

**BUILDING
COMMUNITY
DEVELOPMENT
CAPACITY
IN
PORTLAND**

A Report to the Ford Foundation

BY

JOSEPH HOERETH

CENTER FOR URBAN POLICY RESEARCH
RUTGERS—THE STATE UNIVERSITY OF NEW JERSEY
CIVIC SQUARE • 33 LIVINGSTON AVENUE • SUITE 400
NEW BRUNSWICK, NEW JERSEY 08901-1982
(732) 932-3133 / FAX (732) 932-2363



Report Seven

DECEMBER 1998

We thank The Ford Foundation for the support of this research. The opinions expressed here are those of the author. Comments or questions about this report should be directed to Joseph Hoereth, 233 North Taylor Avenue, #2, Oak Park, IL 60302 <hoereth@eden.rutgers.edu>.

I

EXECUTIVE SUMMARY

This case study takes a close look at the Neighborhood Partnership Fund and its role in building the capacity of community development corporations (CDCs) in Portland, Oregon. NPF is a local intermediary created in 1990 by the Oregon Community Foundation (OCF) to develop a support infrastructure for CDCs by channeling resources from foundations, corporations, and government to local CDCs. NPF currently supports 16 groups.

The report examines the role of NPF in building local capacity for community development, focusing on how that capacity has increased, the important agents of the local community development support system, and the local political and economic environment. The report concludes with a review of NPF strengths and weaknesses, some lessons learned from the NPF experience, and some recommendations for NPF strategy and policy.

THE CONTEXT FOR COMMUNITY DEVELOPMENT IN PORTLAND

Portland does not suffer from many of the socioeconomic problems that plague other cities. The urban core is not physically decayed; urban flight of people and capital has not occurred. The eroding tax bases and the resulting fiscal crises that other large cities know well is just beginning in Portland (Nelson 1995). The late arrival of big-city problems explains the relative youth of community development initiatives in the city.

Neighborhoods served by Portland CDCs have been affected by the economic and demographic growth of the region. Strong regional job growth and relatively affordable real estate prices attract migrants from more costly areas. Population growth has led to a booming real estate market with skyrocketing land prices. Income stagnation and the growth in low-wage jobs have made it more difficult for the average wage earner to afford housing in Portland. A survey by the National Association of Home Builders (NAHB) found Portland the sixth-least-affordable city in the coun-

ABBREVIATIONS

AOCCDO	Association of Oregon Community Development Organizations
BHCD	Bureau of Housing and Community Development
CCC	Central City Concern
CDBG	Community Development Block Grant
CDN	Community Development Network
CRA	Community Reinvestment Act
CUPR	Center for Urban Policy Research (at Rutgers University)
EGI	Equity Gap Investment program
FE	Franciscan Enterprise
HAP	Housing Authority of Portland
HCDC	Housing and Community Development Commission
HCDI	Human Capital Development Initiative
HDC	Housing Development Center
HDSP	Housing Development Support Program
HIF	Housing Investment Fund
HH	Portland Habitat for Humanity
HOF	Housing Our Families
HOST	Housing One Street at a Time
HS	Human Solutions
HUD	Department of Housing and Urban Development
IWCDC	Inner Westside Community Development Corporation
LIHNAPO	Low-Income Housing for Native Americans of Portland, Oregon
LIHPRHA	Low-Income Housing Preservation and Resident Home Ownership Act
NBH	Network Behavioral Healthcare
NCCED	National Congress for Community Economic Development
NCDI	National Community Development Initiative
NECDC	Northeast Community Development Corporation
NHA	Northwest Housing Alternatives
NOAH	Network for Oregon Affordable Housing
NPF	Neighborhood Partnership Fund
OCF	Oregon Community Foundation
ONA	Office of Neighborhood Associations
PCRC	Portsmouth Community Revitalization Corporation
PCRI	Portland Community Reinvestment Initiative
PDC	Portland Development Commission
PIC	Private Industry Council
PNDSC	Portland Neighborhood Development Support Collaborative
PSU	Portland State University
SCDC	Sabin Community Development Corporation
TACS	Technical Assistance in Community Service
TIF	Tax Increment Financing
WDN	Workforce Development Network

try, less affordable than Los Angeles and Honolulu (Church 1996). The poorest neighborhoods are in the northeast and the outer southeast parts of the city.

The following trends and issues present challenges for NPF and Portland CDCs:

- Housing is becoming less affordable.
- Public resources are declining, a trend that is likely to continue.
- CDCs want to do more than build housing.
- The booming real estate market is pricing CDCs out of the development business.
- CDCs need more development capital.

NPF occupies a central position among the wide range of resources available to Portland CDCs:

- **Public.** The Bureau of Housing and Community Development (BHCD), headed by Steve Rudman, has supported nearly all of the nonprofit housing developers in Portland. The Portland Development Commission (PDC) has been a major source of project financing through the Housing Investment Fund (HIF), an Equity Gap Investment (EGI) program, and a credit enhancement program.
- **Portland Neighborhood Development Support Collaborative (PNDESC).** PNDESC provides operating support to CDCs with funds from the city and NPF through an integrated operating support program. It is managed by both the city and NPF.
- **Philanthropic.** OCF has taken the lead role in sponsoring community development locally by creating and sponsoring NPF. The most philanthropic support comes from national sources through the National Community Development Initiative (NCDI), a national collaboration between the Department of Housing and Urban Development (HUD), foundations, and corporations.
- **Banks.** In recent mergers, Portland banks were bought out by superregionals based elsewhere. With them went potential large donations and capital. Washington Mutual, Bank of America, and US Bank contribute to community development through NPF. Portland CDCs also receive financing from a 17-member bank consortium, the Network for Oregon Affordable Housing (NOAH).
- **Enterprise Foundation.** Enterprise has been an integral part of the CDC support web. The Enterprise staff manages the NPF Development Capital Revolving Loan Fund, and also provides technical assistance to groups. Enterprise is the local conduit through which funding from the NCDI flows to CDCs.
- **Other Resources.** The Housing Development Center (HDC) is a one-stop housing technical assistance (TA) center for CDCs, established and funded by NPF. The Community Development Network (CDN) is a networking and advocacy group composed of CDCs that acts as a forum

Portland does not suffer from many of the socioeconomic problems that plague other cities

for the CDCs to take a collective position on city and state policy, and to stay abreast of the current activities of government agencies. NPF also sponsors a new Workforce Development Network (WDN), which is similar to the CDN but organized around workforce development issues. With the help of 12 other organizations, NPF created a new training and technical assistance consortium that has designed a 12-month program for CDC boards and staff.

THE ROLE OF THE NEIGHBORHOOD PARTNERSHIP FUND IN CAPACITY BUILDING

During the early years, NPF supported new and young CDCs in a fashion consistent with its mission of creating an industry of CDCs. It provided new groups with training and technical assistance, and older groups received support for increased activity and staff. In 1997, NPF and the city merged their operating support programs. The new operating support program distributes city and NPF funding through the PNDSC, which simplifies the grant and oversight process for both groups and allows NPF a greater pool from which to leverage funds.

CDC directors appreciate NPF's cooperative style. They believe NPF is responsive to their needs, while ensuring that they do not exceed their means and continue to follow sound business practices. This has created a "comfort zone" for CDCs. NPF staff feel that if they know about problems early, they can quickly provide specific technical support before the problems get out of hand and cripple an organization. CDCs feel comfortable with the role of the partnership as both funder and adviser because of the good two-way communication.

We use a typology of CDC capacity developed by Glickman and Servon (1998) as a framework for our report. The typology filters the key components of CDC capacity into five categories: resource, organizational, networking, programmatic, and political. This framework allows us to discuss CDC capacity in the general sense, to identify specific components of CDC capacity, and to assess the extent to which NPF has increased CDC capacity.

1. **Resource capacity.** NPF has been very successful at consistently garnering resources from national sources. Several respondents felt that NPF could forge new relationships with the local corporate and philanthropic sector. They commented that these groups were not involved enough in community development in Portland. They believed that NPF should raise the awareness of community development within the business community.
2. **Organizational capacity.** CDCs have built organizational capacity very quickly with the help of NPF training and technical assistance. However, Portland CDCs need to increase their ability to manage their organizational growth.

