabilitating structures for nonresidential use. Many of the real estate construction and management skills required for building and managing housing are transferable to commercial development, making it a logical next step for CDCs wishing to expand. However, commercial development entails substantially greater risks. Thus, close attention to market analysis, feasibility, and understanding business's needs for facilities is critical. As with housing, most of the activities associated with commercial real estate development "have relatively low start-up costs and are reasonably inexpensive ways to provide visible benefits to residents" (Vidal 1992, p.71). CDCs also engage in commercial development because it indirectly helps to fulfill economic development goals, such as providing jobs, providing goods and services to which residents have no easy access, or luring resources from other areas into target neighborhoods. Community organizations are more likely to develop retail or office properties than industrial ones because the former fill more immediate needs of residents and are more consistent with the nature of residential neighborhoods (Vidal 1992, p.69).

Skills Related to Economic Development. Those CDCs that include economic development as part of their missions play the important role of connecting their constituents to the local and regional economies. CDCs help match people with jobs by providing them with appropriate training or referring neighborhood residents to other job training programs (Harrison et al. 1995). Employment training and job readiness skills, even when they do not lead directly to a job, can empower people by increasing their human capital. Second, CDCs make linkages to local businesses and institutions and negotiate employment agreements to ensure that neighborhood residents will have access to jobs in the community. Increasingly, CDCs are involved in developing links to the wider regional labor market to connect neighborhood residents with jobs outside the community. Third, community organizations educate constituents about the forces driving unemployment and low wages. Unemployment, whether persistent or temporary, makes the unemployed feel powerless. Understanding the larger economic forces that create joblessness in communities can give community members the motivation they need to organize and fight these forces.

CDCs help boost economic development by fostering the creation, stabilization, and expansion of small businesses within the

Commercial development helps to fulfill economic development goals, such as providing jobs, providing goods and services to which residents have no easy access, or luring resources from other areas into target neighborhoods

Organizing is a natural add-on to other activities in which CDCs engage, because it builds support for these primary activities

Successful CDCs continually reassess whether their resources and activities are appropriately focused on community needs

community (Bendick et al. 1991), and by providing training and technical assistance for entrepreneurial and business development. This strategy has the potential for job creation and for keeping money circulating in target communities (Servon 1998). To this end, some CDCs have begun to experiment with the microenterprise strategy, while others have created alternative financial institutions (Parzen et al. 1992). Although these strategies operate on a much smaller scale than traditional economic development strategies, they provide participants with critical skills ranging from economic literacy to effective time management (Servon 1997). CDCs have also developed innovative strategies that combine training and business development with the operation of “training businesses” (Nye et al. 1995; Emerson and Twersky 1996).

Skills Related to Organizing. Many CDCs carry out community organizing and some partnerships fund the organizing, especially when it is tied to bricks-and-mortar projects. Organizing is a natural add-on to other activities in which CDCs engage because it builds support for these primary activities. Organizing, however, requires its own set of skills and resources. Some CDCs become affiliated with local organizers, such as the Industrial Areas Foundation; others hire an organizer to do this work in their community. Partnerships also sometimes initiate organizing efforts, although the involvement varies greatly from one partnership to another. One potential downside to community organizing, however, is that CDCs may have difficulty balancing the multiple interests that surface as a result. For example, organized tenants may demand better housing conditions than the CDC is able to afford with the available housing funding. In addition, organizing is not well understood by many CDPs, and they sometimes hesitate to dedicate resources to it because of concern that organizing is too “political” and the results are difficult to measure. Finally, organizing can alienate potential local partners in city hall and elsewhere. On the other hand, effective organizing, such as that done by the Industrial Areas Foundation and some other organizations, can lead to more respect for community organizations by these same powerful forces (Rogers 1991; Freedman 1993).

