BUILDING COMMUNITY DEVELOPMENT CAPACITY

IN

MINNEAPOLIS

A Report to the Ford Foundation

BY

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I

EXECUTIVE SUMMARY

Community development corporations (CDCs) have been active in Minneapolis for two and a half decades. During that time they have developed or assisted in the development of thousands of units of affordable single- and multifamily housing, assisted more than 2,500 small businesses, and developed more than 200 commercial properties in the city. A complex and extensive network of support organizations has grown up around these CDCs to provide them with various forms of organizational and financial assistance. Yet, despite this history, the community development movement in Minneapolis faces significant challenges to its present and future viability. These challenges stem mainly from the difficulties associated with managing aging physical assets and operating in a changing political environment that is no longer supportive of some CDC activities.

Minneapolis has no community development partnership (CDP) or similar intermediary to provide CDCs with the level and range of support necessary to increase their capacity to meet the ongoing housing, social service, and economic development needs of the neighborhoods. Though other entities have been created in the city to channel assistance to CDCs, the environment of support remains much more fragmented in comparison to cities such as Philadelphia (Shatkin 1998), Cleveland (Lowe 1998), Portland (Hoereth 1998), and El Paso (Mueller 1998).

THE COMMUNITY DEVELOPMENT CONTEXT

Minneapolis CDCs began to have a widespread impact on community development in the city in the late 1980s. At this time, the city of Minneapolis broadened its array of housing subsidies to target the type of multifamily development favored by many of the CDCs in the city. CDCs became the central actors in community development during the 1980s. During this decade a tight and stable trilateral relationship developed between the Minneapolis Community Development Agency (MCDA), the CDCs, and the city council on matters of neighborhood development. MCDA made a conscious effort to build the community development movement within the city. Housing subsidies were carefully distributed to keep all CDCs in business and to spread around development opportunities. Council members viewed CDCs as convenient means of delivering goods and services to their constituents. In this environment the number of CDCs grew, as did the number of housing units they developed.

The political environment changed dramatically during the 1990s. The establishment of the Neighborhood Revitalization Program (NRP) in 1991 signaled a change in how neighborhood needs are identified and resources allocated for community development. NRP required a level of planning and citizen participation far above anything that had occurred previously in the neighborhoods. More residents and community groups were drawn into the community development decision-making process, which in turn changed the once-cozy relationship between CDCs and MCDA.

At the same time, fear of crime and a growing concern about the concentration of poverty in central city neighborhoods led the new participants in community development to prefer a different set of solutions to neighborhood problems. These solutions emphasized increasing homeownership and income diversity. The type of housing the CDCs historically had excelled at producing, low-income multifamily housing, was seen by many as exactly the wrong direction to take. This perception was reinforced somewhat by the declining condition of much of the CDC housing stock. Many of the buildings had been developed as much as 15 years earlier, and were beginning to deteriorate. Tight financial conditions meant that needed capital improvements of most buildings were being deferred. In the early 1990s, city policy shifted dramatically away from multifamily housing assistance, and the CDCs' privileged position in neighborhood development ended.

It is in this context of changing neighborhood policy priorities that Minneapolis CDCs now operate, and this context provides the background for an analysis of the current capacity-building needs of the CDCs.

CAPACITY-BUILDING NETWORK IN MINNEAPOLIS

Glickman and Servon (1997) provide a framework for analyzing capacity building for CDCs. They outline five dimensions of capacity: resource, organizational, networking, programmatic, and political. Several organizations have emerged in the Twin Cities region to provide capacity-building assistance to CDCs. This network of support organizations was not developed, nor does it always operate, in a coordinated fashion. It does, however, provide a wide range of assistance to Minneapolis community developers.

The MCDA makes between $1 million and $2 million (typically from HOME and CDBG funds) available for multifamily housing each year, while a much greater amount is available for single-family homeownership programs. MCDA also provides small operating grants to CDCs that are tied to specific development projects. In addition, the Minnesota Housing Finance Agency (MHFA) provides a range of housing assistance programs to which CDCs have access. Besides an extensive array of capital financing programs, MHFA operates two small capacity-building programs targeted to nonprofit developers.

Minneapolis community developers have also brought several local lenders into the field by negotiating community lending programs. In addition, two major local corporations, the St. Paul Companies and Honeywell, are active in the field of community development and have channeled significant funds to CDCs. The Twin Cities also have an active foundation community, the McKnight and Dayton-Hudson Foundations being the most involved in neighborhood development efforts. Several other organizations provide key support to CDCs. The Greater Minneapolis Metropolitan Housing Corporation (GMMHC), the Family Housing Fund of Minneapolis/St. Paul (FHF), and the Interagency Stabilization Group (ISG) provide millions of dollars in predevelopment financing, project financing, and asset management financing to nonprofit housing developers in the city. Finally, the Minneapolis Consortium of Community Developers (MCCD) is the trade organization of CDCs in the city and provides commercial development loans and various forms of pooled-purchasing benefits to the member organizations.

This network of support is concentrated in what Glickman and Servon call programmatic capacity. That is, most of the forms of support for CDCs that exist in Minneapolis are project-specific and related to the achievement of the programmatic goals of the organizations. There is less available to CDCs in terms of resource and organizational capacity, and virtually nothing in the areas of network and political capacity.

CASE STUDIES

Organizational capacity

The experiences of three CDCs illustrate the strengths and weaknesses of Minneapolis's fragmented system of capacity building. The Central Community Housing Trust (CCHT) owns and operates more than 800 units of affordable housing in the central neighborhoods of the city. Much of its housing stock is single room occupancy (SRO) and targeted to residents with very low incomes. Because rents must be low in order to keep the units affordable, CCHT is losing approximately $180,000 per year ($215 per unit per year) operating the buildings. The organization has had trouble finding sources of the core operating support that would allow it to absorb the operating deficits of its buildings. Alternatively, the organization has pursued project stabilization funds that could ease the pressure of building deficits on the organization's administrative budget.

CCHT's problems are similar to those of the Powderhorn Residents Group (PRG). PRG needs funding to support the organization's obligations in asset management and the provision of resident services. In addition, the lack of core operating support is constraining PRG's ability to take advantage of the development opportunities that arise.

The Lyndale Neighborhood Development Corporation (LNDC), on the other hand, has been a central part of the neighborhood revitalization process in Lyndale. It has had direct and ready access to NRP funds and has also been successful in getting foundation support for administrative functions. LNDC does not identify organizational support as a pressing need, in part because it plans to remain small. In fact, the executive director anticipates that the organization will work itself out of existence in the near future.

All three CDCs have a key need for staff training and human capital development. The organizations have very few resources to devote to staff training, and there is no organized program of midcareer training available to CDC staff locally.

Networking and political capacities

CCHT has worked hard to maintain good relationships with the communities in which it works, but the organization has suffered from the declining status of subsidized multifamily housing among neighborhood activists. Though generally highly regarded by the large capital funding sources, CCHT has had to defend its agenda and work around the sometimes open hostility of neighborhood groups. LNDC, on the other hand, works extremely closely with the neighborhood group in Lyndale, but staff express a high level of distrust of elected and other governmental officials. In response to the changing political environment in the city, PRG has moved its programmatic focus away from strictly multifamily development and begun to work in the area of homeownership.

ASSESSING THE ABSENCE OF A COMMUNITY DEVELOPMENT PARTNERSHIP IN MINNEAPOLIS

Minneapolis CDCs operate in an organizationally dense environment, with active corporate and philanthropic sectors contributing substantial resources for community development. In addition to the city itself, a variety of actors have provided support to Minneapolis CDCs. GMMHC provides important predevelopment financing; FHF offers project capital and capacity-building assistance. More recently, small amounts of capacity-building and predevelopment financing have been available from MHFA, and asset management refinancing has been provided by the Interagency Stabilization Group. This network of organizations and support programs provides Minneapolis CDCs with a fairly comprehensive set of programmatic supports.

Such a fragmented system of capacity support, however, requires CDCs to piece together assistance from a number of separate sources. This increases the uncertainty of continued support and imposes costs on the CDCs in terms of time and energy spent in the pursuit of assistance.

In addition, there are significant gaps in the system of capacity support available to Minneapolis CDCs. Most notably, there is little available in the city or regionally to assist in the networking and political capacities of nonprofit developers, and this has undoubtedly hindered the ability of the CDC movement to effectively respond to the changing political environment of Minneapolis in the 1990s. Another gap in the system of capacity assistance is in the area of human resource development. Given the key role of community development partnerships in Philadelphia and El Paso relative to training and human resources, this is one area in which a CDP might make a significant impact in Minneapolis. Finally, the one form of capacity-building assistance that is most often mentioned by CDC officials as lacking is core operating support, which would allow the organizations to pursue additional development opportunities while dealing with their growing asset management responsibilities. These are all problems that Minneapolis CDCs would like to see addressed—problems that could be resolved by a CDP.

II

INTRODUCTION

By most standards and in comparison with other U.S. metropolitan areas its size, the Minneapolis-St. Paul region is in good shape. The economy is diversified and strong, and the population growing. The region has not experienced many of the worst manifestations of industrial decline felt in other midwestern cities since the late 1970s, and it has avoided the hyperinflation in real estate seen on both coasts of the country. In recent years, however, troubling economic and social trends in the region have begun to surface, sparking a regional debate on the relationship between the central city core and the suburban fringe that has dominated the community development policy arena. Though the city government of Minneapolis, the region's philanthropic community, and the city's business community have been very supportive of community development corporations (CDCs) in the past, the city lacks a single intermediary, or community development partnership (CDP), that could give CDCs the level and range of support necessary to increase their capacity to meet the ongoing housing, social service, and economic development needs of the neighborhoods. The lack of such a partnership juxtaposes Minneapolis with cities such as Cleveland (Lowe 1998), El Paso (Mueller 1998), Philadelphia (Shatkin 1998), and Portland (Hoereth 1998), and offers an opportunity to examine the experience of CDCs in a city in which capacity-building support, if it is to be obtained at all, must be pieced together from various sources.

This paper examines how CDCs maintain and increase their community development capacity along the five dimensions identified by Glickman and Servon (1997: 5-6): resource capacity, the ability to attract, manage, and maintain funding in order to meet organizational objectives; organizational capacity, the ability of internal operations to facilitate goal achievement; network capacity, the ability of a CDC to interact and work with other institutions, both within and outside the community; programmatic capacity, the extent to which a CDC can deliver the various community development services it was formed to provide; and political capacity, a CDC's ability to credibly represent its residents and to effectively advocate on behalf of its residents in the larger political arena.

In Minneapolis, the pursuit of these various forms of capacity takes place in the absence of a single community development partnership. Though other entities have been created in the city to channel assistance to CDCs, the environment of support for CDCs remains much more fragmented in comparison to the other case study cities. This paper will examine the implications of the absence of such an intermediary.

The analysis of community development in Minneapolis must also account for the changing policy environment in the city. CDCs have in the past received a great deal of financial and programmatic support to pursue aggressive affordable housing strategies. However, the new debate on regionalism and the deconcentration of poverty taking place in the metropolitan area (see Orfield 1997) has led many public officials and community groups to conclude that Minneapolis has done too much in the way of affordable and subsidized housing. This has forced CDCs in the city to defend their housing strategies and in some cases reorient their activities (toward homeownership assistance and toward economic development) to meet the revised expectations of neighborhood groups and elected officials. This policy environment has had significant impact on the resource, programmatic, and political capacities of CDCs.

III

THE CONTEXT FOR COMMUNITY DEVELOPMENT IN MINNEAPOLIS

THE ECONOMIC CONTEXT

The 13-county Minneapolis-St. Paul metropolitan area is the fifteenth largest in the United States, with a population of almost 2.7 million. The population in the metropolitan area grew by more than 450,000 from 1980 to 1993, the eleventh-highest growth rate among large metropolitan areas during the 1990s (Economic Research Corporation 1994).

Though Minneapolis experienced population losses during the 1960s and 1970s, the central city population has stabilized since the 1980s. The current population of the city of Minneapolis is 369,000. The city is predominantly white (78 percent) and has a population that is more highly educated and wealthier than that of most other cities of its size (Schwartz and Glickman 1992).

The regional economy grew by 225,000 new jobs in the 1980s, the overwhelming majority located in the suburbs. In fact, between 1980 and 1990, 164,000 new jobs were created in developing suburbs, 52,000 in developed suburbs, and only 5,400 in central cities (Metropolitan Council 1992a). The rate of job creation has increased during the 1990s, with the metropolitan area ranking number one in new job creation for the November 1991 to November 1992 period for the country's 33 largest metro areas (Economic Research Corporation 1994).

The region's per capita income ranked seventh highest out of the 25 largest metro areas in the United States. It is third in retail sales per capita and fourth in general merchandise sales per capita (Ibid.). The metropolitan area is home to 31 "Fortune 500" industrial and service companies, 20 of which are located in Hennepin County, of which Minneapolis is the county seat.