In 1997, NPF and the city merged their operating support programs. The new operating support program distributes city and NPF funding through the PNDSC, which simplifies the grant and oversight process for both groups and allows NPF a greater pool from which to leverage funds

CDCs feel comfortable with the role of the partnership as both funder and adviser because of the good two-way communication

3. **Networking capacity.** Portland CDCs are very well networked. The CDN, WDN, and AOCDO provide many opportunities for CDCs to network with each other and with their support institutions.
4. **Programmatic capacity.** A core group of NPF-supported CDCs have taken advantage of NPF training and developed staff capacity to a point where they are very effective producers of housing. Groups desire capacity building for workforce development.
5. **Political capacity.** While many groups involve residents in the development planning process, the extent to which CDCs represent or advocate on behalf of their constituents is unclear. NPF has a strong political capacity, but does not explicitly engage in advocacy.

CONCLUSIONS AND RECOMMENDATIONS

When NPF was created in 1990, only two CDCs existed in Portland. Since then, seven CDCs have grown out of community initiatives cultivated by NPF with community organizing and training grants. Today, NPF supports a total of 16 nonprofit housing developers that have produced more than 3,500 units of affordable housing. These groups rely on resources from organizations NPF funds or that did not exist before NPF began its operations. We find that NPF has successfully created an industry of CDCs in Portland and established an effective CDC support system.

We observed the following strengths and weaknesses in NPF:

Strengths

- *NPF has a very consistent, clear, comprehensive vision of community development support.* Leadership from executive directors Ed McNamara and Don Nuereuther and board chair Paul Lorenzini has articulated a vision that is appropriate for the young CDC community in Portland. NPF support evolved as CDCs grew, providing CDCs the right type of assistance when they needed it – training for new CDCs, technical assistance for new and young groups, and multiyear operating support for established groups. The evolution of NPF support also included the investment in separate institutions like the HDC, CDN, and WDN. Consequently, CDCs have access to a broad variety of resources.
- *NPF has a strong relationship with the city government.* CDCs have benefited from the close relationship between NPF and the city. The city began a support program using CDBG and HOME funding in 1993, two years after NPF began constructing a CDC infrastructure. PNDSC, the collaborative operating support between NPF and the BHCD, is a direct result of a close relationship between the heads of BHCD and NPF – Steve Rudman and Don Nuereuther, respectively.
- *NPF maintains excellent relationships with CDCs.* Relationships are based on open and candid communication. NPF stresses open communication so that it can anticipate and

react to problems quickly and effectively. CDCs know that NPF sets aside money for technical assistance to deal with problems that may occur during the funding cycle and are comfortable knowing that revealing trouble early does not reduce funding security. The fact that the NPF director has attended CDC board meetings to assist with internal problems exemplifies the close relationship.

- *NPF has the ability to generate support from national sources.* NPF has secured funding from the Ford Foundation and from NCDI through several rounds of their funding cycles. Funding from national sources has allowed NPF to support all Portland CDCs, rather than limiting support to the most productive or needy groups.

NPF needs to make a greater effort in the following areas:

- *NPF needs more support from local corporations.* While NPF has been able to raise funds from national sources, local fund-raising remains a challenge. Local corporations and banks tend to give in small amounts. A typical grant to NPF from a Portland corporation is less than \$50,000.

Recommendations:

- Advocate for PDC-administered tax incentives for corporate donations to NPF. NPF money mixes with public funds through the PNDSC and allows for some government control over its distribution. This could justify the public use and benefit of a donation to NPF and rationalize the tax breaks to the public.
- Take steps to publicize CDC and NPF activity in the mainstream media by recruiting a local television news, radio, or newspaper personality to sit on the board. The board member could be encouraged to produce NPF-funded news segments on CDC activity on a regular basis.
- *CDCs should have some input in NPF strategic planning.* NPF could do more to solicit input from CDCs when determining strategy or making major decisions about policy or direction. For example, some CDC directors, concerned about the prospect of a single source of operating support for Portland CDCs, felt they had inadequate input in the creation of PNDSC.

Recommendations:

- Create a separate CDC advisory board that holds at least one vote on NPF strategic planning and policy issues only. The advisory board would not vote on grant awards.
- Allow the existing CDN to fill the role of the CDC advisory board described above.
- *NPF should recruit more community representatives for its board.* The NPF board currently has only one member listed as a neighborhood representative. Board members from the business and government sectors predominate, which increases legitimacy to the corporate sector, but means residents and community activists are underrepresented.

Recommendation:

- Establish at least three revolving positions on the board designated for noncorporate, community representa-

tives. The NPF executive director would appoint the members for staggered two-year periods. Ideal candidates would be community organizers by profession, already familiar with the community development process. The Portland system of neighborhood associations would provide fertile recruiting ground for candidates.

- *Relations with certain minority-led groups are strained.* Respondents noted that NPF has had problems with minority-led groups. It could be a communication problem, or that the minority-serving, minority-led model of a CDC does not work well with the NPF approach. While respondents said this was not a serious problem, it could become one now that there is only one local source of operating support.

Recommendation:

- Review relationships with minority-led, minority-serving groups, with specific input from those groups. Based on agreements made during meetings with those groups, joint action could be taken.
- *NPF could take a stronger lead role in political action.* With both a city and county commissioner on the NPF board, and good relationships with the local governments, NPF has the capacity to wield some political power at the state and local levels. However, NPF does not take the lead role in advocating for CDC-related policy, instead allowing the independent CDN and the AOCDO to advocate on behalf of CDCs.

Recommendation:

- Powerful corporate members on the NPF board could use clout to advocate in the policy arena. These members could solicit the support of other corporations on matters relating to housing and community development policy.

We also found several issues and trends that challenge community development in Portland. First, housing is becoming less affordable. Wage increases have not kept up with the rising cost of housing, increasing the demand for affordable housing. Second, public resources will likely decline. Changes in the local tax structure will translate into less resources for local government in the near future. Third, CDCs want to move beyond housing. A push from the tight housing market and the desire to be more comprehensive have led Portland CDCs to make economic and workforce development a priority. Given its position at the center of the CDC support network in Portland, NPF has responded well to challenges facing CDCs. We make some recommendations for additional NPF intervention below:

- *Housing is becoming less affordable.*

Recommendation:

- NPF could advocate for a comprehensive regional low-income housing preservation strategy.
- *Public resources will likely decline.*

Recommendation:

- NPF may not be able to continue to provide support to all groups in Portland.
- *CDCs want to move beyond housing.*

Recommendation:

- NPF could involve the PDC and Metro, the regional governing body, in its economic development trainings. These groups could help CDCs carve out a niche in local economic development.
- *The real estate market is pricing CDCs out of the development business.*

Recommendation:

- It may not be too late for NPF to bank land for future development by CDCs with capital provided by program-related investments from national foundations or intermediaries.
- *CDCs need more development capital.*

Recommendations:

- Initiate a separate loan guarantee fund that would help CDCs secure project financing.
- NPF could develop relationships with banks and other sources of development capital, focusing on increasing private-sector familiarity with CDC development financing.

An intermediary in any city can enhance CDC capacity by supporting CDCs directly, and by building other institutions that in turn support CDCs

Lessons Learned

There are two important lessons that one can take away from the NPF experience documented in this case study. The first is that an intermediary can have a direct impact on neighborhood change. NPF has fostered the growth of a group of Portland CDCs with overlapping service areas that together have had a dramatic impact on the entire area. Second, the NPF experience in Portland is the result of a very straightforward approach. NPF's success does not have to be unique. To be sure, NPF has benefited from very adept leadership. However, its real strength lies in its logical approach. NPF created key elements of CDC support, then integrated these elements into the existing system of support while boosting and expanding the overall support system. An intermediary in any city can enhance CDC capacity by supporting CDCs directly, and by building other institutions that in turn support CDCs. Simply put, NPF built a CDC support system that provides CDCs with the type of support they need when they need it.