Skills That Apply to All CDCs

Responsiveness to Changing Community Concerns. Successful CDCs are entrepreneurial and look for opportunities, continually reassessing whether their resources and activities are appropriately focused on current community needs (Clay 1990). As these needs grow and change, CDCs try to incorporate new community needs into the CDC mission and phase out those activities that are no longer a priority. According to Vidal (1992, p.64), more than 40 percent of the CDCs studied ceased work in some program area during their lifetimes. A changing program mix generally signifies responsiveness, but some CDCs claim that they are under pres-

sure from funders to shift to a new activity because it is currently “hot” or trendy, but which may not, in the eyes of the CDC, be best for the community. A regular strategic planning process with wide-ranging community participation can help to ensure that a CDC continues to serve its constituents in a way that responds to changes in the community without compromising the stability of the organization. Effective CDCs hire staff with knowledge of, and a strong commitment to, the community. Hiring residents is a particularly good way to ensure that critical connections to the community, which build responsiveness, are maintained.

Mutually supportive programs. Successful CDCs also tend to structure and operate their programs in ways that make them mutually supportive (Ferguson and Stoutland 1995; Vidal 1992). A CDC that already engages in housing, for instance, is more likely to expand into a related area, such as housing management or housing advocacy, than to enter into a completely new area, such as business development. Since all CDCs work in an environment of limited resources, it is critically important that they recognize and capitalize on ways that they can make existing resources and skills do double duty. They can also partner with other CDCs to fill needs that are not aligned with a CDC’s existing activities.

Interaction among the Components

Programmatic capacity helps build resource capacity because a CDC that delivers successful programs will attract funders more easily. Programmatic capacity and organizational capacity are also tightly linked; one is hardly possible without the other. Programmatic capacity is further connected to political capacity because a CDC that is managing successful programs is in a strong position to command attention from political actors and to obtain participation from community residents. Finally, with respect to network capacity, a CDC with strong programs is more likely to attract the attention of, and build relationships with, other organizations and actors, leading to broader and deeper programs.

NETWORKING CAPACITY

The ability to build networks with other organizations is an important aspect of capacity building among CDCs, particularly given the shift to a more comprehensive approach to community development discussed earlier. CDPs often play important roles in helping CDCs to create these networks: partnerships, by definition, are linking organizations. Keyes et al. (1996) argue that these mutual support networks are becoming particularly important in the current era of federal devolution. Further, they say that “capacity is shaped not just by the competency of each individual nonprofit group, but by the strength of the nonprofit’s

Successful CDCs tend to structure and operate their programs in ways that make them mutually supportive

The ability to build networks with other organizations is an important aspect of capacity building among CDCs, particularly given the shift to a more comprehensive approach to community development

institutional network" (p. 203). Networking takes on a number of forms (Tilly 1996): It connects institutions (CDCs to CDCs, CDCs to private firms, CDCs to nonprofits, etc.); it also helps bring individuals closer to each other and to institutions both inside and outside the community. These networks involve financial, political, and economic relationships and help community organizations achieve their goals more quickly and efficiently (Harrison and Weiss 1998; Powell 1990). Table 4 summarizes the elements of this dimension: building stronger relationships with other organizations, moving organizations' agendas forward, creating mutually supportive programs, and increasing political leverage.

Relationships with Other Organizations and Institutions. CDCs often work most effectively by developing networks and partnerships with others to bring new stakeholders to the neighborhood revitalization process. CDPs assist CDCs by helping to develop coalitions, thus brokering relationships with other institutions, including influential decision makers from the private and philanthropic sectors. CDPs play an important role by brokering relationships among CDCs that complement each other. When a CDC recognizes a new need in its community, it can fill this need by partnering with another organization rather than filling it itself. Relationships of this kind enable CDCs to specialize, which may boost their efficiency. Partnerships also serve as intermediaries between CDCs and various "downtown" actors—especially local governments and corporations. Partnerships work to stem political conflict and to engage governments and companies to provide financial support to CDCs. Central here is the education of people and organizations outside the CDC community about the abilities of CDCs and the importance of the community development movement. CDPs can also pressure other organizations to steer their activities to be more in line with the partnership's agenda.

Partnerships also create and participate in networking opportunities, conferences, and community and cultural events. These events allow CDCs to showcase their accomplishments and may also help CDCs connect with each other and share valuable information about funding sources. Along the same lines, some CDPs disseminate updates of CDC activity to existing and potential funders and advocate on behalf of CDCs to convince funders of the importance of long-run operating support and other multiyear funding.