Downtown development

As in most U.S. metropolitan regions, the economy of the Minneapolis-St. Paul region shifted from a base in manufacturing, agricultural processing, and trade to one that is dominated by corporate headquarters and producer services (including financial, business, professional, and communication services). In Minneapolis, the shift in industrial mix was accelerated by the rapid redevelopment of the downtown area.

The city pursued an extremely aggressive downtown development strategy during the 1980s (see Leitner 1990; Nickel 1996; Schwartz and Glickman 1992). The city's development agency, the Minneapolis Community Development Agency (MCDA), made extensive use of tax increment financing to leverage private commercial/retail investment. In that decade alone, 70 new development projects occurred in the downtown area, along with 80 major rehab projects (Schwartz and Glickman 1992). The result was a phenomenal growth in the downtown economy.

Multitenant office space in downtown Minneapolis increased from 8 million square feet in 1980 to more than 21 million in 1994. An additional 6 million square feet in government offices, medical office buildings, and single-tenant buildings also went up in this time. The growth in office space, however, outpaced demand. By the late 1980s the office vacancy rate rose to the high teens, peaking at 22.4 percent in 1992 (Economic Research Corporation 1994), then subsequently declining.

The downtown development went beyond office space to include a new convention center, thousands of hotel rooms to service it, a multipurpose sports stadium, and new and renovated theaters. Downtown redevelopment has increased employment by more than 50 percent since 1980. The city of Minneapolis is host to 82 headquarters of major public and private companies, is the leading corporate and financial center in the upper Midwest, and has a strong commercial/industrial tax base. The growth in downtown commercial property values during the 1980s and 1990s has put the city's C/I tax base well above the regional average (Wascoe 1998). From 1980 to 1990, the property tax base per household in Minneapolis rose from $1,299 to $2,462, a 90 percent increase (Metropolitan Council 1992b).

Poverty and unemployment

The recent economic history of the city and the region reveals the strength of the regional economy and the redevelopment success downtown. But these figures hide the unevenness of growth. Nondowntown neighborhoods, primarily those surrounding the core and those with larger minority populations, have not seen an increase in economic fortunes. Income and unemployment figures tell the same story of uneven development.

Overall unemployment for the metro area has remained consistently low, with a rate 50 percent lower than that for the U.S. in the past 15 to 20 years. In the core areas of Minneapolis, however, the rate was 18 percent in 1990, two and one-half times that of the rest of the region. Lack of transportation and low wages in the new jobs being created are significant barriers keeping central city residents from taking advantage of the growing labor shortage regionally (United Way 1995).

The Twin Cities region has the sixth-highest level of wealth disparity between central cities and wealthy suburbs of the 25 largest metropolitan areas in the country (Berg 1993). Per capita income increased by 21 percent in the suburbs during the 1980s, but in Minneapolis the increase was only 12 percent. During the 1980s, the poverty rate in Minneapolis increased from 13.5 to 18.5 percent (United Way 1995).

As is the case in most American cities, poverty is highly concentrated in the minority communities, and minority communities are concentrated in the central city. The minority population in Minneapolis grew by 32,000 between 1980 and 1990, a 69 percent increase. The city has 72 percent and 80 percent of Hennepin County's minority and black populations, respectively. This minority population is much more likely to be poor than are the rest of the city's residents. For example, though the overall poverty rate was 13.5 percent in 1980, it was 30 percent for African Americans and 40 percent for Asians and Native Americans (Metropolitan Council 1992a). The percentage of blacks living in high-poverty areas increased from 27 to 47 percent between 1980 and 1990. The high-poverty, primarily black communities in Minneapolis ring the south of downtown and the near northwest. Minorities in Minneapolis and St. Paul are more likely to live in poverty than minorities in any other major metropolitan area in the country (Draper 1993).

These neighborhoods of concentrated poverty are also areas of high social service needs. Four of the core neighborhoods of Minneapolis (Phillips, Near North, Powderhorn, and Central) were the top four communities in number of residents receiving public assistance, number of Hennepin County social service clients, and percent of residents receiving social services (United Way 1995).

There is some evidence of the pattern Wilson (1986) describes for minority neighborhoods in which the concentration of poverty in central city neighborhoods is substantially the result of the exodus of the black middle class. Blacks who moved out of Minneapolis and St. Paul between 1985 and 1990 had a far lower poverty rate (24 percent) than either blacks who stayed in the central cities (34 percent) or those who moved into the central cities (49 percent) (Gillaspy 1993).

White and minority neighborhoods in Minneapolis are also distinguished by housing stock. Homogeneously white census tracts (defined as having a white population over 94 percent) have an average of more than 66 percent of the housing stock in single-family housing, whereas the city as a whole is only 46 percent single-family detached. Additionally, white tracts have significantly fewer housing units in large apartment complexes (more than 10 units) compared to minority tracts (Urban Coalition 1996).

POLITICAL CONTEXT

The city of Minneapolis has been governed for the past 20 years by a liberal Democratic majority on the city council. The city council has 13 members elected by ward. In a weak-mayor system, the council oversees city policy, approves the budget, and controls line agency activities (Schwartz and Glickman 1992). The largely ceremonial mayor's office has also been occupied by liberal Democrats since 1979. In addition, the city has a tradition of strong neighborhood organizations and active citizen participation in local affairs (Scavo 1993). Though these characteristics, along with a statewide tradition of progressive liberal politics, might produce an expectation of progressive local development politics (see Nickel 1996), development policy in Minneapolis, in fact, resembles quite closely the "growth politics" model. As described earlier, MCDA directed a downtown-centered strategy that focused on the creation of commercial office and retail space and followed the dominant model in urban development during the 1980s, providing incentives to private developers to enhance the transformation of the downtown to a center for corporate, financial, and retail services. MCDA also underwrote upscale housing on the fringe of downtown to provide nearby accommodations for the white-collar workforce (Garner 1991, Nickel 1996).

By the late 1980s, however, it was clear that the downtown development, albeit very successful, had run its course. Though downtown projects were generating significant property tax revenues for the city, the retail sector had become saturated, leading to financial troubles for some retail developments. Vacancy rates in downtown office space were beginning to creep upward, and demand for further development was weak. These factors led to a shift in development priorities for the MCDA toward more neighborhood-based activities, a policy change that was also encouraged by a shift in power on the city council toward neighborhood activists. In 1984 the city council elections had brought a pro-neighborhood majority to the council that began to move development policies in a new direction (Nickel 1996).

INFLUENCE OF NEIGHBORHOODS

The influence of neighborhood groups in Minneapolis has been uneven over the course of the past 25 years. The recent political history of Minneapolis and the role of neighborhood interests in development parallels that seen in many other American cities (Fainstein and Hirst 1996). Minneapolis was very successful in gaining access to federal urban program funds during the 1960s and 1970s, creating numerous urban renewal districts around the downtown core and a Model Cities project on the city's south side. These federal programs were the setting for the emergence of the neighborhood movement in Minneapolis. Though neighborhood organizations had been in existence since the 1950s, they were typically homeowners' associations. The citizen participation mandates of the federal community action program, urban renewal, and Model Cities produced a sea change in Minneapolis's neighborhood organizations. The urban programs of the 1960s resulted in, according to one Minneapolis official, "a lot of power shifts internal to the neighborhoods, where the old neighborhood leadership, as effective as it may have been, tended to be middle-class, moderate, and willing to work with the establishment. They found their leadership roles challenged by new leaders coming out on behalf of a lower-income constituency" (quoted in Goetz and Sidney 1997).

The urban renewal program generated significant neighborhood-level opposition in three neighborhoods ringing the downtown. On the north side, in a neighborhood subjected to years of clearance and urban renewal activities, residents organized the Northside Residents Redevelopment Council (NRRC) to implement their own revitalization plans. In the Cedar-Riverside and Seward neighborhoods, residents rose up in opposition to the city's redevelopment authority, forcing a dramatic scaling down of original renewal plans in both communities (Stoecker 1994). The issues in each of these neighborhoods were the same: residents opposed massive clearance and relocation; they were concerned about displacement of current residents; and they worried about the continued availability of affordable housing. Each of these neighborhoods created organizations that later spun off or became CDCs designed to implement renewal according to the vision of neighborhood residents. In fact, the idea of neighborhood-based CDCs was well established as a viable strategy for resident-controlled redevelopment by 1973.

As early as 1974, the city council was dominated by Democrats, many of whom had come up through the neighborhood political process (Ibid.). When the community development block grant (CDBG) program began in 1975, the city quickly moved to institutionalize a highly developed form of neighborhood representation (Dommel et al. 1978). Though this power base opened up the redevelopment process somewhat, its impact on the council was short-lived. By the end of the decade the influence of neighborhoods on the council was no longer significant, and by the early 1980s a new city council markedly reduced the influence of the city's citizen participation process (Fainstein and Hirst 1996).

Both the city and the state encouraged the growth of CDCs in the 1970s and 1980s by providing funds to support their projects, and in some cases, by providing operating expenses as well. The private sector also assisted in the start-up of the CDC movement. The Greater Minneapolis Metropolitan Housing Corporation, a privately funded organization devoted to developing and assisting the development of affordable housing in Minneapolis, provided the initial organizing support for a number of CDCs

Yet, a legacy of community participation was established through the city's CDBG program. When neighborhood activists again became a force on the city council during the mid-1980s, the neighborhoods were once more heard in development politics. Currently, Minneapolis has a well-developed citizen participation process actively supported by local government (Scavo 1993). MCDA contracts with 59 community groups throughout the city to play the role of official citizen participation organization (CPO) for their neighborhoods. The city also provides some organizational funding to the CPOs. The CPOs review all MCDA-funded projects, though their recommendations are not binding on the city. Many of the members of the city council have risen through the ranks of the CPOs, including the most powerful among them, the president of the council, Jackie Cherryhomes.

Neighborhood influence is felt most directly, however, through the city's Neighborhood Revitalization Program (NRP), which began in 1991 and allocates $20 million a year to fund neighborhood projects. NRP is an ambitious effort to devolve policymaking responsibility to neighborhood groups. It brings together residents and government officials to design and implement long-range plans for the revitalization of the city's neighborhoods. CPOs are asked to create or identify a neighborhood-based body to develop neighborhood plans and then work with representatives from five separate jurisdictions—the city of Minneapolis, Hennepin County, the parks board, the school board, and the public library—to implement the programs and services in their plans. In most neighborhoods, CPOs have created subcommittees to deal with NRP planning.

COMMUNITY DEVELOPMENT CONTEXT

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Soon the city began to restructure its housing subsidies to match the type of housing CDCs wanted to do. Until 1978, local subsidies for affordable housing through the CDBG program were for single-family rehabilitation. In 1978, neighborhood and housing activists working together were able to convince the Minneapolis Housing and Redevelopment Authority (MHRA, the predecessor to MCDA) to broaden the scope of housing assistance to include multifamily development and rehabilitation. In that same year, neighborhood and tenant activists created Common Space, a nonprofit organization whose objective was to create cooperative housing projects throughout the city. Common Space became a central clearinghouse for ideas and information on community-based housing and neighborhood development. CDCs in the city began developing leasehold cooperatives, a form of multifamily housing that takes advantage of the state's property tax preferences for owner-occupied housing. As the city broadened its support to CDCs and to multifamily housing, some neighborhood-based development organizations were also able to successfully lobby for administrative funding directly from the city's CDBG program. Other neighborhoods began to form their own CDCs, and the nonprofit housing sector continued to grow through the late 1970s.

During the 1980s, CDCs became the central actors in community development in the city. State and local governments, private foundations, neighborhood-based groups, and housing activists all looked to the growing network of CDCs to implement programs of community development in the central neighborhoods. Ironically, CDCs had their greatest influence on community development (during the 1980s) at a time when city policy was preoccupied with downtown development. The lion's share of MCDA resources went toward downtown in those years (Schwartz and Glickman 1992), but the development funds that were directed toward neighborhoods were channeled largely through the CDCs. What developed was a rather tight and stable trilateral relationship between MCDA, the CDCs, and the city council on matters of neighborhood development. CDCs worked very closely with MCDA staff to shape programmatic content and to develop specific projects. MCDA provided support to the CDCs, which carried out the agency's policies in the neighborhoods. The CDCs curried favor with the council members, whose approval was neces-

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sary for any project to proceed. City council members, in turn, signed off on neighborhood development projects as ways of addressing issues of blight and disinvestment in their wards. Neighborhood organizations routinely ratified the projects brought to them by the CDCs or MCDA. Community development in Minneapolis came to be characterized by a relatively stable set of mutually supportive relationships (Goetz and Sidney 1997). The following sections will describe more fully each of the three parties to this arrangement and how they operated during this time of growth in the CDC movement.

The CDCs

In the early 1980s, the nonprofit developers created their own trade organization, originally called the Consortium of Nonprofit Developers (now known as the Minneapolis Consortium of Community Developers). The consortium acted as the political agent for the CDCs. As the director of one CDC said, "We're far more effective speaking as one voice, the thirteen of us, than we are individually" (quoted in Goetz and Sidney 1997). The association of CDCs has benefited first and foremost by being able to keep a certain level of pressure on the city council to expand project development. The consortium has also been effective in working with the private sector, ensuring that banks stay engaged in lending in neighborhoods, particularly for project development work related to housing. Finally, the consortium has been an effective advocate for some economic development programs at the Capitol.