Since 1990, NPF has provided over \$7.5 million in operating support, technical assistance, and training to Portland CDCs that produced more than 3,500 units of housing (NPF 1995, NPF 1997)

II

INTRODUCTION

This case study takes a close look at the Neighborhood Partnership Fund and its role in building the capacity of community development corporations (CDCs) in Portland, Oregon. NPF is a local intermediary that grew out of efforts by the Oregon Community Foundation (OCF) to establish and nurture CDCs in Portland. Established in 1990, NPF channels resources from foundations and corporations to local community development activities. It also provides training and technical assistance for CDC staff and board members, and has spun off entities that provide CDCs with project-specific technical assistance, financing for housing development, and forums for idea sharing and advocacy. Since 1990, NPF has provided over \$7.5 million in operating support, technical assistance, and training to Portland CDCs that produced more than 3,500 units of housing (NPF 1995, NPF 1997). NPF currently provides operating support to 16 groups:

1. Franciscan Enterprise (FE)
2. Hacienda CDC
3. Inner Westside CDC (IWCDC)
4. Housing Our Families (HOF)
5. REACH CDI
6. Portland Habitat for Humanity (HH)
7. Sabin CDC (SCDC)
8. ROSE CDC
9. Portsmouth CRC (PCRC)
10. Northeast CDC (NECDC)
11. Network Behavioral Healthcare (NBH)
12. Central City Concern (CCC)
13. Northwest Housing Alternatives (NHA)
14. Human Solutions (HS)
15. Low-Income Housing for Native Americans of Portland, Oregon (LIHNAPO)
16. Portland Community Reinvestment Initiative (PCRI)

The report examines several key components of community development support in Portland, focusing on the role of NPF in building local capacity for community development. The study will evaluate how capacity has increased, the important agents of the local community development support system, and the local political and economic environment within which NPF and Port-

land CDCs operate. We also present examples of three selected CDCs, focusing on the role NPF may have played in the growth of those organizations. The report concludes with a review of NPF strengths and weaknesses, some lessons learned from the NPF experience, and some recommendations for improving upon NPF strategy and policy.

The report highlights trends and public policy issues where they are relevant. The following trends and issues present challenges for NPF and Portland CDCs:

- *Housing is becoming less affordable.* Strong population growth has put pressure on housing markets. At the same time, the combination of stagnant wages in many industries and the decline in high-paying manufacturing jobs has left the poorest Portland residents worse off than they were a decade ago.
- *Public resources are declining, a trend that will likely continue.* Recent voter referenda restructured local property taxes. Local governments will be facing declining revenues which will lead to cuts in services. City funding for community development was cut in 1997 and will be vulnerable to more cuts in the next few years.
- *CDCs want to do more than housing.* Welfare reform and a restructured job market have left many constituents of CDCs with neither an income subsidy nor the skills to enter the new job market. Groups need to understand the potential role for CDCs in workforce development. Moreover, some CDC housing residents receive welfare assistance, transforming workforce development into a necessary asset management strategy for CDCs.
- *The booming real estate market is pricing CDCs out of the development business.* The private real estate market rediscovered Portland during the 1990s. A land shortage has driven prices up. CDCs compete for land with private developers and each other.
- *CDCs need more development capital.* Sources of development capital are dwindling or disappearing, while project costs are increasing. NPF and CDCs must find other sources to overcome the shortfall from existing sources.

We use a typology of CDC capacity developed by Glickman and Servon (1998) as a framework for our report. The typology filters the key components of CDC capacity into five categories: organizational, networking, programmatic, and political (Figure 1). This framework allows us to discuss CDC capacity in the general sense, to identify specific components of CDC capacity, and to assess the extent to which NPF has increased CDC capacity.

FIGURE 1.
FIVE TYPES OF CDC CAPACITY

Resource Capacity—the ability to generate resources from grants, contracts, loans, and other mechanisms.

Organizational Capacity—the management style, skills, and experiences of CDC staff and the roles played by its board of directors.

Networking Capacity—the extent to which CDCs can and do interact with other institutions, both within and outside of the community.

Programmatic Capacity—the ability of a CDC 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 and cultural and educational activities.

Political Capacity—the extent to which a CDC can demonstrate the community's concern about issues and policies, as well as negotiate for the benefit of the neighborhood in the larger political arena beyond the neighborhood.

Source: Glickman and Servon 1998

III

THE CONTEXT FOR COMMUNITY DEVELOPMENT IN PORTLAND

Portland's population grew nearly 20 percent between the 1980 and 1990 censuses, and is continuing to increase at a rapid rate

Portland residents take pride in the city's reputation for good long-range planning policy. The city maintains a consistent commitment to implementing comprehensive plans and coordinates planning efforts with Metro, the regional government. Consequently, Portland does not suffer from many of the socioeconomic problems that plague other cities. The urban core is not physically decayed, urban flight of people and capital has not occurred, and local government is only starting to grapple with eroding tax bases and the resulting fiscal crises that other large cities know well (Nelson 1995). Stable city finances and strong economic growth fended off such big-city problems as high crime and poverty rates and a deteriorating public education system until the early 1990s.

The late arrival of big-city problems to Portland explains the relative youth of its community development initiatives. Cities such as Philadelphia, Cleveland, and New York have CDCs that are well over 20 years old. Nine of the 17 groups that produce affordable housing in Portland are less than eight years old. NPF has played a critical role in jump-starting CDCs in Portland, and in their tremendous production since then. Seven CDCs grew out of community initiatives cultivated by NPF with grants for community organizing and training.

In this section, we describe the neighborhood, city, and regional system within which NPF and CDCs in Portland operate. We discuss the social, economic, demographic, and political characteristics of the neighborhoods that CDCs serve and assess how trends in the Portland economy have affected them. We also describe the community development infrastructure and place NPF into the context of a broader system of CDC support.

PORTLAND NEIGHBORHOODS: THE CONSEQUENCES OF REGIONAL GROWTH

Neighborhoods served by Portland CDCs have been affected by the economic and demographic growth of the region. Understand-

ing Portland neighborhoods requires a knowledge of regional trends. Strong regional job growth, a high quality of life, and relatively affordable real estate prices continue to attract an influx of affluent migrants from more costly areas such as San Francisco. A regional urban growth boundary limits suburban growth and directs growth inward as land prices in the suburbs rise and development begins to crowd the central city. Portland's population grew nearly 20 percent between the 1980 and 1990 censuses, and is continuing to increase at a rapid rate (Center for Population Research and Census 1997; Glickman, Lahr, and Wyly 1996). The rapid expansion has sparked some growing pains at the neighborhood level, straining existing services and boosting real estate prices. Growth and a restructured job market are chipping away at Portland's high quality of life and creating a variety of problems and challenges that shape the context for community development.

This section outlines regional economic and demographic trends. We then describe the Portland neighborhoods served by NPF CDCs. We conclude the section with a brief discussion on Portland neighborhood activism and current policy issues relevant to neighborhoods.

Economic Characteristics

Economic indicators tell a complex story of growth and stagnation in Portland. The total number of jobs grew by 25 percent between 1980 and 1990, and the region boasts unemployment levels consistently lower than the national average since 1980 (Glickman, Lahr, and Wyly 1996). However, Portland's restructured job market tempers the apparent economic prosperity. Many workers are underemployed. Despite strong job growth in the high-tech manufacturing sector, income stagnated during the 1980s and early 1990s. High-tech manufacturing wages average less than half of wages paid in the timber industry, for example (Ertel 1996). Despite the expansion of the low-skilled job market, there remains a shortage of well-paying low-skilled jobs. CDCs in Portland are operating in an economy that has a shortage of the type of jobs their constituents need.

Income stagnation and the growth in low-wage jobs have made it more difficult for the average wage earner to afford housing in Portland. The fast rise in real estate prices pushed affordable housing out of reach for many residents, and lower wages have compounded that trend. A 1996 article in *The Oregonian* reported that a survey by the National Association of Home Builders found Portland the sixth-least-affordable city in the country, less affordable than Los Angeles and Honolulu (Church 1996). One estimate asserts that family wage earners need to make about \$11 per hour in order to afford adequate housing, yet many new jobs pay between \$6 and \$7 per hour (Briggs 1997).

Growth and a restructured job market are chipping away at Portland's high quality of life and creating a variety of problems and challenges that shape the context for community development

Income stagnation and the growth in low-wage jobs have made it more difficult for the average wage earner to afford housing in Portland. The fast rise in real estate prices pushed affordable housing out of reach for many residents, and lower wages have compounded that trend

Demographic Characteristics

According to the 1990 Census, the Portland population was 437,000, projected to be 503,000 by 1996 (Center for Population Research and Census 1997). The city is predominantly (86 percent) white. Six percent of the population is black, 4.6 percent Asian American, 2 percent Hispanic, and 1 percent Native American. Most of the black population is concentrated in northeastern Portland, which is home to more than half of the African Americans in the state of Oregon (Vrana 1995).