Promotion of CDCs' Agendas. CDCs, in conjunction with partnerships, try to bring external actors into community development activities. They do so by educating banks, local governments, and local employers about neighborhood concerns and better acquainting downtown and suburban institutions with neighborhoods, their customers, and potential employees (McGrath 1995; Shiffman and Motley 1990). CDCs and CDPs try to provide powerful stakeholders with a better understanding of the community develop-

TABLE 4: NETWORKING CAPACITY

Capacity-Building Needs	Capacity-Building Strategies	Effects on CDCs	Potential Limits and Problems
Strong relationships with other organizations and institutions	P Broker relationships between CDCs that complement each other	Makes them more efficient through allowing specialization	Opportunity cost in time spent outside CDC's specific mission
	Partner with other CDCs to fulfill unmet community needs		
	P Pressure other organizations to make activities complement CDCs and agenda		
	Support/work in coalitions	Relationships with other relevant actors built	
	P Partner with public and private groups to carry out housing, real estate development, and economic development projects	CDCs gain expertise and partners learn about the community	
Promotion of CDCs' agendas externally	P Broker relationships among CDCs that complement each other		
	Partner with other CDCs to fulfill community needs		
	P Pressure other organizations to make activities complement CDCs' efforts		
Access to nonfinancial resources	P Create and participate in networking opportunities, conferences, and social events	CDCs showcase their accomplishments and connect with each other to share information	
	P Disseminate regular updates of CDC activity to existing and potential funders	Improved relations between CDCs and funders Increased awareness among parties	
	P Create links to other CDCs, job training, and other service providers in area		
Mutually supportive programs	Choose new program areas that draw upon existing skills		
	Establish partnerships with other programs to extend CDCs' research		

CDCs and CDPs create links to networks of other CDCs, job training programs, workforce development specialists, and other service providers in the area

Political capacity refers to CDCs' influence with government officials at all levels and reflects a CDC's legitimacy within the community it serves

ment process (Shark 1996). CDCs also look for opportunities to partner with public and private groups to carry out housing, real estate development, and economic development projects. These partnership arrangements vary greatly in terms of their membership and form. Many nonprofit organizations, for example, work with profit-seeking developers to gain expertise and access to capital, and to build housing. CDC participation has also been actively sought by the federal Empowerment Zone/Enterprise Community program.

Access to non-financial resources. The aspects of CDC agendas that require non-financial resources can also be advanced by networking. In addition to the financial resources that constitute the focus of development activity, CDCs require a range of other resources to keep them running well. To this end, CDCs and CDPs create links to networks of other CDCs, job training programs, workforce development specialists, and other service providers in the area (Harrison et al. 1995; Harrison and Weiss 1998). Neighboring CDCs can establish arrangements for sharing space, labor, and technical assistance, and for cooperating on program activity. These relationships provide CDCs with access to expertise, predevelopment and development funding, labor, and information.

Interaction among the Components

Networking helps embed CDCs in the life of the city and region in which they operate. It can help with resource capacity building by bringing community organizations to the attention of funders, such as governments and foundations. Network capacity also builds programmatic capacity, because it enables CDCs to do more and to extend their reach beyond what they could do on their own; for example, it promotes the delivery of job training services by institutions that are not necessarily community based. Network capacity is the external analog to organizational capacity: it defines the ways that the organization can do business as it faces outward to the rest of its community. Certainly, it affects the political capacity of the CDC (see Political Capacity), through the creation of relationships with political actors at all levels.

POLITICAL CAPACITY

Although political capacity manifests itself in many ways—community participation, political leverage, educated constituents, and conflict management—this component of capacity primarily refers to two elements (Table 5). First, it refers to CDCs' influence with government officials at all levels. According to Vidal, "the

successful support of CDC activities requires government agencies to adapt public programs and agency operating procedures to CDCs' distinctive capabilities and needs" (1992, p.14). Second, political capacity reflects a CDC's legitimacy within the community it serves. Both types of political capacity help a CDC obtain resources and build other types of capacity. CDCs typically work only with local government officials; most political events at the federal or state level are beyond the control of individual CDCs. However, partnerships may be able to help at these higher levels.