In 1987, a statewide affordable housing coalition called the Minnesota Housing Partnership was formed. Though some of the Minneapolis CDCs are involved in the work of the partnership, most CDCs see the local political arena as the most relevant to their concerns. Although all of the CDCs belong to the consortium, in 1994 only 31 percent belonged to the Minnesota Housing Partnership, while even fewer, 23 percent, belonged to the National Low Income Housing Coalition.

The CDCs enjoyed a high level of legitimacy in the neighborhoods at this time. The issues that were highest on the agendas of many neighborhood groups—gentrification, disinvestment, and affordable housing—were exactly the issues that the CDCs were best at addressing. The CDC development agenda was rarely questioned, either by city officials on the one hand or by community activists on the other. By the early 1990s, they had created more than 3,200 multifamily units in the central neighborhoods of the city (Goetz and Sidney 1994b).

MCDA

The expanded output of the CDCs was the result of conscious efforts on the part of MCDA to nurture CDCs and create for them a set of programmatic tools that could be used to accomplish community development. As the director of the MCDA multifamily housing division said, "What evolved is a menu of programs supporting nonprofits that is probably unequaled in the country in any particular city."

MCDA worked closely with the consortium of nonprofit developers on routine matters of policy and project development, and regularly attended consortium meetings. MCDA staff reviewed consortium policies and solicited input of the CDCs in the agency's own program development (Goetz and Sidney 1997). It was MCDA policy to nurture the CDCs that existed in the city. Thus, city funding for multifamily development was allocated in a way to keep all CDCs busy enough to survive.

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City council

In a weak-mayor system, and elected by ward, city council members have both the opportunity and the incentive to become closely involved in development projects in their districts. This proclivity is enhanced by the fact that, in Minneapolis, the city council sits as the board of directors of the MCDA. MCDA drew criticism in 1992 and 1993 for having a too highly politicized development process. Much of the blame for the politicization of economic and housing development was traced to the influence of individual council members in MCDA activities (Deloitte and Touche 1993).

In Minneapolis, the support of the council member is, in the words of one CDC director, "absolutely critical. [If] they don't like it, you don't get money. That's the bottom line." Council members from other wards generally follow the lead of the council member in whose ward a project lies, so lack of support from the "home" council member is tantamount to a veto of the project. As one CDC director described, "If [the local] council person is against the project, the [others] usually almost never would vote for it." Another director stated, "I don't think we have ever done a project in a neighborhood where the councilperson wasn't supportive." Council members, with rare exceptions, did not view the CDCs as sources of rival power in their wards, but rather as the means of delivering goods and services to their constituents.

CHANGES IN THE 1990s

Though the CDCs had a place of prominence during the years in which city policy was focused on downtown, when the city council and MCDA turned their attention and their resources to the neighborhoods, the influence of CDCs began to wane. This decline was due to a combination of factors. The first is the way in

NRP required a level of planning and citizen participation well above anything that had occurred in the neighborhoods prior to that. This resulted in the introduction of new actors into the community development policy subsystem who challenged the leadership of CDCs in neighborhood-based development, and challenged the once-cozy relationship between CDCs and MCDA

which the city has reoriented its policy toward the neighborhoods through the establishment of the Neighborhood Revitalization Program. NRP has changed how needs are identified and resources are allocated for community development. As described earlier, NRP requires community groups to develop comprehensive neighborhood action plans that range from physical to social and economic development. NRP required a level of planning and citizen participation well above anything that had occurred in the neighborhoods prior to that. This resulted in the introduction of new actors into the community development policy subsystem who challenged the leadership of CDCs in neighborhood-based development, and challenged the once-cozy relationship between CDCs and MCDA. As one city council member put it: "To the extent that we have drawn more area residents into the decision-making process, it probably has been somewhat upsetting to the CDCs." In fact, the CDCs have experienced difficulty finding a niche in this new environment (Teamworks 1997). Some have become merely the implementers of neighborhood action plans that have been decided upon by an entirely different set of neighborhood activists with little or no input from the CDCs.

NRP began about the same time that several forces were converging to redefine the problems of central city neighborhoods in the Twin Cities. The most important of these factors was a gradual redefinition of neighborhood problems into problems related to the "concentration of poverty." State Representative Myron Orfield of Minneapolis began a three-year campaign in 1992 to legislate regional fair-share housing (Orfield 1997). Orfield's message, which received considerable media attention and sparked a regional debate that is still ongoing, was that the central cities are suffering from an unnecessary concentration of poverty and social ills caused, in part, by the obstacles to affordable housing put up by suburban jurisdictions and the subsequent concentration of affordable housing in the central cities. Though Orfield's objective was to increase the development of affordable housing in the suburbs, the main effect of his campaign has been to increase opposition to the further development of affordable housing in the core areas of the region. The specter of concentrated poverty complemented the growing fear of crime and drug violence in the central neighborhoods of Minneapolis. Indeed, the city experienced an unprecedented growth in homicides during 1995 and 1996 that was attributed to gang and drug-related violence—just the kind of social pathology predicted by the concentrated-poverty model. From this perspective, the affordable housing typically produced by CDCs is seen as a liability for central city neighborhoods.

This perception was also reinforced by a series of media stories on central city blight, and by official reports of the Metropolitan Council and the Citizens League. Neighborhood activists in Minneapolis came to voice their concerns about concentrated poverty and how CDC-developed subsidized housing contributes to those problems. For example, four neighborhood groups established moratoria on CDC-sponsored housing in the early 1990s, and seven of 15 neighborhoods in Minneapolis served by CDCs showed signs of conflict between the CDC and the neighborhood group (Goetz and Sidney 1994a). Though CDCs have weakly attempted to defend their work, and though they continue to advocate for subsidized rental housing development, most neighborhood groups, most city council members, and the MCDA are now acting on a different understanding of what effective community development is, an understanding that emphasizes the deconcentration of poverty, the reduction of crime, and income diversity in poor neighborhoods. Thus, political and financial support that had been directed to subsidized multifamily housing is no longer there. In fact, "It appears that there is little coherent effort to address the needs of lower-income renters, i.e., people who are working, earning $10,000 to $20,000, who could not qualify for homeownership" (Teamworks 1997: 12).

A third factor contributing to the decline in CDC influence is the reorientation of MCDA policy away from subsidized housing in general and away from multifamily housing (the type that Minneapolis CDCs had specialized in developing) specifically. In 1992 the mayor and the city council established a blue-ribbon citizens' committee to review MCDA and make recommendations on the agency's focus, administrative procedures, and organizational structure. The committee's report concluded that the process of approving community development projects in the city was too politicized (Deloitte and Touche 1993). Rather than an overall development strategy to guide MCDA projects, the consultants found that the agency ran on a system of council member influence. These findings reinforced the idea of some CPO activists that the policy subsystem was too closed, and the relationships between MCDA , the CDCs, and some council members were too cozy.

A few months after the committee's report, the MCDA and its financing of CDC-sponsored housing developments were the subject of newspaper accounts that criticized the high per-unit cost of some MCDA-CDC housing partnerships and highlighted the political connections of many affordable housing providers (Short 1993a, 1993b). The publication of the MCDA report was followed by a protracted vacancy in the MCDA executive director's position. The city council, the mayor, and the agency took this opportunity to reorganize the agency and establish a new direction in operations and policy orientation. A central element of the reorganization was the elimination of the multifamily housing division whose director had worked consciously to disburse project funding to all of the CDCs to keep them in business. In 1995, that director lost his job and multifamily housing was absorbed by the single-family division. MCDA has, as a result, dramatically changed its

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MCDA housing and community development policy has changed in three significant ways. First, there has been a generally reduced emphasis on housing in favor of neighborhood economic development. The new director of MCDA explained to CDC officials in an early meeting that housing affordability problems are best addressed by increasing the income of city residents through job creation and economic development.

The second important change is that within the agency's housing efforts, multifamily developments have given way to homeownership programs in priority. The combined multifamily and single-family division is headed by administrators with little experience in, or inclination toward, multifamily housing. Since 1993 MCDA has shifted virtually all funds for multifamily housing away from new development and into the stabilization of existing projects. City council members and neighborhood groups have begun to favor programs designed to attract and retain middle-income residents as a way of stabilizing the tax base and reinvigorating the school system. In 1994, MCDA allocated more than $20 million for homeownership development and home improvement programs for owner-occupants, compared to $1.7 million for rental housing (MCDA 1994).

As a result of the environmental changes occurring in the community development policy arena in Minneapolis, the city's CDCs have been forced to adapt

The final policy change is a conscious effort to deconcentrate poverty by attempting to attract middle-class residents back to core neighborhoods and dispersing subsidized housing into nonimpacted neighborhoods. This has the effect of reorienting the agency's housing efforts away from the type of housing historically developed by the CDCs (multifamily rehabilitation in the core neighborhoods). The agency's priority ranking system for tax credit housing projects, for example, was changed to dramatically reduce the priority of developments located in the core neighborhoods, thus hurting the efforts of CDCs working in those neighborhoods to get their projects funded. This manner of rating the development proposals is used for all of the city's single- and multifamily housing programs. The 1995 consent decree on public housing[1] and the mayor's housing strategy, announced in 1995, both focus on decentralizing poverty and reducing the concentration of subsidized housing in the core neighborhoods (Brandt and Draper 1995).

As a result of the environmental changes occurring in the community development policy arena in Minneapolis, the city's CDCs have been forced to adapt. One of the most productive multifamily developers, the Whittier Alliance (developer of more than 300 units between 1980 and 1993), no longer engages in multifamily housing development of any kind. New neighborhood activists, mobilized by NRP, have ended the production of subsidized, multifamily housing in the neighborhood and reoriented Whittier Alliance efforts away from that type of housing. In fact, Whittier Alliance formed a new corporation, the Whittier Housing Corporation, to own and manage its multifamily housing assets. But WHC has not developed any multifamily housing of its own, nor will it under the current leadership.

The West Bank CDC was also a prolific producer of multifamily housing during the 1980s, developing more than 500 units. As its intense involvement in redevelopment wound down, the organization shifted from housing development to the provision of services to the residents of its cooperatives and toward economic development activities. It now operates its own microloan program for small business development. Another CDC, the Northside Residents Redevelopment Council (NRRC), has also taken on economic development activities in recent years. Since 1994 they have been running a small business assistance program to complement their housing activities. Meanwhile, other CDCs, such as the Powderhorn Residents Group, have shifted to special needs housing and home buyer counseling.

III

CDCs AND CAPACITY BUILDING

In this section the sources of support available to CDCs along the five dimensions of capacity laid out by Glickman and Servon (1997) will be examined. In the absence of a single intermediary that could provide a range of supports, CDCs in Minneapolis must access various sources in order to build or maintain capacity across these dimensions.

PUBLIC FUNDING TO CDCs

The "unequaled menu of programs for CDCs" has diminished somewhat in recent years as MCDA refocuses on homeownership. Currently, MCDA makes between $1 million and $2 million available for multifamily housing each year. These funds are typically from the HOME and CDBG programs. The Multifamily Rental and Cooperative Housing Development Program provides funds to CDCs for the rehabilitation or construction of affordable rental or co-op property. The MCDA also provides financing through housing revenue bonds and the Low Income Housing Tax Credit Program. In the past four years, however, five other programs that

FIGURE 1.
FIVE TYPES OF CDC CAPACITY

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

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, and the roles played by boards 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.

Networking 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 fundraising for projects and programs, have better access to nonfinancial resources, and increase their political power. Networking is central to the other aspects of capacity building.

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.

Political Capacity. The CDC's ability to credibly represent its residents and to effectively advocate on their behalf in the larger political arena beyond the neighborhood also has important ramifications for its success. 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 as well as the ability of CDCs to involve residents in determining needs and shaping policy.

(*Source:* Glickman and Servon 1997)

had provided project capital to CDCs (four of them targeted specifically to multifamily housing assistance) have been discontinued or are currently unfunded. The surviving programs give preference to projects that deconcentrate subsidized housing (i.e., are located in neighborhoods not served by CDCs). Real estate costs in those neighborhoods, however, make it difficult for projects to work financially, even if neighborhood approval for subsidized housing can be obtained.

On the single-family side, the Rehabilitation Support Program subsidizes improvements to single-family homes or duplexes. Vacant Housing Acquisition and Disposition program funds can be used to acquire property to be rehabilitated or demolished through the Rehabilitation Support Program. Finally, the Home Ownership Works program provides funds for the rehabilitation of vacant, foreclosed properties in need of moderate rehabilitation.

MCDA also offers one program aimed at providing capacity to the CDCs with which it works. The Nonprofit Housing Development Assistance Fund provides grants of $10,000 to CDCs to offset administrative costs of developing affordable housing. A nonprofit developer receives these funds when it closes a city-financed housing deal.