The total percentage of Portland residents living in poverty increased slightly during the 1980s, from 13 to 15 percent, even as poverty declined during the latter half of the 1980s nationwide (Glickman, Lahr, and Wyly 1996). This increase pushed poverty levels in Portland above the national average of approximately 10 percent, but kept it about even with poverty levels in western states.

Since 1990, poverty in the Portland area has been deepening and spreading. A recent newspaper article in *The Oregonian* documented the spread of poverty to the suburbs, where poverty levels in some areas rose more than 50 percent between 1992 and 1996 (Briggs 1997).¹ Within the city, some neighborhoods have seen the number of families in poverty rise from 20 to 40 percent over the same period (City of Portland 1997b). Northeast and outer southeast Portland have had the greatest increases in poverty within the city. West Portland consists of more affluent and middle-class neighborhoods, with some homeless concentrated in the downtown area.

Portland's urban poor are not concentrated in dense and segregated areas. They may not be as visible as in some cities, and changes in their numbers are difficult to perceive. For example, Portsmouth CRC used school data to identify an "invisible homeless" segment of its constituency. Direct casualties of the housing affordability gap, these families bounce from one transient home to another about every three months because they can afford only one month's rent and security deposit. Consequently, their children attend several different schools during a single school year and must grow up in an unstable environment.

Neighborhoods Served by NPF

All of the currently active CDCs in Portland serve neighborhoods in the northeast or southeast. An emerging CDC will serve the west side after completing NPF training. NPF-supported CDCs serve all or part of the following neighborhoods: St. Johns, Kenton, Portsmouth, Piedmont, Woodlawn, Concordia, Humboldt, King, Vernon, Boise, Sabin, Eliot, Irvington, Kerns, Buckman, Sunnyside, Hosford-Abernathy, Richmond, Brooklyn, Foster-Powell, Mt. Scott-Arleta, Lents, Brentwood-Darlington.²

Portland neighborhoods differ vastly (Table 1). For example, north and northeast Portland are more dense than the southeast sector. Northeast Portland is also home to the majority (52 percent) of the African American population in the state of Oregon (Vrana 1995). On the other hand, parts of the Lents neighborhood in outer southeast Portland are almost rural in character and made up of mostly poor whites. The neighborhoods with the lowest incomes are in the northeast—Humboldt, King, Boise, and Eliot. They are served by several CDCs: Housing Our Families, Franciscan Enterprise, Sabin CDC, Northeast CDC, and Habitat for Humanity. These neighborhoods also have between 33 percent and 41 percent of their populations in poverty, explaining the need to have so many CDCs operating there. However, respondents noted that the community development support system could not sustain several CDCs competing for limited resources in the same neighborhoods. These groups also compete for developable land with each other and with the private sector.

The neighborhoods served by NPF CDCs are not all low-income areas. The Richmond neighborhood, served by REACH, and the Concordia neighborhood of Habitat for Humanity and Housing Our Families both have median family incomes near or above the city figure. While these neighborhoods may simply have a greater diversity of incomes than others, the fact that CDCs continue to serve them indicates a commitment to preserving the affordable housing stock of those neighborhoods.

Housing prices in Portland neighborhoods have risen considerably during the 1990s. The average home price in north Portland nearly doubled between 1992 and 1997, while the average in the northeast and southeast increased 80 percent during this period (RMLS 1997). These increases were well above the 67 percent appreciation in the average price for the entire city of Portland for the same period.

Neighborhood Activism

Portland is a progressive city with strong public participation in the planning process. Two significant events occurred during the early 1970s that set a pattern for citizen action in Portland neighborhoods. Residents rebuffed a proposed five-mile freeway connector, the Mt. Hood Freeway, that would have had a major impact on poor southeast neighborhoods, and citizen action led to a downtown freeway being replaced with a waterfront park and improved public transit. These decisions set an important precedent: neighborhoods had the potential to stop planning efforts that were not in their best interests, as well as the power to promote those efforts that more closely met their needs.

Local debates can get quite heated, especially when neighborhoods take on downtown interests. The city's Office of Neighborhood Associations (ONA) supports a network of neighborhood

*Portland is a progressive city
with strong public participation
in the planning process*

TABLE 1. CHARACTERISTICS OF NEIGHBORHOODS SERVED BY NPF-FUNDED CDCs

NEIGHBORHOOD	CDCs	POP.	WHITE (%)	HISP. (%)	AF. AM. (%)	ASIAN/ PAC. IS. (%)	NAT. AM. (%)	MEDIAN FAM. INCOME (\$)	POVERTY RATE (%)	MEDIAN RENT/HOUSE VALUE (\$)
City of Portland		437,000	86	2	6	5	1	25,592	15	407/61,000
St. Johns	LIHNAPO	9,803	85	4	6	6	2	21,097	19	380/43,000
Kenton	LIHNAPO, PCRC	6,435	74	5	16	5	3	21,667	20	413/44,500
Portsmouth	PCRC	7,806	68	5	21	6	2	17,860	34	351/43,900
Piedmont	HOF	6,408	62	6	30	4	2	22,767	21	428/46,700
Woodlawn	HOF, HH	4,748	36	4	58	3	1	20,080	30	434/43,400
Concordia	HH, HOF	9,575	59	2	33	4	2	25,694	19	460/54,900
Humboldt	FE, HOF, NECDC	4,420	37	7	55	3	1	14,464	33	328/46,100
King	FE, HOF, NECDC	5,242	30	6	64	2	4	15,139	41	377/41,900
Vernon	FE, SCDC, HOF, NECDC	2,647	35	3	59	2	2	19,200	31	460/40,200
Boise	HH, FE, HOF	2,549	26	7	68	2	3	13,271	40	370/37,000
Sabin	FE, SCDC, HOF, NECDC	3,393	55	3	44	1	2	26,557	16	465/56,000
Eliot	HH, HOF	2,600	43	4	51	4	2	11,349	38	304/43,900
Irvington	HOF	6,590	75	3	20	1	3	26,046	13	381/41,000
Kerns	REACH	4,811	83	6	8	2	2	18,881	15	340/65,600
Buckman	REACH	7,928	85	4	4	7	2	16,702	24	321/61,000
Sunnyside	REACH	1,358	87	5	3	7	2	20,257	14	342/57,000
Hosford-Abernathy	REACH	7,071	86	3	2	11	1	22,564	16	355/78,300
Richmond	REACH	11,669	87	2	2	9	1	26,447	12	406/62,600
Brooklyn	REACH	3,679	84	3	6	6	3	23,136	16	384/53,000
Foster-Powell	ROSE	6,728	88	1	0	9	1	23,543	14	425/54,900
Mt. Scott-Arleta	ROSE	7,022	90	2	1	5	3	22,426	17	419/51,000
Lents	ROSE	3,218	92	4	1	4	2	22,957	18	413/51,000
Brentwood-Darlington	ROSE	10,465	93	4	0	3	1	22,999	18	415/46,400

Source: City of Portland, Office of Neighborhood Associations 1997.³

associations that organize residents around planning issues and provide clear channels through which neighborhoods can influence policy.⁴ Most of the neighborhood associations believe that the Portland Development Commission (PDC), the redevelopment authority, favors downtown and westside business interests over eastside neighborhood concerns. Portland's political structure of a weak mayor with councilpersons elected at large does not allow for any easy resolution of this tension. Politicians forge allegiances to issues rather than neighborhoods. This structure makes it difficult to identify political power brokers that neighborhood groups can pressure. Residents of a specific neighborhood may find it difficult to hold any single councilperson accountable to their needs because members of the council do not need to capture the majority vote of any single neighborhood to get elected.

As in most cities, issues that affect residential property values are the most hotly debated. Currently those issues are taxes, density, and transportation. Growth-related pressures threaten the cooperative and reform-minded culture of government as existing services, especially education, become strained. Property taxes have risen quickly as a result. In 1996 voters passed Measure 47, a referendum that rolls back property taxes and limits the growth of rates. Measure 47 decreased city revenues, and Mayor Katz's proposed budget for FY 1997-1998 included across-the-board cuts and a total spending reduction of 9 percent (City of Portland 1997a). The cut with the most implication for community development is the 20 percent proposed for the PDC budget. The uncertain future of PDC threatens a large source of CDC project financing.