Building political capacity is not always easy, however. In many ways, it is the trickiest kind of capacity building that CDCs and CDPs negotiate. Although CDPs, by and large, agree that political capacity is important, variance in the relationships between CDPs and public officials, and between CDPs and CDCs, shapes actions in this area. For example, some collaboratives are uneasy about trying to build the political capacity of CDCs. Although the CDCs need their local governments' help for tax abatement, letters of support, and so forth, other members of the collaborative—e.g., funders—tend to shy away from supporting direct political action because it seems too much like lobbying to them.

Community Participation. Without a strong and active constituent base, CDCs face difficulty arguing their cause outside of the community (Gittell 1995). Newer CDCs work first to gain trust and a common vision for change in their communities, and maintaining this trust and common vision remains an important task throughout the life of the CDC. Emerging CDCs, however, can move to obtain greater political influence once they have achieved a foothold in the community. Mature CDCs, with their greater experience and visibility, position themselves as political players and argue for policy positions that support their efforts in the public arena. They also seek access to public services and resources, and demand that use of government funds be directed by the community. To maximize community participation, CDCs try to hold community meetings at convenient times and places, taking into account the mobility and scheduling difficulties their constituents face. Providing transportation and child care also helps lure people to important meetings (Gittell 1995). CDCs also engage in community planning exercises, share development plans with the community, and seek out community residents to serve on CDC committees and attend neighborhood events. Many community organizations identify and involve key community leaders and representatives in their decision-making and agenda-setting processes. Sharing real power with community members increases participation, because the larger community is more likely to believe that its interests are being represented. Organizing, which we discussed in Networking Capacity, also builds participation because it turns community members into stakeholders. People who feel like stakeholders are more likely to work on their own behalf.

Variation in the relationships between CDPs and public officials, and between CDPs and CDCs, shapes actions in the area of political capacity

Without a strong and active constituent base, CDCs face difficulty arguing their cause outside of the community

TABLE 5: POLITICAL CAPACITY

Capacity-Building Needs	Capacity-Building Strategies	Effects on CDCs	Potential Limits and Problems
Community participation	Hold community meetings at convenient times, places		
	Include community representatives in setting agenda		
	P Encourage community organizing and support		Conflict among multiple interests
	Ensure that board and staff are representative of the community	Community needs effectively addressed	Process may become bogged down because of factionalism
	Encourage community input in CDC activities	CDC perceived as part of community	
	Employ an internal democratic structure	CDCs become more accountable to the community	
	Establish clear lines of accountability between CDC and community	CDC respected and trusted within community	
	P Support/work in coalitions	Relationships with other relevant actors built	
Political leverage	P Advocate with, and educate public and private officials about, community needs	Increased citywide visibility	Some funders neither approve of nor fund advocacy Run risk of violating 503(k)3 rules
	P Broker relationships among local public officials and community	CDC legitimacy increased	Change in political administration may hurt CDC
	Undertake outreach to downtown business and other community groups		
	Facilitate voting within community in elections	Community development policy influenced	Possible backlash from government if change in administrations
	Create opportunities for constituents to take on positions of responsibility citywide		
	Train staff in negotiation/conflict resolution	Arbitration skills developed	
Educated constituents and partners	Disseminate information on government policy, activities, and economic forces that affect residents	Residents made more aware of issues that affect them	
	Develop leadership within the community		
	Make information about CDCs' activities readily available to community	Increased awareness of activities and strategies of CDC	
	P Educate banks, local governments, and local employers about their customers and potential employees	Greater understanding of community on the part of critical actors	
	P Partner with public and private groups to carry out housing, real estate development, and economic development projects	CDCs gain expertise and partners learn about the community	
Conflict management	Heighten sensitivity to the multiple interests of the community, businesses, and governments		
	P Mediate conflicting interests from within and without community		
	Maintain strong and regular communication with all stakeholders		

Community representation in CDCs is an important aspect of participation. Without visible community representation, government officials, other CDCs, funders, and the community at large may be skeptical of the CDC's ability to be effective or to speak for the true wishes of the neighborhood. To obtain community representation, a CDC can try to ensure that its board and staff reflect the makeup of the community (Gittell et al. 1994; Gittell 1995). If finding appropriately skilled community residents is difficult, CDCs can try to train those who are active for positions of increasing responsibility. In addition, successful CDCs provide education, training, support, and confidence building for leaders within the community who can shape and help to carry out the CDC agenda.