The Minnesota Housing Finance Agency (MHFA) also provides a range of housing assistance programs to which CDCs have access. In the past five years, MHFA has become very supportive of CDC housing efforts. This is due, in part, to a new director who has put a greater emphasis on assisting CDCs than did her predecessor. In addition, in 1989 the state legislature approved funding for a capacity-building grant program and a capacity-building revolving loan fund, both of which are run by MHFA. The grant program is designed to enhance the organizational capacity of affordable housing providers, while the loan program is essentially a predevelopment loan program. Between 1991 and 1995, Minneapolis CDCs received MHFA capacity-building predevelopment loans for 22 separate projects, totaling $364,221 in assistance.

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The funding objectives of the grant program have been: a) to fund projects to enable housing providers statewide to address low-income housing needs; b) to assist projects impacting the organization's capacity to address housing needs; c) to support action-oriented projects related to implementation of plans to meet housing needs; and d) to assist organizations operating in areas of the state where there is a lack of organizational capacity to address needs. The eligible uses include studies and analyses of housing needs, staff training, legal or other professional services, and other activities. Because the legislature allocated only $100,000 per year for the program, grant amounts are typically small. They averaged less than $5,000 in 1990, the program's first year of operation, and almost $9,000 the next year. Subsequent years have seen grant amounts within that range. Capacity-building funds have been used most frequently for staff training and equipment. Six of the larger Minneapolis CDCs have received capacity-building grants from MHFA (Pitman 1996).

MHFA provides an array of additional resources for CDCs. These programs are listed in Table 1.

PRIVATE-SECTOR ACTORS

Private developers and lenders do not play a large role in building or financing inner-city community development projects in Minneapolis. The most significant exception is Brighton Development Corporation, a for-profit residential developer quite active in affordable housing production. The company's president formerly directed the Minneapolis Housing and Redevelopment Authority (MHRA), the predecessor to MCDA, and is familiar with issues of affordable housing development and management. In addition, several private property management firms specialize in managing subsidized housing in the Twin Cities region, and have their chief base of business in community development projects.

The major Minneapolis banks generally have not had a good record in the area of community lending. Several studies have shown a pattern of lending disadvantageous to central city neighborhoods, especially neighborhoods with the highest levels of minority residents (see, for example, Klauda and St. Anthony 1990; Chin, Moylan, and Kummer 1993). Furthermore, the studies show very wide disparities in rejection rates for white and nonwhite applicants. "Almost 70 percent of disparity between home mortgage loan rejection rates is due to unequal treatment of similarly qualified loan applicants" (Chan and Myers 1996).

A study by ACORN, released in 1993, showed a pattern of redlining by companies providing homeownership insurance in Minneapolis and St. Paul. ACORN found that "47 percent of homes in predominantly black low-income neighborhoods were insured by private carriers, compared to 79.8 percent in similar white neighborhoods" (St. Anthony and Sundstrom 1993).

Several banks have initiated community lending programs in response to direct challenges by community groups. Throughout 1991 and 1992, the Minneapolis Consortium of Community Developers negotiated with First Bank, a Minneapolis-based lender, to improve the bank's record of community lending. First Bank was, at that time, a depository for city funds. The consortium threatened to urge the transfer of city funds to other, more community-minded institutions unless First Bank agreed to step up local lending. City officials cooperated with the consortium by delaying a decision on First Bank's status, pending the outcome of the negotiations. First Bank's designation was held up for several months while the bank met with the consortium. Ultimately, First Bank

TABLE 1
STATE OF MINNESOTA
HOUSING DEVELOPMENT PROGRAMS
FOR NONPROFITS

Program Name and Description
Innovative Housing Loan Program
Development funds for single- or multifamily housing
Partnerships for Affordable Housing
Interim construction loans for nonprofit housing providers
Community Set Aside Program
Set-asides of mortgage revenue bond funds for homeownership projects
Affordable Rental Investment Fund
No-interest first mortgages or deferred loans for acquisition/rehab/new construction of low-income rental housing
Low and Moderate Income Rental Program
Mortgage and rehab funds for low- and moderate-income rental projects
Low Income Housing Tax Credit Program
State's allocation of federal tax credits to investors in affordable rental housing
New Construction Tax Credit Mortgage/ Bridge Loans
First mortgage and bridge loan financing for tax credit projects
Housing Trust Fund
No-interest deferred loans to community housing organizations for any type of affordable housing development
Transitional Housing Program
Funds for acquisition/rehab/new construction of transitional housing

committed $10 million over a five-year period for low-income tax credit projects. The consortium repeated the same negotiations with another local lender later that same year.

The corporate sector has a somewhat better record of participation in community development. A number of firms extend a considerable amount of philanthropic assistance to the community (Schwartz and Glickman 1992). Two of the most notable examples are the efforts of the St. Paul Companies and Honeywell. The St. Paul Companies, an insurance firm, has channeled more than $8 million into community development and capacity building in the nonprofit sector since 1982 (Berger 1993). Honeywell is currently planning to demolish more than 50 units of rental housing immediately adjacent to its south Minneapolis headquarters and partner with several nonprofit CDCs to replace them with a combination of town house condominiums and single-family homes.[2] Finally, the corporate sector makes a significant contribution through its support of GHMMC (described below).

What has evolved in Minneapolis, over time and through the actions of a number of actors, is a set of support structures that offer CDCs a variety of forms of assistance

FOUNDATIONS

The Twin Cities' foundation community is very active in community development. The McKnight Foundation, along with both the Minneapolis and St. Paul city governments, funds the Minneapolis-St. Paul Family Housing Fund, which since its inception in 1980 has provided $62 million to affordable housing development in the region (see a full description of the Family Housing Fund below). McKnight has also funded economic development activities in the Phillips neighborhood, granting local matching funds for the Phillips CDC to participate in a State of Minnesota minority business assistance program. The Dayton-Hudson Foundation has been active since the mid-1970s in sponsoring community-based organizations and neighborhood planning strategies. Other foundations active in affordable housing and community development include the Bush Foundation, Gamble-Skogmo, and the Wilder Foundation.

INTERMEDIARIES

Another set of organizations supports community development by channeling financial resources to affordable housing. Several intermediaries operate in the Twin Cities. What has evolved in Minneapolis, over time and through the actions of a number of actors, is a set of support structures that offer CDCs a variety of forms of assistance. Four of these programs have been mentioned already: the MHFA capacity-building grant program that provides organizational support to CDCs; the MHFA capacity-building revolving loan fund that provides predevelopment financing for low-income housing projects; the MCDA administrative fund for nonprofit developers—a grant of $10,000 to CDCs after they close a loan with MCDA; and the St. Paul Companies program of capacity-building assistance for nonprofit organizations. Several other forms of capacity-building assistance are provided by other groups in the region. These groups, and their roles, are described below.

Greater Minneapolis Metropolitan Housing Corporation (GMMHC)

GMMHC (pronounced "gimmick") was created in 1970 when 14 major Minneapolis corporations capitalized the organization through contributions. GMMHC's purpose was to provide assistance funds to neighborhood-based organizations attempting to improve the availability and quality of affordable housing for low- and moderate-income families. The corporations, which include General Mills, Honeywell, First Bank, and Dayton-Hudson, contributed $1 million over five years to establish a revolving loan fund to be made available to neighborhood groups. The initial funding served many purposes, from support for predevelopment to administrative expenses when necessary to bridge loans and earnest money for development ideas. According to the executive director, the flexibility of the fund was designed to make it more responsive to the varying needs of community-based organizations. Since 1971, GMMHC's predevelopment loan fund has assisted 13,670 units. Two-thirds of those units were developed in Minneapolis, many by CDCs. GMMHC has also built and sold more than 900 units of new or rehabilitated single-family housing in Minneapolis.

The rate of GMMHC activity is accelerating. In its first decade the organization assisted 3,052 units. During the 1980s the predevelopment fund assisted 5,862 units in the region, and in the first six years of the 1990s, it funded 4,756 units (GMMHC 1996). Minneapolis CDCs have made significant use of GMMHC predevelopment funds. The GMMHC predevelopment revolving loan fund is the most widely used source of predevelopment financing by Minneapolis CDCs (Goetz and Sidney 1994b). Some in the CDC movement contend that GMMHC's increased development activity has made the organization more of a competitor with CDCs and less a support organization.

More recently, GMMHC has become involved in funding commercial development, school construction for magnet schools, and the construction of the YMCA. Thus, the organization is moving away from its earlier focus on housing to other activities. These activities are still aimed at neighborhood-based revitalization. This programmatic shift is not the result of a strategic decision to move away from housing, but rather a response to greater demand for diversified forms of support for neighborhood revitalization projects.

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Family Housing Fund (FHF)

The Family Housing Fund (FHF) was created in 1980 by the cities of Minneapolis and St. Paul and the McKnight Foundation. The original purpose of the FHF was to address the affordable housing needs of the two central cities. In 1996, FHF expanded its mission to include the entire metropolitan area. The FHF raises money from the private sector, primarily foundations, and combines it with public-sector funds. These funds are then used in loan and grant programs for local affordable housing developers. Although FHF's mission says nothing about nonprofit housing organizations, FHF staff concluded in the late 1980s that CDCs were critical to efforts to produce low- and moderate-income housing. Thus, FHF channels its assistance to CDCs, but it does so in support of its own mission, not for the sake of the CDC movement.

Currently FHF has four programmatic areas. In the area of homeownership, it provides loans and grants to low-income families for home purchase, and it funds homeownership counseling. FHF's rental housing initiatives include: a) new construction and rehabilitation financing; b) capacity-building assistance for nonprofit developers; and c) neighborhood revitalization through the removal of blight. Since 1975, FHF has provided financing to more than 25 multifamily projects developed by CDCs in Minneapolis, contributing more than $3.5 million in financing to these projects. FHF financing typically has been in the form of smaller gap financing loans that supplement the main source of financing, whether through tax credits or CDBG. The capacity-building program provides financial support to CDCs to enhance management, administrative efficiency, and skills in property development and management activities. FHF also has an initiative called More than Shelter, which provides financing for transitional housing and service-enriched rental housing for low-income families and individuals. Finally, FHF funds public education on affordable housing and action-oriented research on affordable housing issues.

In 1996, FHF initiated a task force that streamlined the funding process for rental housing developments in the metropolitan area by establishing a joint funding system shared by FHF, MHFA, the Metropolitan Council Housing and Redevelopment Authority,[3] MCDA, and the Minneapolis Public Housing Authority.[4]

FHF has also administered a Rental Asset Management Support Program to provide assistance to nonprofit housing developers in covering asset management deficits. In 1996, this program provided support totaling $242,000 to six different CDCs in Minneapolis. FHF also works with LISC, MHFA, and the Multi-Housing Association to provide asset management and property management training to nonprofit developers.

Interagency Stabilization Group (ISG)

In 1995, the Family Housing Fund convened a meeting of the largest funders of affordable housing in the region to discuss the issue of asset management among the nonprofits that owned and operated thousands of units of subsidized housing. There was a growing concern among the lenders that the projects they had funded 10 to 15 years earlier were approaching—and in some cases were already at the point of—severe financial trouble as the accumulated capital improvement and maintenance needs caught up with and surpassed the capital reserves and the income streams of the properties. Without some form of asset management stabilization, these projects were certain to end up in foreclosure. This group of funders, which included both central cities, MHFA, LISC, FHF, HUD, and private lenders and foundations, became known as the Interagency Stabilization Group (ISG).

In three years of operation, ISG has reviewed the stabilization needs of low-income housing projects for families in Minneapolis and St. Paul. The group has approved specific stabilization plans for 72 projects (3,816 units). FHF established a fund for project stabilization, and as of the end of 1996, $132,277 in assistance had been provided. Minneapolis CDCs are the prime recipients of this money for two reasons: they have been the most active in producing rental housing (CDCs in St. Paul have focused primarily on homeownership); and they have been around longer, meaning that their projects are more likely to be experiencing a financial squeeze due to their age.

Local Initiatives Support Corporation (LISC)

At the time the Family Housing Fund began to acknowledge the importance of CDCs in developing affordable housing, it invited LISC to open an office in the Twin Cities to provide support for CDCs. It turned out that CDCs in Minneapolis were not overly interested in LISC, however, since at that time LISC simply assembled funds for predevelopment loans for CDCs, and in Minneapolis GMMHC was already providing that service. Therefore, LISC opened an office in St. Paul and limited its operations to that city. Over time, the St. Paul LISC created some community-building initiatives and became the focal point for corporate and philanthropic interest in CDC activity. Minneapolis CDCs, however, did not seem to suffer from the lack of LISC activity on their side of the river. The city of Minneapolis was channeling large amounts of project capital to multifamily housing, the CDCs were surviving on developers' fees, and GMMHC was still providing sufficient levels of predevelopment financing.

The one contribution that LISC made in St. Paul that Minneapolis's CDCs did not have in equal amounts was core operating support. This has become a greater issue for Minneapolis CDCs in recent years for two reasons: first, as development funds began to dry out, so did the developers' fees that had sustained the organizations for many years; and second, the CDCs had completed so many projects that a significantly greater proportion of their time and staff effort went toward asset management—a function for which no consistent funding was available from any source. Thus, as the 1990s wore on, the resistance to LISC in Minneapolis lessened. Finally, negotiations throughout 1997 between Minneapolis CDCs, the consortium, MCDA, and LISC resulted in an agreement that LISC would commence operations in Minneapolis. The FHF has been supportive of this move because they see project financing, not organizational support, as their mission, and they would like to see another intermediary take care of the core operating needs of the CDCs.