COMMUNITY DEVELOPMENT INFRASTRUCTURE

Portland CDCs have a wide variety of resources available to them. Table 2 lists the key players in the community development infrastructure of Portland. While the scale of funding available may not match that of older community development support systems, like those in Cleveland and Philadelphia, the strength of the Portland support system lies in its scope. NPF is at the center of a wide range of resources available to Portland CDCs. It has developed many of the institutional connections and created the networks that form the basis of the community development infrastructure in Portland.

Public Sources of Support

The tradition of "good government" in Portland extends to the support of grassroots groups. City spending on community development comprises 9.9 percent of the FY 1997-1998 proposed city

While the scale of funding available may not match that of older community development support systems, like those in Cleveland and Philadelphia, the strength of the Portland support system lies in its scope

**TABLE 2. KEY PLAYERS
IN PORTLAND HOUSING
AND COMMUNITY DEVELOPMENT**

TECHNICAL ASSISTANCE PROVIDERS

Neighborhood Partnership Fund (NPF)
Provides formal and informal organizational development assistance to recipients of operating support.

Housing Development Center (HDC)
Provides assistance for all aspects of the development process.

Technical Assistance in Community Service
Provides organizational development assistance.

Various Private Consultants
Provide a wide range of technical assistance.

SOURCES OF OPERATING SUPPORT/TA

Neighborhood Partnership Fund
Provides multiyear operating support through the Portland Neighborhood Development Support Collaborative.

Bureau of Housing and Community Development (BHCD)
Provides multiyear operating support through the Portland Neighborhood Development Support Collaborative.

SHORT-TERM FINANCING

NPF Development Fund (managed by Enterprise Foundation)
Provides predevelopment and construction loans.

Portland Development Commission
Offers predevelopment loans.

State of Oregon
Provides short-term, up-front financing through its Seed Money Advance Loan Program.

SOURCES OF EQUITY INVESTMENT

Portland Development Commission
Provides equity to undercapitalized projects through its Equity Gap Investment program.

Enterprise Social Investment Corp.
Provides equity to projects through the syndication of Low Income Housing Tax Credits.

SOURCES OF PROJECT SUBSIDIES AND LONG-TERM MORTGAGE LOANS

Portland Development Commission
Provides financing from the Housing Investment Fund (HIF) from its Rental Housing Development Loan program and from bond issues.

Network of Oregon Affordable Housing (NOAH)
A consortium of private banks that offers long-term financing for multifamily projects and passes through loans from HUD's Low Income Housing Preservation and Resident Home Ownership Act (LIHPHA) program.

OTHER TYPES OF SUPPORT

Oregon Association of Community Development Organizations
Statewide trade association of CDCs.

Community Development Network
Networking and advocacy group for Portland CDCs.

Workforce Development Network
Networking and advocacy group for Portland organizations engaged in workforce development.

budget, or \$119.3 million, down \$18 million from the previous year (City of Portland 1997a). The Bureau of Housing and Community Development (BHCD), headed by Steve Rudman, has supported all of the existing CDCs and nearly all of the nonprofit housing developers in Portland. The PDC has also been a major source of project financing for CDCs. Portland grassroots organizations enjoy a level of support from local government that has been a key factor in building their capacities.

BHCD has made CDC capacity building a priority, supporting CDCs with both general and CDBG funds. It has given nonprofit developers a total of \$2.6 million through its nonprofit operating support program since it initiated the program in 1993. NPF and BHCD informally coordinated operating support funding to maximize the benefit community development system each was trying to build. In 1997, discussions between Mr. Rudman and NPF executive director Don Nuereuther led to a new partnership between the city and NPF. BHCD merged its nonprofit operating support program with NPF's core operating support program, initiating a new partnership between the city and NPF.

The new collaborative, the Portland Neighborhood Development Support Collaborative (PNDSC), provides operating support to CDCs through a single entity with funds from BHCD and NPF. Its integrated operating support program, called the Housing Development Support Program (HDSP), is in effect both a city program and an NPF program. A separate PNDSC distribution committee recommends awards to the NPF board and to Gretchen Kafoury, the city commissioner in charge of BHCD. The distribution committee was expanded from the NPF distribution committee; it includes six NPF board members, BHCD director Steve Rudman, and Gretchen Kafoury. Staff from both BHCD and NPF oversee PNDSC contracts and evaluate organizational performance. This unique partnership results in a public entity and a private entity sharing responsibility for distributing public and private funds.

Like the BHCD, the PDC also administers HOME and CDBG funding, but only for project financing. PDC offers CDCs the Housing Investment Fund (HIF), an Equity Gap Investment (EGI) program, and credit enhancement for project financing. Created in 1995 to offset a \$30 million loss in federal assistance for affordable housing, the HIF offers nonprofit developers below-market-interest-rate loans to help with the production of low-income housing. The EGI offers equity assistance to nonprofit developers of rental housing, given that 50 percent of the rental units serve low- and moderate-income households. PDC will guarantee debt reserves for private financing secured for affordable housing through its Contingent Loan Agreement Program. PDC also offers predevelopment loans and city permit and fee waivers for affordable housing development projects.

Other public offices support community development in a variety of ways. The city's Bureau of Buildings offers a limited tax assessment program for residential rehabilitation. The Bureau of Planning provides property tax exemptions for nonprofit low-income housing in the downtown area and also offers fee waivers to nonprofit developers. Multnomah County Community and Family Services Division manages the Community Action Program and a CDBG program for low- and very-low-income households and transfers tax-foreclosed properties to developers of affordable housing. The Housing Authority of Portland has partnered with nonprofits on projects. The Housing and Community Development Commission (HCDC) is a committee of citizens appointed to advise the city of Portland and Multnomah County governments on housing policy.

Government funding may diminish in the coming years. Measure 47 cut and capped local property taxes, trimming local government revenues. Mayor Katz's 18 percent cut in funding for community development for 1997-1998 is evidence of this impending decline. Voter referenda on property taxes have also eliminated Tax-Increment Financing (TIF), a major financing tool of the PDC. As a result, the PDC has been restructuring, and many of its programs are in a state of flux. Also, city commissioner Gretchen Kafoury, the key political supporter of community development in the city, will be stepping down in 1998. The loss of such a strong advocate is a big blow to community development and for housing issues in general. Two new commissioners have yet to prove their commitment to community development; at this point, neither seems to be as committed as Kafoury.

Philanthropic Support

Quite a few local and national foundations contribute to community development in Portland. OCF has taken the lead role locally by creating and sponsoring NPF. The Meyer Memorial Trust, the Collins Foundation, the Herbert Templeton Foundation, and the Ralph Smith Foundation are other local and regional philanthropic supporters of community development. The most philanthropic support comes from national sources, most of whom contribute through the National Community Development Initiative (NCDI), a national collaboration between the Department of Housing and Urban Development (HUD), foundations, and corporations. NPF receives NCDI money passed through the local office of the Enterprise Foundation. NPF has received funding from the following national foundations, some as members of NCDI: the Annie Casey Foundation, the Enterprise Foundation, the Fannie Mae Foundation, the Ford Foundation, the Lily Endowment Fund, the John and James L. Knight Foundation, the John D. & Catherine T. MacArthur Foundation, the McKnight Foundation, Metropolitan Life Foundation, the Northwest Area

In 1997, discussions between Mr. Rudman and NPF executive director Don Nuereuther led to a new partnership between the city and NPF

The new collaborative, the Portland Neighborhood Development Support Collaborative (PNDSC), provides operating support to CDCs through a single entity with funds from BHCD and NPF

While the Meyer Memorial Trust does not contribute to intermediaries like NPF, it does support CDCs because its director, Charles Rooks, was asked to sit on the NPF board

The lack of a real history of corporate giving makes it difficult for community development practitioners to solicit contributions based on success stories resulting from past donations

Foundation, Pew Charitable Trusts, the Rockefeller Foundation, and the Surdna Foundation.

At least one local foundation has increased its contribution to community development because of NPF. While the Meyer Memorial Trust does not contribute to intermediaries like NPF, it does support CDCs because its director, Charles Rooks, was asked to sit on the NPF board. Rooks explained that Meyer felt that groups did not have the capacity to do housing, and that Meyer staff and board were unfamiliar with CDCs and housing production until his experience on the NPF board. Now Meyer feels more comfortable giving to groups because of a new confidence that NPF support has helped them achieve long-term viability.