The CDC's internal structure should be democratic to maintain an adequate level of accountability to the community. An elected board and an involved membership can create clear lines of communication between the organization and the neighborhood. However, political tension sometimes develops over how democratic the organization can or should be (Houle 1989; Kelly 1977). Executive directors and their staffs sometimes clash with community activists and worry about the costs of being "too" democratic, with the trade-off between maintaining an "open" process and the need to make a decision and get something done (Briggs et al. 1997; Harrison and Weiss 1998).

Political Leverage. In order to increase their political leverage, many CDCs work on building relationships with local officials. CDCs try to educate public officials about the community development agenda to build government support. CDCs often seek to increase public services to low-income neighborhoods and to increase the allocation of public investment where there have been inequities. Cities where local government involvement in community economic development is substantial show higher levels of CDC activity than other cities (Vidal 1992, p.14). However, organizations that become too connected to one political administration may fall quickly out of favor when that administration changes. They also run the risk of being co-opted by the administration and losing credibility with the community. An additional problem is that patronage from local elected officials (who sometimes allocate CDBG funds to favored CDCs) can insulate CDCs from pressures to manage themselves efficiently (Ferguson and Stoutland 1996).

Despite some uneasiness, partnerships occasionally take a lead role in brokering relationships between local officials and the community. When community members do not trust public officials, or vice versa, CDCs and their partnerships enjoy a unique position that allows them to operate as links between government and the community. Working to create two-way communication between these groups raises a CDC's political capacity.

CDCs try to educate public officials about the community development agenda to build government support

A CDC benefits greatly from educated constituents who are able to articulate and argue for their own needs – and who are also likely to vote

Educated Constituents and Partners. A CDC benefits greatly from educated constituents who are able to articulate and argue for their own needs – and who are also likely to vote. To increase the education of their constituents, CDCs disseminate information on government policy, activities, and economic forces that affect residents. Educating community members in this way helps them feel more in control of the forces that influence their lives and encourages them to participate politically to affect change. Training community members to work within the organization also helps increase the CDCs' political legitimacy.

Conflict Management. Awakening participants' political consciousness can give rise to political schisms. Disagreements with other community actors – over issues such as race and ethnicity, or owner- versus renter-occupied housing – can be a drain on time and resources. Operating within this complex environment, CDCs must balance the demands of an array of widely divergent actors. To manage existing and potential conflict, CDCs try to heighten their own sensitivity to the diverse interests of the community, businesses, and local government. They can do this by maintaining strong and regular communication with all the stakeholders. Partnerships can help CDCs manage conflicting interests from within and without. They can act as a third party and mediate conflicts. Partnerships can also provide training for CDCs in conflict management and negotiation.

Interaction among the Components

Political capacity also builds and is built by the other three components of capacity. The relationship between political capacity and resource capacity is clear – a CDC that has political clout is better able to command other kinds of resources. Organizational capacity and programmatic capacity enable a CDC to obtain greater political attention. And to the extent that political capacity equals legitimacy and participation, organizational and programmatic capacity are enhanced as a result. Probably more than any of the other categories, increases in political capacity are dependent on the success of CDCs and CDPs in reaching out and creating networks with other community development players.

V

IDENTIFYING THE IMPACTS OF CAPACITY BUILDING

Although all of the collaborators are interested in devising systems for measuring the impacts of their work and the work of the CDCs, most CDPs have little experience in this area. All agree that measurement is extremely difficult.¹⁴ Historically, measurement of capacity has typically been restricted to visible outcomes—the number of units built or rehabilitated, or the square footage of commercial space. But, increasingly, capacity is being measured by a wide range of variables including changes in the real estate market, rates of home ownership, and reductions in vacancy and crime. Throughout the literature, a broad consensus appears to be forming that increased emphasis on capacity building necessitates a wider range of performance measures (NCDI 1995; on measurement and evaluation issues, see Hollister and Hill 1995). The movement of CDCs to a more comprehensive focus, discussed in the Introduction, is one reason why this broader approach has gained favor.