Corporation for Supportive Housing (CSH)

The Corporation for Supportive Housing, another national nonprofit intermediary, offers aid to metropolitan area organizations that assist in the housing of the homeless and near-homeless. It has been in operation for three years.

OTHER SOURCES OF SUPPORT FOR MINNEAPOLIS CDCS

Minneapolis Consortium of Community Developers (MCCD)

MCCD was first formed in 1982 by the small group of CDCs that existed at the time. It was created to be a player at city hall, contributing to the policy debate over housing rehabilitation and development in the city. The goals of the organization have not changed significantly since then, though the organization has grown and it has developed its own menu of membership benefits and programs. In recent years, MCCD has received funding from the Minneapolis Foundation and the McKnight Foundation to broaden the range of its activities.

MCCD is currently focusing most of its energy on economic development. It offers a variety of technical assistance programs for small businesses and entrepreneurs. MCCD has channeled more than $1 million into businesses throughout the city. Most of this is through a loan program that provides gap financing on capital development for new and existing businesses. Since 1990 MCCD has run a microloan program funded by the Northwest Area Foundation and the city of Minneapolis (loan amounts up to $15,000). It also administers a business loan from the state of Minnesota targeted to minority ownership and job creation in the central city (loans of up to $40,000). MCCD is the local agent for the SBA Micro Loan Program (loans of up to $25,000). It has set up its own technical assistance program for small businesses, including a "home base business coach" that provides marketing resources to entrepreneurs.

In addition to its direct work in economic development, MCCD provides an array of benefits to its members. In 1996, MCCD helped organize a series of working luncheons focusing on the issue of asset management. The group assessed common needs and issues and developed strategies for addressing them. MCCD also helped form the Minneapolis Multi-Family Housing Task Force, aimed at enhancing support for affordable multifamily rental housing in the city. This task force is a direct response to the city's declining involvement in new multifamily housing development.

MCCD provides pooled insurance benefits that, especially in the area of property and casualty insurance, save members up to 40 percent on that portion of their insurance bills. MCCD provides workers' compensation insurance at a discount to its members and discounts on the purchase of office and custodial supplies and cell phones.

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United Way

The United Way offers limited organizational support to groups involved in providing human services. Up until three years ago, United Way did not consider affordable housing a human service. Minneapolis CDCs and the Family Housing Fund lobbied the United Way to redefine affordable housing as a human service in order to make CDCs eligible for operating support. They succeeded, and in 1996 four CDCs began to receive administrative support through United Way. The actual amount received by each organization, however, is very small—generally less than $30,000 per year, a fraction of typical operating expenses.

SUMMARY OF CAPACITY BUILDING FOR MINNEAPOLIS CDCs

Though Minneapolis lacks a community development partnership, there are a number of agencies in the city and in the region that provide forms of capacity-building assistance to CDCs. Table 2 summarizes the sources and types of assistance available to CDCs.

CDCs in Minneapolis must piece together assistance from various sources. For example, although four different sources of resource capacity assistance exist, each of them is small and insufficient (alone or when combined) to provide enough financial support to meet a CDC's resource requirements. The same can be said for the sources of organizational capacity assistance.

TABLE 2
CAPACITY-BUILDING ASSISTANCE AVAILABLE TO MINNEAPOLIS CDCs

Dimensions of Capacity	Sources of Assistance to CDCs	Types of Assistance (by source)
Resource Capacity	1. MCDA	Small grants for administrative
	2. GMMHC	expenses (1,2,4)
	3. MCCD	Pooled insurance and
	4. United Way	purchasing discounts (3)
Organizational Capacity	1. MHFA	Small grants for organizational
	2. FHF	development (1,2,3)
	3. Private sector	
Networking Capacity	–	–
Programmatic Capacity	1. MCDA	Single- and multifamily develop-
	2. GMMHC	ment loans (1,3,4,5,6,8,9)
	3. MHFA	Predevelopment loans and
	4. FHF	grants (2,3,)
	5. Private sector	Bridge loans (2,3)
	6. Foundations	Community lending programs for
	7. ISG	housing (5)
	8. LISC	Business and commercial
	9. CSH	development loans (2,6,10)
	10. MCCD	Property stabilization loans (4,7)
Political Capacity	1. MCCD	Multifamily housing task force (1)

The only type of capacity that is fully provided for by local sources is programmatic capacity. There are ample sources of financing for single- and multifamily housing development and commercial development, though multifamily financing is more difficult to secure in the current political environment. There are also sources of funds for predevelopment and bridge financing. Where capacity assistance is obviously lacking is in the areas of networking and political capacity. Though MCCD might seem the most likely candidate to provide assistance in this area, the coalition has not done a great deal. It did help form the Multi-Family Housing Task Force in 1997 to advocate for devoting greater resources to the rehabilitation of the city's multifamily housing stock; beyond that, however, there has been no systematic effort in the city to address the networking and political needs of the CDCs.

V

CDC DEVELOPMENT ACTIVITY IN MINNEAPOLIS

CDCs began to develop affordable housing in Minneapolis in the mid-1970s. Most of the earliest multifamily developments were cooperative housing projects. Between 1975 and 1980, six CDCs produced 343 units in 12 separate projects. Seven of these developments (accounting for 257 units) were assisted with project-based Section 8 subsidies. From 1981 to 1986, the number of CDCs grew, as did the productivity of the entire sector. During this time, nine CDCs created 1,572 units of rental or cooperative housing in 58 projects. Only 11 of these developments had Section 8 subsidies, however, as the federal government was phasing out this type of project-based assistance. Between 1981 and 1986, the city of Minneapolis channeled a large amount of CDBG funds to the multifamily housing being developed by CDCs. The city used more than $18 million in CDBG funds to subsidize 54 multifamily housing projects developed by CDCs during this period, compared to less than $1 million in the previous six years.

The next phase, 1987 to 1992, saw a decline in the rate of productivity of Minneapolis CDCs, and a decline in the use of CDBG funds to subsidize multifamily projects. CDCs created 925 units in this period in 37 separate projects, using just over $6.6 million in CDBG funds. A large number of these units were funded by a special housing replacement fund the city created after building its new convention center, which eliminated more than 300 units of affordable housing in the downtown neighborhood. The Low Income Housing Tax Credit and the MHFA became more important sources of project capital for Minneapolis CDCs during this time.

Since 1993 the new construction or rehabilitation of affordable multifamily housing has remained at a low level, and the use of CDBG funds for this purpose has effectively ended. Just over 650 units of multifamily housing have been developed, and the city has moved away from developing new projects, instead putting its money into funding the stabilization of properties produced in earlier years. Overall, CDCs have developed more than 3,500 units of affordable multifamily housing since 1975, using a variety of financing mechanisms. In the same period, CDCs have also produced approximately 400 units of single-family homeownership housing. Table 3 provides a summary of housing and commercial development production for each of the existing CDCs. The fig-

Overall, CDCs have developed more than 3,500 units of affordable multifamily housing since 1975, using a variety of financing mechanisms. In the same period, CDCs have also produced approximately 400 units of single-family homeownership housing

TABLE 3
PRODUCTION FIGURES FOR EXISTING CDCs

	ECONOMIC DEVELOPMENT						HOUSING								
CDC	**Jobs created**	**Jobs retained**	**Businesses assisted**	**Loans packaged**	**Start-ups assisted**	**Properties developed**	**Single family rehab**	**Single family new**	**Multi family units**	**MF owned**	**SF loans processed**	**HO loans processed**	**Full time emp.**	**Part time emp.**	**Admin budget**
Artspace	-	-	-	-	-	-	6	3	152	-	-	-	9	7	200,000
CCHT	-	-	-	-	-	-	-	-	836	836	-	-	8	-	521,399
Chateau	-	-	-	-	-	-	-	-	184	184	-	-	4	5	266,000
Habitat	-	-	-	-	-	-	40	20	-	-	-	60	22	8	570,000
LNDC	75	75	7	4	4	30	-	-	109	6	-	-	1	2	130,000
NNHS	-	-	-	-	-	-	150	10	36	-	4,000	900	15	1	840,000
NRRC	30	10	317	42	130	1	18	4	342	47	-	-	13	4	360,000
PCDC	2,500	2,500	507	62	91	55	-	-	-	-	-	-	5	1	325,000
PPL	-	-	-	-	-	-	119	33	400	408	-	-	NA	NA	NA
PRG	-	-	-	-	-	-	10	26	261	118	-	-	7	1	40,800
Seward	2,500	NA	700	19	150	100	30	-	676	676	-	-	3	3	24,500
SNHS	-	-	-	-	-	-	25	19	-	-	2,000	199	14	1	718,000
UV	212	200	31	15	13	9	-	-	-	-	-	-	NA	NA	NA
WBCDC	1,500	2,250	750	60	180	15	2	5	262	-	-	-	1	1	1,590
WCDC	150	75	275	192	48	5	-	-	-	-	-	-	2	1	NA
WHC	-	-	-	-	-	-	20	11	301	158	6	-	3	2	125,000
TOTAL	6,967	5,110	2,587	394	616	215	420	131	3,559	2,433	6,006	1,159	107	37	4,122,289

Artspace: Artspace, Inc.
CCHT: Central Community Housing Trust
Chateau: Chateau Housing Corporation
Habitat: Habitat for Humanity
LNDC: Lyndale Neighborhood Development Corporation
NNHS: Northside Neighborhood Housing Services
NRRC: Northside Residents Redevelopment Council
PCDC: Phillips Community Development Corporation
PPL: Project for Pride in Living
PRG: Powderhorn Residents Group
Seward: Seward Redesign
SHNS: Southside Neighborhood Housing Services
UV: Urban Ventures
WBCDC: West Bank Community Development Corporation
WCDC: Whittier Community Development Corporation
WHC: Whittier Housing Corporation

Figures compiled by Minneapolis Consortium of Community Developers, 1997.

ures in Table 3 do not match the summary totals provided in this section because the data presented in the table are limited to CDCs currently in operation.

In 1996, a study documenting the impact of CDC-owned multifamily housing throughout the city was published (Goetz, Lam, and Heitlinger 1996). The study showed that CDC-owned multifamily housing developments: a) have had a slightly positive impact on nearby property values (as opposed to public housing and privately owned, publicly subsidized projects, which had slightly negative effects on property values); b) reduced the number of police calls to a building after purchase and rehabilitation by a CDC; and c) housed a renter population that is typically more stable than renters in surrounding privately owned housing. Individual CDCs have made use of this study as has MCCD. The degree to which this study has changed minds about the role of CDC housing in central neighborhoods, however, is unclear.

FORMER AND EXISTING ORGANIZATIONS

Though some of the CDCs in operation in Minneapolis date back more than 25 years, most were founded between 1976 and 1985. In fact, there has been a decline in the number of CDCs in the past five years. Three of the housing corporations that were prolific during the 1980s, the Whittier Alliance, West Bank CDC, and the Phillips Neighborhood Housing Trust (PNHT), are no longer active in housing development. The Whittier Alliance has discontinued multifamily housing development in the face of neighborhood opposition. WBCDC has completed its housing rehabilitation and production activity in the neighborhood, claiming that there are no longer any development opportunities left. PNHT closed its doors in 1995, a casualty of severe financial troubles. Two smaller northside housing corporations have also gone out of business since 1993 for lack of funding and community support of their activities.

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Currently, there are 16 community-based CDCs in Minneapolis, serving neighborhoods to the immediate south and northwest of the downtown. There are no CDCs based in neighborhoods south of 36th Street on the south, nor any housing CDCs in the entire northeast section of the city.

As listed in Table 3, nine of the Minneapolis CDCs focus on housing development, three on economic development, and four have engaged in both activities. Among the housing corporations, the Central Community Housing Trust is the most productive developer of multifamily housing in Minneapolis. There are two Neighborhood Housing Service (NHS) corporations, one on the north side and one on the south side, that focus on homeownership. The Whittier CDC, the Phillips CDC, and Urban Ventures are economic development agencies, focusing on small business development and job creation in those two southside neighborhoods. The Lyndale Development Corporation, Northside Residents Redevelopment Council (NRRC), West Bank Community Development Corporation (WBCDC), and Seward Redesign are CDCs that engage in both housing and economic development activities.

The average staff size of the CDCs is 7.6 full-time and 2.6 part-time staff members. The average administrative budget of these organizations is $317,000.[5] These numbers are larger than comparable numbers gathered in 1993, reflecting the fact that a number of smaller CDCs have closed their doors in recent years.[6] In 1993, the largest percentage of CDC budgets came from program income (an average of 53 percent of the budgets of CDCs), followed by foundation funding (20 percent) and public funds from the city (18 percent). Direct funding from the federal government was generally negligible (averaging 4 percent of budgets), as was state government (2 percent) and private-sector funding (2 percent).