Portland's underdeveloped corporate philanthropic sector presents a challenge for groups raising funds for community development. While some corporations do commit to community development, those that do tend to give in small amounts. Between 1990 and 1995, corporate support of NPF totaled 2 percent of total funding raised (NPF 1995). The lack of a real history of corporate giving makes it difficult for community development practitioners to solicit contributions based on success stories resulting from past donations. Also, Portland does not host many large national corporate or philanthropic headquarters that support local initiatives.

Bank Support

Seventeen Oregon banks support community development through the Network for Oregon Affordable Housing (NOAH). NOAH offers financing and technical assistance for affordable rental housing developments in the state of Oregon. It is a non-profit consortium of banks that contribute a line of credit to support the production of affordable housing. While NOAH has funded several CDC projects, it also funds developments by housing authorities, community action agencies, and other developers. CDCs can tap NOAH for long-term financing for multifamily rental housing developments and technical assistance for putting financing packages together. NOAH, working with the state Community Services Department, also acts as an intermediary for grants from HUD's Low Income Housing Preservation and Resident Home Ownership Act (LIHPRHA) program. LIHPRHA grants help CDCs purchase HUD-financed properties in order to maintain them as affordable housing. As of June 1996, NOAH had closed 14, committed 16, and sold six loans to the secondary market.

Before the creation of NPF, Portland banks were not involved in community development to any large degree. Moreover, in recent mergers Portland banks were bought out by superregionals

based elsewhere. Large banks, with their potentially large donations and pools of capital, are based in places like San Francisco and Minneapolis. With the loss of local control over capital, there are few neighborhood offices upon which local groups can apply pressure under the Community Reinvestment Act (CRA). Nonetheless, in May of 1997 the Community Reinvestment Coalition of Oregon was successful in negotiating a CRA lending agreement with the merging US Bank and First Bank.

Another impact of bank mergers has been the removal of many local community development lending officers. Loan applications are often reviewed by people in California, Seattle, or beyond who are less familiar with the needs of community development in Portland. While a few banks like Washington Mutual, Bank of America, Wells Fargo, and US Bank contribute to community development through NPF, bank mergers have resulted in a lack of local bank staff who are familiar with CDC track records and creditworthiness.

National Intermediaries: The Enterprise Foundation

The Enterprise Foundation is the only national community development intermediary that operates in Portland. The Oregon Enterprise Foundation serves groups statewide from its base in Portland. Enterprise has been an integral part of the CDC support web. NPF shares some support duties with Enterprise, which brings some sophisticated skills for managing development capital. The Enterprise staff manages the NPF Development Capital Revolving Loan Fund and provides technical assistance to groups. Enterprise is also the local conduit through which funding from the National Community Development Initiative (NCDI) flows to community development activities in Portland.

Enterprise manages the NPF development fund. It has sponsored 27 CDC projects that have resulted in 691 units of affordable housing. It has underwritten more than \$4 million of construction and predevelopment loans for 14 groups. NCDI is the primary source of funding for the revolving loan fund, contributing a \$4.35 million program-related investment. Other sources are a \$500,000 loan from Washington Mutual Bank and \$300,000 worth of loan guarantees from the city of Portland.

Other Resources

Portland CDC directors recognized some other key resources available to them because of NPF support. The Housing Development Center (HDC) is a one-stop housing technical assistance center for CDCs, established and funded by NPF. It acts as a consultant or auxiliary staff, handling all or part of some projects, like predevelopment planning or construction. HDC can serve as a

The Housing Development Center (HDC) is a one-stop housing technical assistance center for CDCs, established and funded by NPF

Many interview respondents singled out the Housing Development Center (HDC) and the Community Development Network (CDN), created and sponsored by NPF, as best practices

BOX 1**BEST PRACTICES:
TECHNICAL ASSISTANCE AND
NETWORKING CENTERS FOR CDCs**

Many interview respondents singled out the Housing Development Center (HDC) and the Community Development Network (CDN), created and sponsored by NPF, as best practices. NPF recognized early on that hiring individual consultants for housing development technical assistance adds significantly to project costs. Also, there was a shortage of local consultants in the early years of Portland's CDC support system. NPF then funded the creation of the HDC, a separate nonprofit governed by a separate board. The HDC has professionals on staff that provide CDCs with the type of technical assistance they need, assisting them in a manner that allows them to learn by doing. HDC makes an effort to teach CDCs while providing technical assistance, so the next time the task can be completed without assistance. HDC can also be hired to handle all or part of the development process of any nonprofit housing development project. Many Portland groups have used HDC for predevelopment planning and construction management, while NPF and other funders have confidence in HDC expertise. CDC directors noted that HDC has been a tremendous resource for them. HDC could easily be replicated in other cities and would especially benefit community development support systems with many CDCs that lack substantial development experience.

CDN is a member association of CDCs and representatives of public and private entities concerned with community development in Portland. Only CDCs and nonprofit members of the CDN can vote, however. Members meet once a month at brown-bag luncheon sessions to stay abreast of each other's activities, to discuss current policy issues, and to track local and regional social and economic trends. CDCs build consensus on issues through the network and then present their concerns to government and the private sector as a unified force. Recently, the network has advocated for ensuring that local and regional government maintain the provision and preservation of affordable housing as a priority in light of a regional

project manager or provide more ongoing, as-needed advice. Either way, HDC can do what some CDCs may not have the capacity to do, due either to a lack of properly trained staff or a lack of experience with a particular type of project.

Informants stressed that the Community Development Network (CDN) has been a valuable resource for Portland CDCs. Created and funded by NPF, CDN is a networking and advocacy group composed of CDCs and other public and private agencies engaged in community development. Members meet monthly to discuss policy and issues that may affect community development in the Portland metropolitan region. The network provides a forum for the CDCs to take a collective position on city and state policy, and to stay abreast of the current activities of government agencies like BHCD, the Housing Authority of Portland (HAP), and the Portland Development Commission (PDC).

Another important resource for Portland CDCs is the Oregon Community Development Training Institute at Portland State University (PSU). NPF supports the institute, as do other private funders. The training institute is operated by the PSU School of Extended Studies through the School of Urban and Public Affairs. It selects 35 to 40 community development practitioners from across Oregon and provides intensive 10- to 11-day training courses taught by experts and consultants. Core training modules include community organizing, organizational management, community economic development, and real estate development.

A new training and technical assistance consortium facilitated by NPF complements the training offered by the training institute. The consortium includes a number of training and technical assistance providers who have designed a 12-month program for CDC boards and staffs. Consortium training topics encompass human resource and management issues; financial, property, and asset management; and economic and workforce development initiatives. Participants in the consortium include HAP, BHCD, the Oregon Housing and Community Services Department, Enterprise, CASA of Oregon, Portland State, the Network for Oregon Affordable Housing (NOAH), Washington Mutual Foundation, the Association of Oregon Community Development Organizations (AOCDO), and CDN.

IV

THE ROLE OF THE NEIGHBORHOOD PARTNERSHIP FUND IN CAPACITY BUILDING

NPF grew out of efforts by OCF to support community organizing in Portland neighborhoods during the 1980s. Through its Small Grants Program with the Mott Foundation, OCF recognized that community-based initiatives that lacked an institutional base quickly foundered. A 1989 planning grant from the Ford Foundation enabled OCF to do an assessment of community development needs in Portland. The assessment was carried out with the help of the National Economic Development and Law Center and an executive from the Pacific Power and Light Company. It was recommended that OCF create a local intermediary that would support CDCs at all maturity levels. In 1990, the Ford Foundation committed \$500,000 to the project, and OCF launched NPF as a program with the mission of creating and sustaining an industry of CDCs. From 1990 to 1997, NPF pooled more than \$7.5 million for Portland CDCs (Table 3). OCF remains the fiduciary agent of NPF.

The early rounds of NPF funding supported new and young CDCs in a fashion consistent with its mission of creating an industry of CDCs. Organizing grants were given to loosely affiliated residents with the intent of creating CDCs. NPF was very involved, teaching groups about community development and the importance of a neighborhood-based board. Once a CDC was created, NPF support focused heavily on staff and board development. As young CDCs grew, new ones were being created, and NPF divided support into three categories: new, emerging, and mature. It provided new groups with training and technical assistance; older groups received support for increased activity and staff. Many groups increased capacity quickly when the city began providing operating support in 1993. For example, support for ROSE CDC went from \$10,000 from NPF alone in 1993 to a total of more than \$70,000 from NPF and BHCD in 1994.