Traditionally, efforts to measure capacity and evaluate capacity-building strategies have used a positivist, scientific approach that focused almost exclusively on quantifiable outcomes. In recent years, the literature on community development has begun to devote more attention to the disconnection between traditional evaluation techniques and the range of activities in which CDCs engage. John Gaventa (1996, p.62) describes this mismatch as follows:

Community-based initiatives increasingly emphasize development within, using local knowledge and capacity, in comprehensive fashion. On the other hand, traditional evaluation approaches, often based on models of positivist research, emphasize the necessity of external judgment, based on 'objective' standards and measures, usually conducted by experts schooled in narrow disciplines, not comprehensive approaches.

According to Stone (1996, p.58), "Few funders seem to have an investment in promoting the development of the field of evaluation, even though the current challenges facing evaluators constrain the learning possibilities and opportunities to improve the design and practice of initiatives these funders currently support."

CDPs are currently struggling with how to define impacts, and how to separate out the effects of CDCs' work from other factors—such as the condition of the local economy or the extent and concentration of poverty. These identification and measurement aspects of capacity will be dealt with in much greater depth in later stages of this research project.

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VI

CONCLUSIONS

The literature on capacity (and the early stages of our field research) tells us that partnerships and CDCs use selectively the strategies identified with each component to move their community-building activities forward. Partnerships play particularly important capacity-building roles in:

- Helping CDCs improve their strategic planning efforts and fiscal management
- Providing multiyear operating support and technical assistance to CDCs
- Providing capital funding—directly, or through other entities—for housing and economic development projects
- Brokering relations among CDCs and businesses and governments
- Helping to create and sustain networks that connect CDCs, human service providers, universities, and others in the community

No CDC employs all of these strategies, but many are trying to work on all five components simultaneously

No CDC employs all of the strategies listed in this paper, but many are trying to work on all five components simultaneously, to the extent possible. Partnerships help them to extend their reach, balance their efforts across the five components, and try to persuade them to work on areas that have been neglected. In the end, CDCs build capacity by increasing their ability to:

- Think through strategic plans to help themselves
- Raise funds to build and manage housing and economic development projects
- Demonstrate effective leadership and vision
- Better organize themselves internally by hiring, training, and retaining the best staff possible
- Organize members of the community to participate in activities that improve their neighborhood
- Develop networks of CDCs and other service providers

Tensions in the capacity-building process exist because the power relationships between CDCs and CDPs are uneven

Tensions in the capacity-building process exist because the power relationships between CDCs and CDPs are uneven. CDCs do not always like the prospect of changing programmatic course when funders' interests change, for example. Others resist and resent the push of some CDPs to force mergers among CDCs (Yin 1997). There has been some tension between CDPs and community organizations over the directions that some funders are tak-

ing—work force development, regional job strategies, etc.—that some CDCs believe do not build on the capacity that they have developed over time. Other CDCs question whether becoming more comprehensive is necessarily a good thing; some prefer to further develop their capacity in “bricks and sticks.”

At the same time, CDPs argue that some CDCs are inefficient and unwilling to make necessary changes in their operations. This tension is by no means related solely to the relationships between CDCs and CDPs, but it is true for other kinds of nonprofit organizations. CDCs are different from other kinds of nonprofits in that they must maintain their ties to their neighborhoods. This elevates the importance of the capacity related to the training of local citizens and the participation of residents. A key question remains: Can neighborhood organizations become more financially and technically efficient and retain their ties to the people they represent?

Further research is needed to better understand the community development process, the roles that nonprofit organizations play in it, and the specific ways in which partnership organizations add value to this process. It is also important to better understand the potential comparative “weightings” of the different types of capacity. The categories presented here are of different levels of importance to community organizations. Empirical research is needed to determine which matter most to the organizations and to the neighborhoods. In addition, it is useful to understand the trade-offs between different kinds of capacity. All efforts involve the opportunity costs of not pursuing some other kind of capacity. Researchers and practitioners also need to better comprehend the ways that CDPs can best help neighborhood groups, by stressing the strategic combinations of capacity building that jointly move CDCs forward. We hope that our bottom-up approach will lead to a wider understanding of the role of partnerships and CDCs in reducing persistent poverty. The research will enable more accurate assessments of the role of collaboratives in their communities and of the CDCs’ contributions to neighborhoods. These assessments, in turn, will provide more useful evaluation tools and concepts and lead to better strategic planning by these groups. We expect that partnerships and CDCs throughout the country will be able to use the results of this investigation in their ongoing work.