The Minneapolis housing-oriented CDCs (except for the NHS groups and Habitat for Humanity) act as developers for projects that they own. Half of them act as developers for projects owned by other groups. A smaller percentage (one-quarter) package loans for individual borrowers in homeownership programs.

THE CONDITION OF THE CDC HOUSING STOCK

Most of the projects are approaching (or have already reached) a point where they are no longer financially viable. Inflation in property management and building maintenance costs has outstripped the earning power of the residents of these projects

Because much of the CDC housing stock is aging, a number of the buildings are in need of a second round of rehabilitation. Many of these projects were financed in such a way that the developments could not afford large capital replacement items. In some cases, even effective ongoing maintenance was not possible. In addition, given their location in the poorest neighborhoods of the city, the buildings have been subjected to a great deal of wear and tear. The CDCs have not been uniformly effective in maintaining the housing stock; some organizations have emphasized asset management from the beginning, while a small minority badly neglected it. Thus, the condition of the CDC stock is uneven.

It is easier to generalize about the financial condition of the housing stock. Most of the projects are approaching (or have already reached) a point where they are no longer financially viable. Inflation in property management and building maintenance costs has outstripped the earning power of the residents of these projects. The decline in Section 8 subsidies has put many of the building owners into a bind—either they keep their rents low in order to make them affordable to their target populations and run the risks of deferred maintenance and borrowing from reserves to keep the buildings operating, or they raise rents to a level necessary to keep the buildings operating and run the risk of pricing out the very families these units were meant to serve. Another risk with the latter strategy is that the CDC may price itself out of any market, given the neighborhoods in which these units are located; that is, there is a danger that no one in the neighborhoods in which these units are located will pay the rents necessary to keep buildings operating.

This problem is universal among CDCs in Minneapolis. Some CDCs face a larger problem than others, but even those developers who insisted on extensive rehabilitation at the outset and have maintained fully funded reserves are still approaching that time when their residents will be unable to sustain the projects as they are currently financed.

COMMERCIAL ACTIVITIES

Minneapolis CDCs have been significantly less involved in economic development activities than they have been in housing development. The CDCs have funded commercial properties and business incubators, helped with the formation of small businesses in their communities, and manage a microloan fund. Along with the Consortium of Community Developers, some CDCs have recently taken a more active role in economic development. The Phillips CDC and the Northside Residents Redevelopment Council are working with the Neighborhood Development Center on small-business start-ups. Project for Pride in Living, a citywide nonprofit organization, runs a couple of community businesses and a Business Resource Center, offering a variety of services for entrepreneurs. A similar service is available through the Whittier CDC. These technical assistance programs for businesses augment the services offered by the consortium.

The eight Minneapolis CDCs that have engaged in economic development activities report that they have helped create more than 5,300 jobs since the inception of their activities, retaining just over 5,100 jobs. The CDCs have assisted more than 2,500 businesses, and aided in the start-up of over 350 new businesses in the neighborhoods in which they operate. The CDCs have directly developed more than 200 commercial properties. Most of the commercial development achievements listed here have occurred during the 1990s. The CDCs have used a variety of funding sources for commercial development. The Phillips CDC, for example, combined a grant from the McKnight Foundation with a state grant to create a $800,000 revolving loan fund for minority business development. In addition, PCDC has received HUD funding through the John Heinz program for microenterprise services. PCDC has also administered the MCCD small-business loan fund and is a packager for SBA microloans.

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SOCIAL SERVICE DELIVERY

None of the Minneapolis CDCs are direct providers of social services. Until recently, very few attempted to mix social services with their housing development activities. There have been some recent indications, however, that the CDCs are moving more toward an integrated housing/social services package in their residential developments. The Central Community Housing Trust, for example, has developed a project for homeless youth that uses existing youth services agencies to provide services on-site. The Powderhorn Residents Group is about to complete a development for American Indians living with HIV/AIDS. Project for Pride in Living has developed a "dry" building for recovering alcoholics. Other CDCs have partnered with social service agencies to provide specialized housing opportunities such as transitional housing, housing for women fleeing abuse, and SRO-style housing for previously homeless adults. These projects remain the exception, however, as integrating social services and attracting the funding for ongoing service delivery remain considerable obstacles to such developments.

VI

CDC CAPACITY IN MINNEAPOLIS: THREE CASE STUDIES

In the following section we present case studies of three Minneapolis CDCs. The three were chosen for their diversity. One of the organizations, Central Community Housing Trust (CCHT), is among the largest and most productive in the city. Another of the organizations, Powderhorn Residents Group (PRG), is among the oldest CDCs in the city and has worked on housing since the mid-1970s. The third, Lyndale Neighborhood Development Corporation (LNDC), is among the youngest CDCs, in operation only since 1991. LNDC is strongly associated with a single neighborhood, whereas the other two serve more than one community. LNDC also engages in commercial development, while the other two focus only on housing. Yet, despite these differences, there are strong commonalities in the challenges faced by each of the groups and strong agreement among them about the most important needs of CDCs in the city.

CENTRAL COMMUNITY HOUSING TRUST

History

The Central Community Housing Trust (CCHT) was formed in 1986 after the city of Minneapolis announced it was going to build a new downtown convention center, tearing down more than

300 units of low-cost housing in the process. The city council, under pressure from affordable housing advocates, agreed to a resolution stating that it would fund the replacement of the units demolished for the convention center. The city preferred to work through a CDC on the replacement housing, but there was no CDC serving the downtown neighborhoods. Activists came together in 1986 to form CCHT. The CDC was organized in the structure of a neighborhood trust, with residents having significant control.

In its first year of operation, virtually all of the staff resources were volunteer; the organization had no funds for salaries. What CCHT did have, however, was access to millions of dollars of replacement housing funds from the city—essentially its own pool of money with which it could develop the replacement units. Thus, at least initially, CCHT did not have to spend time and energy searching for project capital. This luxury allowed the organization to grow quickly and be very productive in its early years.

Within three years, CCHT completed four large multifamily projects with 198 units. This production, and the quality of the developments, quickly established CCHT as one of the most respected CDCs in the city. The organization was able to capitalize on its growing cachet with MCDA, the city council, and funders to produce another round of developments in 1990 through 1992 that tripled the number of units it owned and operated. Since then, the organization has branched out to provide special housing opportunities for homeless adults and a service-enriched development for homeless youth. CCHT currently owns and operates 920 units of affordable housing in the downtown neighborhoods.

Resource capacity

CCHT has done very little fund-raising for operating or program expenses. After the completion of the replacement housing, CCHT was forced to diversify its sources of project capital. CCHT receives project financing from MCDA, MHFA, FHF, HUD, VA, and foundations, and uses tax credits for most of its projects. HUD and the foundations also provide support for social services in some of the buildings operated by the organization. For years it survived on the development fees of the projects it was producing in the neighborhoods. In the past two years, the staff has begun grant writing in order to attract funds to sustain the organization over time. The management of the buildings themselves (on-site management is contracted out) currently costs the organization approximately $260,000 per year. The executive director estimates that the buildings they own and operate generate $80,000 per year. Thus, CCHT is subsidizing its buildings at a level of about $180,000 per year—approximately $215 per unit per year. This money comes out of organizational reserves, the income from development fees, and whatever fund-raising the organization can undertake. The executive director said the organization will either have to get a regular source of operating funds or plan to produce 80 to 100 units per year so it can survive on development fees.

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Organizational capacity

CCHT has had a stable leadership structure throughout its history. The current executive director has held the position since 1987. The assistant director has also been with the organization since that time. These two key staff members are extremely able, well known in the field, and have provided stability and organizational continuity over time.

CCHT has engaged in a series of strategic planning efforts and board/staff retreats. Staff members are responsible for monitoring progress in the planning efforts and for reporting to the board. The first strategic plan was completed in 1993 and updated in 1997. In addition, the staff and board have formed a committee to develop a strategy for the ongoing asset management of the buildings the organization owns and operates. This committee brought in outside experts to provide informed perspectives on the issue, and was expected to provide the board with a plan of action in the spring of 1998.

CCHT has 10 full-time employees. Most of the staff have what the director calls "talent and commitment with a need for training and expertise." CCHT has only a minimal budget for staff training, and there is no organized program of midcareer training. Most of the people working for CCHT are at the beginning of their careers, so there is a natural turnover rate that is probably exacerbated by the fact that they could be paid better elsewhere while working fewer hours. The executive director estimates that 40 percent of staff time is devoted to development, 10 percent to administration, 40 percent to asset management, and 10 percent to community organizing. He argues that this is not the optimal mix and would like to see less time devoted to development and more to community organizing. But this mix is driven by organizational needs and is unlikely to change.

One-third of the board is elected from the residents of the buildings operated by CCHT. The second one-third is elected from the neighborhoods served by CCHT. Each neighborhood is given two seats on the board; these positions are meant to serve as a communications conduit between the CDC and the neighborhood organizations. The final one-third of the board is elected at large. It is hoped that this group will be made up of people with expertise in special areas. New members are given an orientation and there are funds for board training. In reality, however, the actual amount of board development that occurs is minimal.

Networking capacity

The organization has had rocky relationships with two of the neighborhoods in which it works. In the Stevens Square neighborhood, property owners and land developers who took control of the neighborhood organization rescinded approval of a CCHT project and threatened a lawsuit when CCHT would not halt the development (see Goetz and Sidney 1994a). Relationships with that community organization were extremely bad for a couple of years after that, and an uneasy peace exists today.

In another neighborhood, Elliot Park, the neighborhood organization (Elliot Park Neighborhood, Inc.—EPNI) expressed concern in 1994 about the amount of subsidized housing in the neighborhood and wanted to see a shift toward more income-diverse development, and toward more homeownership. A moratorium on further affordable housing development was called, a moratorium that applied, in effect, solely to CCHT. This caused a brief exchange of words, both directly and through the community newspaper, between the staffs and boards of the two organizations. In an attempt to resolve the situation, CCHT and EPNI held a joint community meeting in which the two came together to air the issues. This meeting seemed to avert further hostilities, though there is still a level of mistrust between the two organizations. At this time, however, EPNI has a representative sitting on the CCHT board, and a CCHT staff member is on the board of EPNI. Since reaching a truce, the organizations have worked together on two housing initiatives in the neighborhood.

The board structure of CCHT allows it to deal rather effectively with community issues by incorporating residents from the entire service area and establishing links with the neighborhood organizations in those communities.

CCHT is highly respected in the funding community; it has strong ties to the ISG and FHF. The projects it has developed for MCDA and the city council are all well run and highly regarded. This aspect of networking is one at which the organization has excelled.

Programmatic capacity

CCHT is the most highly productive and among the most respected CDCs in the city. It has produced 920 units of high-quality affordable housing in just over 10 years, focusing its attention on housing for very low income people. Several of its buildings are single-room-occupancy dwellings (SROs), with rents among the lowest of subsidized projects in the city. Three buildings are joined in one financing package—the project is called the Opportunity Housing Project, and rents are set at levels affordable for previously homeless adults and those on General Assistance (GA).

Another project provides affordable rents and social services for homeless youth. When the Phillips Neighborhood Housing Trust faced projected losses of $150,000 in 1995, funders turned to CCHT to assume administrative control of PNHT units. CCHT agreed to take over 151 units. Currently, CCHT still manages 83 multifamily units; 47 of the single-family homes have been conveyed to MCDA to develop into homeownership opportunities. The rest of the PNHT units still await final disposition. In another case, the ISG asked CCHT to take responsibility for the entire stock of Whittier Alliance co-op housing. After reviewing the physical and financial condition of the properties, however, CCHT declined.

The organization has not become involved in economic development at this time, though the staff and board have discussed this possibility in their strategic planning sessions.

Political capacity

As with most Minneapolis CDCs, CCHT regards the consortium as the appropriate vehicle for its political advocacy. This is so for two reasons: first, the voice of 13 groups can be stronger than the voice of an individual CDC; and second, the consortium can insulate an individual CDC from the risk of taking controversial political positions. That risk, of course, is the possibility of losing the public funding on which CCHT and virtually all CDCs rely.

CCHT has never collected data to document its impact on the communities it serves. Indeed, when asked, the director said that for many years they had assumed their impact was simply self-evident. The organization has repeatedly taken ownership of problem properties and improved the physical stock while converting the buildings to well-run affordable housing. For example, their 38-unit new construction project, Buri Manor, sits on the site of the former Dolly's Bar, a notorious center of crime and neighborhood problems that the Elliot Park community had wanted to do away with for a long time.

In response to community misunderstanding about the "tax-free" nonprofit status of CCHT, the staff has organized and produced some materials showing the increase in property tax payments they have made in the buildings they have renovated compared to what the private-sector owners had been paying prior to sale and renovation. This has been the extent of their efforts to document impact, however.

LYNDALE NEIGHBORHOOD DEVELOPMENT CORPORATION (LNDC)

History

The Lyndale Neighborhood Development Corporation (LNDC) was established in 1991; it is one of the youngest CDCs in the city. Residents of the neighborhood conceived it as an offshoot of the Lyndale Neighborhood Association (LNA), one of the more dynamic neighborhood organizations in the city. In the past five years it has changed significantly, from an organization that operates a range of service programs in the neighborhood to one that operates very few programs and works instead to encourage other agencies and institutions in the neighborhood to run them.