NPF strengthened its role in CDC capacity building by forging a formal partnership with the city in 1997. BHCD and NPF provided operating support to the same core groups between 1993 and 1997. Their grants supported 100 percent of staff costs and up to 45 percent of other administrative costs for several groups. Some groups depended upon NPF and BHCD for more than 80 percent of their total operating costs (PNDSC 1997a). With limited total funds available for community development and so many groups

BOX 1 (continued)

development boom that is crowding nonprofit housing developers out of the market. CDN also researches and disseminates information to CDCs. At a recent meeting, CDN distributed information about technical assistance and other service providers, the development strategy of the Housing Authority of Portland, and a development agreement between the city and a private developer. Like the HDC, the CDN was created with NPF funding, and it exists as a separate nonprofit entity. It receives funding from NPF, the city of Portland, several foundations, membership fees, and banks. Interview respondents singled out CDN as a best practice for local partnerships looking to increase the networking capacity of CDCs.

The early rounds of NPF funding supported new and young CDCs in a fashion consistent with its mission of creating an industry of CDCs

TABLE 3. NPF FUNDING SOURCES AND USES, 1990-1999⁵

	1990-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	Total
NPF FUNDING SOURCES										
Ford Foundation	500,000		520,000		500,000		400,000			1,920,000
OCF	100,000	100,000	100,000	100,000	100,000	75,000	75,000	25,000		675,000
NCDI		450,000		1,000,000			480,000	380,000	690,000	3,000,000
Northwest Area Foundation							144,000	144,000	144,000	432,000
NCCED		4,000					50,000	150,000	150,000	354,000
Other Foundations		11,500				53,000	25,000	50,000	50,000	189,500
City of Portland	50,000	100,000	100,000	100,000	150,000	166,000	800,000	700,000		2,166,000
Other government agencies		1,000						420,000	2,000,000	2,421,000
Corporations		24,500				25,000	160,000	330,000	300,000	839,500
Total by year	650,000	691,000	720,000	1,200,000	750,000	319,000	2,134,000	2,199,000	3,334,000	\$ 11,997,000
NPF USES OF FUNDS										
Core operating support		220,865	207,588	432,720	462,380	491,900	260,695	1,225,000	1,225,000	4,526,148
Other Support										
T/A Training		59,277	88,000				105,000	108,000		360,277
Organizing	67,500	72,500	25,000	85,000	78,400		89,200	89,200		506,800
CD Network					10,000					10,000
Loans from NPF Development Fund (14)										4,000,000
NPF Personnel/Administration (Avg. for 90-95)	137,000	137,000	137,000	137,000	137,000	238,700	288,800	258,500		1,471,000
Total by year	204,500	489,642	457,588	654,720	687,780	730,600	743,695	1,680,700	1,225,000	\$ 10,874,225

Sources: Neighborhood Partnership Fund 1995, Neighborhood Partnership Fund 1997.

dependent upon them, NPF and BHCD directors Don Nuereuther and Steve Rudman had been informally coordinating support. Creating a formal partnership made sense to Rudman and Nuereuther, and NPF and BHCD now work as partners through the Portland Neighborhood Support Collaborative (PNDSC), while providing the same type of operating support to nonprofit housing developers in Portland.

PNDSC offers both NPF and BHCD some key benefits. First, it formalizes coordination between NPF and BHCD and simplifies the oversight process for both funders. Second, the government role increases the base of funds NPF uses to leverage dollars from private sources. For example, funding from national sources like NCDI is often distributed with a match – a particular percentage of money raised from other sources. Merging resources with BHCD gives NPF a greater pool from which to solicit matching funds. Finally, and most importantly for CDCs, the new partnership simplifies the grant application process. Groups complete one application and are subject to one performance evaluation a year, greatly reducing the administrative burden on CDC staff.

NPF now plays most of its role in CDC capacity building through the PNDSC, which in effect is a program of both NPF and the city. It still supports other components of the CDC support infrastructure – HDC, the CDN, community organizing, and training. PNDSC has a distribution committee that recommends grant awards to the NPF board, which makes final award decisions. The distribution committee includes six NPF board members plus an appointee of Gretchen Kafoury, the city commissioner in charge of BHCD; Steve Rudman of BHCD; a Housing and Community Development Commission appointee; and Dave McConnell of Enterprise. Staff from NPF, BHCD, and Enterprise share management and oversight duties of the PNDSC. The only change in NPF itself is in its operating support, which now comes through PNDSC’s Housing Development Support Program (HDSP). NPF funds PNDSC as a separate program. Table 4 shows PNDSC secured funding amounts and sources through 1999.

**TABLE 4. PNDSC FUNDING SOURCES
1997-1999**

Source	Amount
NCDI (NPF and Enterprise)	\$380,000
Ford Foundation (NPF)	\$75,000
Oregon Community Foundation	\$25,000
Corporate (NPF)	\$200,000
HOME (BHCD)	\$235,000
CDBG (BHCD)	\$465,000
Total	\$1,380,000

Source: Portland Neighborhood Development Support Collaborative 1997

BOX 2

**BEST PRACTICE:
EARLY FOCUS ON
ORGANIZATIONAL DEVELOPMENT**

The NPF strategy of focusing on organizational development, especially during the early stages of CDC growth, stands out as a best practice. No other single factor played as important a role in building the capacity of new and young Portland CDCs. NPF recognized that the key to the long-run sustainability of a CDC is effective management by a well-trained board and staff. During the first round of NPF funding, CDC boards completed seven-month intensive weekend training sessions. NPF did not give new CDCs money to hire staff until the board had completed its training. Once groups completed training, NPF increased grant awards. For example, operating support for Sabin CDC nearly doubled from one NPF cycle to the next in recognition of the CDC’s increasing experience.

Organizational development remains a focus of NPF operating support even for growing or established groups. Older groups must have written and regularly reviewed organizational management systems in place that institutionalize standard business practices. Some areas of concern to NPF are: strategic planning policies, financial management, personnel, governance, and information systems.

Other partnerships could easily replicate NPF’s strong focus on intensive board and staff development. Cities with young CDCs could clearly benefit from such a strategy. More established CDC communities could use it as a strategy to reinvigorate older groups.

TABLE 5. PRODUCTION AND SIZE OF NPF/PNDSC-FUNDED ORGANIZATIONS⁶

GROUP	TYPE⁷	AGE YRS.	EST. OP. EXP.	TOTAL STAFF	HOUS- ING STAFF	UNITS PROD/ OWNED	OTHER ACTIVITIES
Franciscan Enterprise	CDC	10	\$126,417	7.5	7.5	97	Microenterprise loan fund, commercial development
Hacienda CDC	CDC	5	\$97,764	1	1	178	
Housing Our Families	CDC	6	\$338,980			249	Property management, tenant organizing
Inner Westside CDC⁸	CDC	3	\$46,500	-	-	-	
Low-Income Housing for Native Am. of Portland, OR	CDC	3	\$169,600	5	4.5	1	Native American business center, youth program
Northeast CDC	CDC	13	\$1,347,838	14	9		Community events, homeownership training
Portland Community Reinvestment Initiative	CDC	6	\$124,780	13	13	271	Property management
Habitat for Humanity	CDC	16	\$464,156	5.5	5.5	25	Homeownership training, volunteer coordination
Portsmouth CDC	CDC	4	\$63,030	1	1	5	Paint-a-thon, housing fair, and tree plantings
Reach CDI	CDC	15	\$2,358,822	25	5.75	630	Commercial development, neighborhood planning
Rose CDC	CDC	6	\$464,531	5	3	45	Support for home childcare providers
Sabin CDC	CDC	5	\$102,380	5	5	70	Commercial revitalization, youth employment program
Network Behavioral Healthcare	Health care	16	\$8,970,753	342	3	25	Comprehensive services for the developmentally disabled
Central City Concern	Human services	18	\$5,161,105	239	10	1,042	Detox, homeless services, job training
Human Solutions	Human services	8	\$1,291,465	4.5	26	220	Family support services, housing crisis intervention
Northwest Housing Alternatives	Nonprofit developer	11	\$1,091,662	15	9	700	Property management
Production of All Groups (16)						3,558	
Production of CDCs (12)						1,571	
Median of all groups		7	\$401,568	6.5	5.6	137.5	
Median CDC		6	\$148,009	5.25	5.25	83.5	

Source: Portland Neighborhood Development Support Collaborative 1997b

PRODUCTION OF PARTNERSHIP CDCs

The CDC “industry” in Portland is young, but has been very productive. When NPF was created in 1990, there were only two CDCs in Portland. REACH served inner southeast Portland, while NECDC served in the northeast. No CDCs operated in the distressed neighborhoods of the outer northeast, central northeast, north, and outer southeast sections of Portland. Today 12 CDCs and five other nonprofit organizations are producing affordable housing. NPF has provided some assistance to all but one of these groups. Table 5 outlines the production and characteristics of each group that NPF funds through the PNDSC. Note that the median CDC age is six years, reflecting the fact that more than half of Portland CDCs were created after NPF began operations, and NPF played a role in the creation of several CDCs.