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Can neighborhood organizations become more financially and technically efficient and retain their ties to the people they represent?

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Acknowledgments

The authors would like to thank The Ford Foundation for funding this research. We also thank Joseph Hoereth and Jeffrey Lowe for excellent research assistance. Our thanks to David Black, Edward Blakely, Rob Bole, Rachel Bratt, Phillip Clay, Reid Cramer, Susan Fainstein, Ronald Ferguson, Stephen Finn, Bennett Harrison, Jill Houska, Elizabeth Mueller, Mark Murphy, Nancy Nye, Elyse

M. Pivnick, Steve Rudman, Robert Zdenek, and two anonymous referees for helpful comments on earlier version of this paper. We are, of course responsible for any remaining errors.

Notes

1. Our work parallels the literature on capacity building for other kinds of nonprofits; see Drucker (1990) and Conners (1997).
2. Moreover, it is critical to be able to measure the development of capacity in both qualitative and quantitative terms (Hollister and Hill 1995). It is also important to understand the limitations of CDCs (Rohe 1995; Clavel 1996; Stoecker 1996). However, we do not take on these issues here, focusing instead on capacity building.
3. This paper is part of a larger study of CDPs and their role in community development that the Center for Urban Policy Research (CUPR) of Rutgers University is conducting for the Ford Foundation. Working with partnerships, CDCs, and other experts in the community development field, CUPR is documenting the capacity-building strategies of CDCs and CDPs, assessing the impacts of increased capacity on poor neighborhoods, and arriving at a set of best practices that will be useful to other CDCs and intermediaries.
4. The CDC movement, begun among the political activism of the 1960s and supported by the war on poverty, initiated a broad agenda with the intent of meeting a range of needs facing disadvantaged communities. During the late 1970s and 1980s, community development funding became more scarce, and CDCs responded by moving away from their comprehensive beginnings toward areas of primary importance, such as housing. While affordable housing continues to constitute the majority of CDCs' efforts, CDCs are evolving again to become more comprehensive.
5. Many in the CDC industry believe that Nicholas Lemann's (1994) high-profile critique of CDCs' work in *The Atlantic Monthly* flowed from an overly narrow view of CDC capacity.
6. An interesting question concerns the relative importance of the various aspects of capacity. For instance, is resource capacity more important than organizational capacity in the operations of CDCs? In addition, are some components strategically more central, in that improvements in one area are necessary for forward movements in others?
7. Vidal (1992, p. 64) found that more than 40 percent of the CDCs she studied had ceased work in some program area during their lifetimes.
8. Development fees, though often lucrative, bring with them two problems. First, they come after a project is completed and do not generate income while the project is in construction. Second, funders increasingly view development fees as alternatives to direct funding, sometimes reducing their own funding commensurately.
9. This access is particularly important for embryonic and emerging CDCs.
10. These include single-family, multifamily, ownership, rental, commercial, as well as contract work on housing counseling, small business assistance, or managing revolving loan funds, etc.

11. In the case of workforce development, however, CDCs may employ people from outside their neighborhoods when the focus is on creating suburban jobs.
12. Pitt (1997) argues that several factors make intermediary-CDC relationships challenging. These include the underestimation of the costs of management and organizational collaboration, the sometimes unrealistic demands placed on the time of CDCs by the CDPs, the difficulties of maintaining accountability to the community, and others. Importantly, Pitt argues, there are major tensions over race and class between the business- and government-dominated CDP boards and often minority-oriented CDCs.
13. The requirements of federal support, in particular, are complex and change frequently. This shifting environment necessitates that CDCs furnish ongoing monitoring as regulatory roles change.
14. There are several attempts to measure the effects of community development activities now underway, sponsored by the Aspen Institute, the Annie E. Casey Foundation, the Development Leadership Network, and the National Community Development Policy Analysis Network.