The neighborhood organization has initiated efforts in crime control, introduced the payment of scrip to community volunteers for use in local businesses, initiated neighborhood gardening and farming efforts, and started a language exchange between residents and non-English-speaking newcomers. The CDC has been active in revitalizing a major commercial strip and leveraging more than $35 million in investment in the neighborhood. LNA's executive director won a national award for community leadership as a result of the dramatic changes initiated by LNA and LNDC.

Resource capacity

LNA/LNDC has been very successful in fund-raising. The organization received $100,000 per year in core operating support from the Northwest Area Foundation for three years. Twenty-five percent of that went to the development corporation while the rest went to LNA's community-organizing efforts. LNDC also attracted private capital for its development activities. This allowed the CDC to go about redevelopment without concern for MCDA or any other public-sector affordability guidelines.

The Neighborhood Revitalization Program (NRP) has also helped LNDC meet its programmatic objectives. Unlike many other CDCs that have been frozen out of the NRP process in other neighborhoods, or CDCs that have been marginalized in the community-planning process, LNDC has been a central part of the NRP process in Lyndale. It has had direct and ready access to the NRP funds allocated to the neighborhood. In fact, it is understood in the neighborhood that LNDC is the agency for implementing the development aspects of the neighborhood's NRP action plan.

Organizational capacity

LNDC is very much a creature of the neighborhood association. Though it has a separate board of directors and staff, its office is located in the back of the LNA offices and the two organizations share support staff and office facilities. LNDC is led by a former private-sector developer and banker who sees the role of LNDC as one of generating private-sector investment.

LNDC has three permanent staff members, or 2.5 full-time employees. The executive director has a background in private development, having constructed 2,400 units in the private sector. The rest of the staff is administrative and has no professional training or experience in development. All staff members are neighborhood residents. Training is focused on the administrative skills needed at a small CDC, including office skills and bookkeeping. The CDC has a small budget for funding staff training.

The LNDC staff is small enough that there is no specialization in tasks. Thus, the director was unable to gauge the amount of time allocated to different functions. He believed that virtually all of their time was spent on development issues. The organization does not own or operate any of the housing it has rehabilitated, so there is no staff time devoted to property or asset management. Because the organization is closely connected to LNA, there is no need for community organizing capacity, either.

LNDC completed a strategic planning exercise in 1991 when it was first established. The plan laid out the priorities for the neighborhood, taking into account the social needs of the population, the physical needs of the neighborhood—primarily in the deteriorating housing stock—and the need for private-sector investment. Every third year since then, LNDC has spearheaded a strategic planning process for the neighborhood in conjunction with LNA. This process of articulating community needs took place before the neighborhood ever became involved in NRP. Since it joined the program, LNA has coordinated the action planning process in the neighborhood.

This CDC has a board of 12, all neighborhood residents. The director attempts to achieve a balance in race and housing tenure on the board. At this time there is one renter on the board, several local businesspeople, and the rest are residents of the neighborhood. The director recruits from local churches, feeling that he can achieve greater racial diversity by working through the black churches while simultaneously attracting board members with connections to established community institutions.

LNDC has always seen itself as having a limited role in the neighborhood. Given the enormous achievements of the group in less than 10 years, the executive director anticipates that they will have worked themselves out of a job in the near future. He said:

> We brought the development, we got private parties to come in and make investments and that momentum is here. We just have to make sure that we ride that wave... I look at myself as on a volunteer basis [in the future]. I see a smaller staff and volunteers and connection with the neighborhood. We'll hold the people responsible who are supposed to do their damn jobs.

Networking capacity

LNDC, as an offshoot of LNA, has a very close relationship with the neighborhood organization. The two work cooperatively, and LNDC acts as the housing committee of LNA. Thus, LNDC is one of the two central organizations in the neighborhood. LNDC's goal has been to solidify its relationship with other community institutions. The executive director used to be employed by one of the largest nursing home facilities in the vicinity, a facility that completed a $5.5 million renovation in 1995. LNDC has worked with the local branch of the YMCA, the public housing authority, and several other local institutions on revitalization efforts. LNDC staff members have made conscious outreach efforts to the congregations in the neighborhood, to recruit board members but also to solicit investment in revitalization projects. Thus, LNDC's networking appears strongest within its community. Because of the CDC's programmatic orientation (described below), it is not one of the central players among CDCs in the subsidized housing community, nor is it attempting to become one.

It should be mentioned that some neighborhood critics argue that LNDC is gentrifying the Lyndale community and increasing housing costs for the lower-income population. Pointing to the hazards of concentrated poverty, LNDC staff members counter that gentrification is exactly what they would like to accomplish in the neighborhood. LNDC activity is aimed at spurring private-sector reinvestment and reviving the housing market in a neighborhood that had begun a spiral of decline during the 1980s.

The LNDC model is to purchase a parcel of land or a building, warehouse it or rehabilitate it if necessary, and then resell it to private developers

Programmatic capacity

LNDC does not follow the typical CDC model in housing development. Though the CDC does focus on investing in properties that the private sector is not interested in, it does so not to replace private-sector investment but to induce it. The LNDC model is to purchase a parcel of land or a building, warehouse it or rehabilitate it if necessary, and then resell it to private developers. LNDC screens buyers very carefully, wishing to turn the properties over to "responsible" landlords. "When we offer a property for sale," said the executive director, "we say that 50 percent of the offer is based on [the buyer's] cash, 30 percent on financial capacity, 10 percent on personal reputation, and 10 percent on where [the buyer] gives his free time and who he supports."

The only building in which LNDC has a continuing interest is a multifamily development for which LNDC is a limited partner, providing capital but not involved in management. This, of course, turns the typical CDC model on its head. In most CDC projects the nonprofit plays the role of managing partner and attracts the capital investment of other, cash-rich limited partners who reap tax benefits from their investment. LNDC is more interested in getting for-profit owners back into the neighborhood than it is in operating a stock of affordable housing.

LNDC has always taken a comprehensive approach to the neighborhood's problems. From the very first planning efforts, the corporation envisioned for itself a role that included housing, social service, and economic development. Its first goal was to encourage existing institutions to invest their assets in the neighborhood. Thus, LNDC was very active in getting the Minneapolis Public Housing Authority to devote $7.1 million to renovate and reconfigure three public housing high-rises in the northern part of the neighborhood. The organization encouraged and finally persuaded the YMCA to expand its Lyndale neighborhood facility, creating 15 new jobs. LNDC completed the comprehensive redevelopment of an entire block, rehabilitating 10 units, constructing a duplex, and leveraging $6 million in investment in a center for battered women. The corporation also rehabilitated an 89-unit apartment complex two blocks away, turning over ownership to a private party.

The executive director claims that the potential for retail development in the neighborhood is not great, so the CDC has concentrated on housing, social services, and job creation. LNDC has channeled $282,000 in NRP funds toward the rehab of 94 homes in the neighborhood. The NRP funds have leveraged more than $6 million in investment and assisted 231 units in the neighborhood. LNDC has also insisted upon high design standards that have increased the cost of many projects in the neighborhood. The organization considers this part of the effort to upgrade the image of the community (Brandt 1997).

Political capacity

LNDC staff see themselves as mavericks in the community development arena. They follow an unorthodox approach, compared to other CDCs. Their efforts are geared toward reintroducing market-rate private-sector housing investment in the neighborhood rather than producing and operating subsidized affordable housing. Their political influence, as a result, is diminished by their unwillingness to play the game the way MCDA has envisioned it. Though LNDC has been successful in its revitalization efforts, some in the affordable housing community complain about the organization's lack of activity in the area of low-cost housing. This puts LNDC in a marginal position within the consortium and within the community development movement.

LNDC staff express a high level of distrust of elected and governmental officials:

> I think the biggest frustration has been MCDA and their inability to support imaginative new approaches. They react as if they are going to take their basketball and go home if you don't play the way they want you to play. That system of MCDA's has led us into the problems that we were facing, so the lack of options is probably the greatest obstacle. Who else is there except MCDA? ... Many [government officials] are immediately suspect of a nonprofit community development corporation. I know that many of them will damn near intentionally try to suffocate us. Maybe they don't mentally think that, but their actions cause that. Even your politicians, unless they are mature and have self-confidence, react as if you are trying to take their jobs. They measure their worth based on how many times their names are in the paper, so if your name is in there more than theirs, they get paranoid.

While LNDC's status as a CDC may be somewhat marginal, its connections with LNA provide it with a different source of political support. LNA has been recognized as one of the more innovative and important community organizations in the city. LNDC is seen as an important part of that effort by many in the private sector and among the foundations.

Impact

Many economic and social trends have improved in Lyndale over the past nine years. Crime is down markedly after peaking in 1995, and though this is true citywide, the decline is greater in Lyndale. Crime at the public housing high-rise is down 40 percent from its peak. Residential burglaries and personal robberies have dropped by half from their peak. Property values are up in the neighborhood, increasing 6.6 percent in the past two years, and the rate of homeownership is up over the 1990 rate (Brandt 1997).

LNDC is the only one of the three CDCs profiled here that had collected any data on neighborhood change resulting from its activities. This is due, no doubt, to its status as the direct development arm of a neighborhood organization. LNDC is motivated primarily by what it sees as being good for the neighborhood. Since its impetus is the desire to improve the physical stock and make Lyndale an attractive place for private-sector development, it is much more oriented toward measuring the neighborhood impacts of its activities.

POWDERHORN RESIDENTS GROUP

History

Powderhorn Residents Group (PRG) was created in 1976 by a group of residents in the Powderhorn neighborhood of south Minneapolis. From the very beginning, however, PRG has gone beyond the boundaries of the neighborhood and worked in several southside communities. Its first development, for example, was the conversion of a school site in the Whittier neighborhood into a 45-unit leasehold cooperative. The organization has also worked in the Phillips, Central, and Longfellow neighborhoods. PRG's bylaws allow it to operate anywhere in the seven-county metropolitan area, although until recently it has limited itself to four central neighborhoods on the south side of Minneapolis. Recently, the organization has begun to look at development in the suburbs. In the past year, PRG has developed two single-family homes on the north side and is in the process of developing a women's shelter in a first-ring western suburb.

The organization has also expanded its repertoire of housing activities beyond the development of co-op housing. PRG is now producing single-family housing and providing housing-related services such as home buyer counseling and asset management mentoring to the 14-unit leasehold co-op owned by the Minnesota American Indian AIDS task force. Finally, in the housing the organization owns and operates, PRG is working toward linking residents to social services. Thus, the organization has expanded its geographic base and its programmatic mix in response to the increased difficulties of developing multifamily housing in Minneapolis.

Resource capacity

The organization relies upon fees for services and various contracts for 75 percent of its administrative budget. In addition to developers' fees and construction management fees, it has contracts with MCDA to provide marketing for the city's single-family rehab program and with the Homeownership Center to provide home buyer counseling. The other 25 percent of the budget is from foundation grants. None of these resources provides nonfinancial assistance, nor is the group's administrative funding guaranteed.

The executive director would like to increase the amount of administrative funding the organization receives. This funding is needed to support the organization's obligations in asset management, service provision, and exploitation of development opportunities. The executive director feels the staff has the expertise and abilities to take advantage of those opportunities, but lacks the necessary administrative support to allow them to do the projects.

Organizational capacity

PRG engaged in a strategic planning session in 1994. It completed a midplan review and is now reaching the end of its four-year strategic plan. The executive director feels that the plan was very useful to the organization and plans to repeat the process.

According to the executive director's own analysis of staff-time allocation (which is done annually as part of the budgetary process), 21 percent of staff time is spent in administration and finance, 12 percent in predevelopment activities, 19 percent in development, 4 percent in marketing its for-sale properties, 23 percent in asset management and resident services work, and 22 percent in home buyer counseling. She felt that staff members were doing exactly what was needed, and she looks at the time allocation figures as simply a reflection of the real challenges the organization faces and how asset management has taken over from development activities. The challenge, she says, is to get funding for the work that they actually spend time doing.

Two of the staff members have graduate degrees in a planning or housing-related field. Three others come from the community, in some cases having lived in the co-ops developed by the group. PRG provides a budget of $3,500 per year for staff training. In addition, the United Way provides some of the training, as does the Homeownership Center. According to the executive director:

> The amount of information that people need to have these days, training is a continual need, and I think it's not the money. The money isn't even spent every year. The real issue is time and getting people to make the commitment in their performance reviews to go get the training they need every year. Because it's a situation where they say they will but then their workload is so heavy they don't take the time to do it.

The PRG board is broken into three groups: current or former residents of the group's housing make up roughly one-third of the board, community residents and neighborhood organization activists make up the second one-third, and the final one-third is reserved for professionals who can bring specific areas of expertise to the board.

In the past, the PRG board was small, lacked diversity, and did not turn over frequently. As part of its strategic planning initiative, PRG instituted a program of outreach to other organizations (community-based, private-sector, and social service organizations) to solicit candidates for their own board. A board committee oversees this effort, which is aimed at producing a more diverse board of directors.

"When we bring a project in we are bringing an idea in and we want lots of discussion. So even if they block us out, they've been left with something. For example, we might be bringing in a women's shelter culturally specific for Asian women and that raises a lot of questions that we try to address in forums. Or like we had a project for Native Americans living with AIDS and we brought in a person from the health department to talk about people's fear of AIDS"

Networking capacity

PRG has a liaison person on staff whose responsibility it is to organize its co-op residents. This individual not only encourages organization within the building but participation in larger block clubs and neighborhood organizations. By far the greatest degree of contact it has with neighborhoods occurs when PRG proposes a development in a community.

> When we bring a project in we are bringing an idea in and we want lots of discussion. So even if they block us out, they've been left with something. For example, we might be bringing in a women's shelter culturally specific for Asian women and that raises a lot of questions that we try to address in forums. Or like we had a project for Native Americans living with AIDS and we brought in a person from the health department to talk about people's fear of AIDS. So in that way, that is sort of a way we work with the neighborhood.

Beyond that type of communication, PRG staff members attend the neighborhood meetings in those neighborhoods in which it operates, occasionally serving on committees for those organizations. The PRG board of directors has not in the past been involved in other community affairs in an official capacity. In 1998, however, the PRG board will begin what the executive director calls "diversity training," which will take members out into the communities served by the organization. This effort is intended to enhance the role of board members, however, rather than to simply integrate PRG into its service communities.

Programmatic capacity

PRG has focused its activities on multifamily housing development. All of its multifamily projects are either leasehold co-ops or town home developments. Though the organization successfully developed 12 co-op projects (190 units) and three town home projects (86 units), it has expanded its development activities to include single-family housing and housing-related services. The chief housing service it provides is counseling to prospective home buyers. It has also begun to partner with social service organizations to develop housing that the service organizations could provide as part of their mission.

PRG first started linking social services with housing in 1993, with the development of its New Village co-op. The building had a Cambodian and Laotian population, and PRG attempted to link that population to social services on-site. They brought in a public health nurse, English as a Second Language classes, citizenship classes, and a pregnancy counseling service. PRG has set up an advisory committee that works with its co-op boards to identify resident needs.

One strategy that PRG has followed is to focus its revitalization efforts in a concentrated geographic area, what they call "comprehensive block treatments." They have done this five times. The strategy is to demolish a number of problem properties on a single block and build or rehabilitate structures into affordable housing, either multifamily or single family. The group has always worked toward developing cooperatives, with the intent of empowering residents and giving them the opportunity to participate in the management of their own housing.

The organization would like to provide more co-op training for residents, but lack of funding for this purpose limits its activities. The organization would also like to expand the homeownership counseling it does, but again a lack of funding keeps that program at a limited level as well.

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Political capacity

PRG is a member of the Minneapolis Consortium of Community Developers and works primarily through the consortium on political matters. The major issue concerning PRG is MCDA's current policy of discouraging affordable housing in areas where PRG traditionally has been developing it. There was an expressed belief that PRG by itself would not have much influence on the debates in which it is most interested.

The organization uses press releases, and though it has identified the Internet as a potential resource, it has made no initiative in that regard.

Impact

The organization has not conducted any specific studies or collected data to assess the impact of its work in the neighborhoods that it services. Nor is it possible to trace the impact of the CDC in a concentrated geographic area, since PRG has developed housing in four different central neighborhoods. Although it is possible to imagine an impact study of one of the organization's several "concentrated block treatments," in which neighborhood impacts might be more easily measurable due to the concentrated interventions of the CDC, PRG has never had the resources or the inclination to engage in such an analysis. Like CCHT, it tends to rely upon the consortium to make the case that CDC work is beneficial to the central neighborhoods of the city.

PRG is like CCHT in that it is primarily a housing development corporation and quite independent of the neighborhood groups that operate in its service areas. As such, it is mainly oriented toward securing the welfare of its residents and providing them with safe and affordable living environments. Neighborhood benefits, and the documentation of neighborhood benefits, are secondary to PRG, as they are to CCHT.

VI

ASSESSMENT OF THE ABSENCE OF A COMMUNITY DEVELOPMENT PARTNERSHIP

Such a fragmented system of capacity support requires CDCs to piece together assistance from a number of separate sources. This increases the uncertainty of continued support and imposes costs on the CDCs in terms of time and energy spent in the pursuit of assistance. In addition, there are significant gaps in the system of capacity support available to Minneapolis CDCs

Minneapolis CDCs operate in an organizationally dense environment, with active corporate and philanthropic sectors contributing substantial resources for community development. In their very early years, some CDCs received direct operating support through the city's CDBG program. In this system, which operated in the late 1970s, CDCs were in competition with each other and with other neighborhood-based organizations for block grant support. In the early 1980s, CDCs traded this competitive system for one of guaranteed, but reduced, administrative support. Instead of direct organizational funding through CDBG, MCDA offered CDCs one-time administrative grants for each housing project they completed. Thus, administrative support was tied to production and, in effect, became another type of developer fee.

A range of actors beyond the city now provide support to Minneapolis CDCs. GMMHC provides important predevelopment financing; FHF offers project capital and capacity-building assistance. More recently, small amounts of capacity-building and predevelopment financing have been available from MHFA, while asset management refinancing has been provided by the Interagency Stabilization Group. This network of organizations and support programs provides Minneapolis CDCs with fairly comprehensive programmatic assistance. The funders of CDC development in Minneapolis have been very responsive to the project-related needs of the CDCs.

On the other hand, such a fragmented system of capacity support requires CDCs to piece together assistance from a number of separate sources. This increases the uncertainty of continued support and imposes costs on the CDCs in terms of time and energy spent in the pursuit of assistance. In addition, there are significant gaps in the system of capacity support available to Minneapolis CDCs. Most notably, there is little available in the city or regionally to build the networking and political capacities of nonprofit developers. Whatever capacity exists in these two areas is the result of the years of relationship building the CDCs have engaged in since first emerging in the 1970s. Yet this means that such capacity is very unevenly distributed across CDCs; some CDCs have done well in this and others have not. In most cases, however, networking and political capacity are of lower priority than programmatic and organizational concerns. This is one reason CDCs have failed to assert themselves more effectively in the changing political environment of Minneapolis in the 1990s.

Another gap in the system of capacity assistance is in the area of human resource development. Though staff training and board development were identified by most informants as important to the success of CDCs, there is very little assistance available in this area. Given the key role of community development partnerships in Philadelphia and El Paso in the realm of training and human resources, this is one area in which a CDP might make a significant impact in Minneapolis.

Finally, the one form of capacity-building assistance that is most often mentioned by CDC officials as lacking is core operating support. As CDCs spend more effort in asset management (the inevitable result of their earlier development productivity), they find it more difficult to fund the staff necessary to maintain: a) the physical stock; b) relationships with residents of their buildings; and c) relationships with the communities in which their buildings are located. A close look at three CDCs illustrates the strengths and weaknesses of Minneapolis's fragmented system of capacity building.

The one form of capacity-building assistance that is most often mentioned by CDC officials as lacking is core operating support. As CDCs spend more effort in asset management, they find it more difficult to fund the staff necessary to maintain: a) the physical stock; b) relationships with residents of their buildings; and c) relationships with the communities in which their buildings are located

Organizational capacity

CCHT is losing approximately $180,000 per year ($215 per unit per year) operating its buildings. The organization has had trouble finding sources of the core operating support that would allow it to absorb the operating deficits of its buildings. Alternatively, the organization has pursued project stabilization funds, which could ease the pressure of building deficits on its administrative budget. PRG faces a similar need to support its obligations in asset management and the provision of resident services. In addition, the lack of core operating support is constraining PRG's ability to take advantage of the development opportunities that arise. LNDC does not identify organizational support as a pressing need, in part because it plans to remain small. In fact, the executive director anticipates that the organization will work itself out of existence in the near future.

All three CDCs have a key need for staff training and human capital development. The organizations have very few resources to devote to staff training, and there is no organized program of midcareer training available to CDC staff locally.

Networking and political capacities

CCHT has worked hard to maintain good relationships with the communities in which it works, but the organization has suffered from the declining status of subsidized multifamily housing among neighborhood activists. Though generally highly regarded by the large capital funding sources, CCHT has had to defend its agenda and work around the sometimes open hostility of neighborhood groups. LNDC works extremely closely with the neighborhood group in Lyndale, but staff members express a high level of distrust of elected and governmental officials. PRG has responded to the changing political environment by shifting its programmatic focus away from strictly multifamily development toward homeownership.

CAPACITY

Minneapolis CDCs have, as a local industry, shown the capacity to develop large numbers of affordable housing units. This was most evident during the 1980s, when the political environment encouraged this activity and there was no competing vision of community development. During this time the CDCs helped to create and benefited from a growing network of support institutions, both public and private, that expanded the community development movement in the city. The support network has put in place a number of services that CDCs have made use of, including funds for training, project development, predevelopment activities, and asset management. The CDCs in the city have not, however, shown much political capacity to respond to a deteriorating political environment. The Minneapolis Consortium of Community Developers, for all of its enhanced programmatic efforts in commercial development and all of the membership benefits it has introduced, has not been able to effectively articulate a response to the current redefinition of community development that equates subsidized multifamily housing with the concentration of poverty and the decline of central neighborhoods. Thus, though an extensive web of programmatic support exists for CDCs in Minneapolis, they find themselves most limited by a lack of political capacity.

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WOULD A PARTNERSHIP ENHANCE THE CAPACITY OF MINNEAPOLIS'S CDCs?

The local network of supports that exists in the city has made many Minneapolis CDCs wary of an intermediary model that would introduce another layer between funders and developers. Further, there is some hesitancy to accept an intermediary whose ultimate direction comes from nonlocal actors. A widespread observation about LISC by Minneapolis community developers is that local LISC branches lack autonomy. There is some concern that any national intermediary may be constrained by nonlocal decision making.

Thus, there are mixed feelings about introducing a new intermediary into the local community development movement, as evidenced by the ambivalence about the LISC initiative for so many years. Some members of the CDC community regard another intermediary as unnecessary, given the activities of GMMHC, FHF, and ISG. Still others acknowledge that despite all of the sources of capacity-building assistance available to Minneapolis CDCs, the one form of support most needed—core operating support—is not provided in sufficient quantity. All three of the case study organizations pointed to the difficulties of maintaining operating support. Organizations with a large asset base are devoting larger increments of time and effort to managing these assets, a function for which there is no ready source of funding. This is a problem that Minneapolis CDCs would like to see addressed, and one that could be resolved by a CDP.

This analysis has shown that a CDP-like intermediary could usefully serve the community development movement in the city. Coordinated efforts at human resource development (including staff and board training), networking capacity building, and political capacity building could make a significant difference for the existing CDCs.

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Notes

1. The legal settlement in Hollman v. Cisneros (1995) centered on the allegations of discrimination by the Minneapolis Public Housing Authority (MPHA) and HUD in the siting of public housing units in predominantly poor and minority neighborhoods of the city. The settlement required a number of remedies aimed at deconcentrating public housing units and public housing residents. It directed MPHA to demolish or dispose of up to 770 units of public housing located on the near north side, the historically black neighborhood of Minneapolis. The agreement also made MPHA responsible for the relocation of the families living in those units at the time of demolition or disposition. The decree also required the development of 770 units of replacement public housing, all of which must be developed in "nonconcentrated" areas (defined by the percentage of the population below poverty and the percentage of minority residents) of the metropolitan region, including the suburbs. In addition, 900 special "mobility certificates" (Section 8 vouchers and certificates that can be used only in nonconcentrated areas of the metropolitan area) were made available to relocating families and other MPHA residents. The agreement also called for other changes to the Minneapolis Section 8 program to facilitate greater geographic choice for program participants.

2. This project is causing some opposition due to the demolition of affordable rental housing and its replacement with mixed-income ownership housing. In this respect it fits in very well with the city's new priorities in housing development and its efforts to deconcentrate areas of poverty. An additional controversial element of the Honeywell deal was that it was originally designed so that Honeywell itself would finance the demolition and displacement of the current residents, therefore avoiding the relocation requirements that apply to publicly funded displacement (Rich 1997). After opposition from affordable housing advocates and a threatened lawsuit by Legal Aid, one of the nonprofit partners in the project is trying to locate those who have already been displaced to provide them with relocation assistance.

3. The Metropolitan Council Housing and Redevelopment Authority serves suburban jurisdictions without their own redevelopment authority.

4. MPHA is involved in this effort due to the requirements in the Hollman v. Cisneros consent decree (see note 1).

5. The employment numbers are based on figures given by 14 of the 16 CDCs to the Minneapolis Consortium of Community Developers in response to a 1997 survey. The budgetary figure is based on the response of 13 CDCs to the same survey.

6. The 1993 figures are from Goetz and Sidney, 1994b. In that report, Minneapolis CDCs reported an average of just over five full-time and two part-time employees and an average budget of $175,942.