GOVERNANCE AND GOALS

Goals

The NPF mission is “to revitalize Portland’s inner-city neighborhoods by creating and sustaining a strong network of CDCs” (Neighborhood Partnership Fund 1997). While the language of the mission has changed slightly since NPF’s inception, the focus remains the same.⁹ NPF programs have evolved with the increase in number and maturing of CDCs. In the early 1990s, groups needed board training and technical assistance. In 1997, in addition to training and technical assistance, they need increased operating support to hire and train new staff, purchase new office space, and buy equipment.

NPF is focused on three strategies in pursuit of its mission (Ibid.). The first is to integrate “NPF programs into identified neighborhood and regional goals for metropolitan Portland.” The second is to facilitate “innovative public–private initiatives focused on providing tools for community-driven organizations to accomplish clearly defined performance outcomes.” The last is to invest “in comprehensive neighborhood revitalizations through the development of neighborhood leaders.”

The PNDSC integrated operating support program is clearly part of the NPF strategy to “facilitate public–private initiatives” to support CDCs. However, the PNDSC has a set of goals distinct from, but consistent with, those of NPF. The PNDSC goals are listed in Figure 2. In summary, they are: to increase funding available for programs that build the capacity of organizations engaged in community development activities; to integrate the capacity-building programs of BHCD and NPF; to build the capacity and durability of CDCs by providing operating support, training, and technical assistance; to increase CDC productivity and efficiency; and to simplify the grant application and reporting process for CDCs.

FIGURE 2.
PNDSC GOALS AND OBJECTIVES

Goal 1: To increase public- and private-sector investment in capacity-building programs fostering the growth of community-driven organizations engaged in housing and other neighborhood revitalization activities in the Portland metropolitan region.

Goal 2: To establish a collaborative funding program that integrates the capacity-building programs of the Neighborhood Partnership Fund and the Bureau of Housing and Community Development with support from other local funders of nonprofit organizations engaged in neighborhood revitalization activities.

Goal 3: To build the strength, capacity, and durability of community-driven development organizations in Portland through the collaborative provision of operating support, training, and technical assistance based on individual organizational work plans.

Goal 4: To increase the productivity and efficiency of grantees.

Goal 5: To simplify the grant application and reporting process for community development organizations applying for operating support.

Source: Portland Neighborhood Development Support Collaborative 1997a

NPF recognized that the key to the long-run sustainability of a CDC is effective management by a well-trained board and staff

Governance

NPF is a program of OCF, and all funding to NPF is legally awarded to OCF. However, an independent 21-member advisory board makes policy decisions and determines the strategic direction of NPF. Greg Chaille, the OCF director, sits on the NPF board. The 1997 board was composed of two corporate executives, four bank executives, two developers, three foundation representatives, a practicing attorney, two government officials, a local bishop, three local businesspeople, the dean of the Portland State University School of Business, and two community representatives. The NPF board approves all final program and planning decisions.

A distribution committee makes decisions regarding grant awards. The recent collaboration between the city and NPF has expanded the distribution committee. It is now comprised of the city commissioner in charge of BHCD, an appointee of the commissioner, the director of BHCD, a Housing and Community Development Commission appointee, the state director of the Enterprise Foundation, and six NPF board members.

Staff

NPF began as a very staff-driven organization. Its approach was more a function of the style of the executive director than of explicit policy set by the board. Under its first executive director, Ed McNamara, NPF was very involved in the way the newly created CDCs operated. McNamara had a strong hands-on, directive approach. This style was very effective when groups were new. Since December of 1994, when the current director was hired, many groups have matured and need less direct intervention. The organization now makes an effort to work in partnership with groups, recognizing the need for NPF to balance its roles as funder and adviser. For example, NPF recently held a meeting with CDCs to solicit feedback on the organizational assessment process.

NPF employs three people full-time—an executive director, an operations officer, and a program officer. Well-qualified individuals staff all three positions. The current executive director is Don Nuereuther, a former Catholic priest who headed a church-based housing initiative in Omaha, Nebraska, and has extensive experience in community development. The operations officer, Kathy Kniep, is responsible for coordinating training and other general operations. She has a master's degree and experience working at a homeless social service center. The program officer position, staffed by Angelina Allen-Mpyisi, was added in 1996 to provide management of operating support grant contracts. Angelina maintains an open and regular line of communication between NPF and its supported CDCs. Angelina came with extensive experience from the Local Initiatives Support Corpora-

tion of Puget Sound. Staff salaries and benefits are budgeted at \$238,500 for the 1997-1998 fiscal year.

A staff committee manages the Housing Development Support Program (HDSP). The committee is comprised of staff from city and NPF staff and currently includes Don Nuereuther (NPF), Kathy Kniep (NPF), Mike Anderson (Enterprise), Martha McLennan (BHCD), Lynne Taccogna (BHCD), and Robert Bole (BHCD). The committee is responsible for managing the application process, conducting performance reviews, and providing recommendations to the distribution committee.

CDC SELECTION, ASSISTANCE IN PLANNING, AND PERFORMANCE MEASURES

The new PNDSC partnership offers both operating support and technical assistance to community-based organizations and is based on the previous operating support programs of the city and NPF.¹⁰ Groups receive two-year operating support of three types: technical assistance grants, basic support, and enhanced support. Technical assistance grants are for six months and are used to resolve organizational development deficiencies and intended to make groups eligible for full operating support. The basic level of support is small, in the range of \$20,000 to \$75,000 per year for general organizational development and operating support. The enhanced level of support is a larger grant of at least \$115,000 per year. NPF reserves support for groups that successfully complete the technical assistance grant and make themselves eligible for full operating support. Funding for all groups is contingent upon the completion of an organizational assessment and the preparation of a work plan.

Core operating support is intended to be used for organizational development and for the production of affordable housing. Groups can use grants both to fund current activities and to increase their capacity to build housing. Eligible uses include staff salaries, administrative systems, staff systems, and other organization needs related to producing or increasing the ability to produce affordable housing (PNDSC 1997b).

Selection Process

The early NPF funding rounds supported new and young CDCs in a manner consistent with its mission of creating an "industry of CDCs." NPF supported all efforts to create CDCs and gave increasing operating support to groups as they matured. However, as groups matured, many received larger amounts of operating support each year regardless of performance or growth. It frustrated some NPF board members to see marginally perform-

*NPF strengthened its role in
CDC capacity building by forging
a formal partnership with the city
in 1997*

FIGURE 3.
NPF FUNDING CRITERIA

Criteria

- Track record of successful real estate development, or the steps taken to ensure a project will be started in the coming year
- Extent to which performance objectives are met in a variety of programs, and the existence of a program to increase capacity to produce quality products
- Degree to which projects address the needs of the community and its constituents
- Extent to which the plan to stabilize or enhance ability to produce housing is commensurate with the group's organizational capacity
- Ability to create effective working relationships with partners and community residents, degree to which the applicant operates professionally

Source: Portland Neighborhood Development Support Collaborative 1997a

ing groups with funding secured for the duration of a grant cycle. The latest round of NPF funding comes through the HDSP, which employs a more rigorous oversight policy, beginning with the selection process. Groups apply through a three-step process: 1) initial qualification; 2) completion of an organizational assessment; and 3) completion of a two-year work plan. In Figure 3, we summarize the criteria on which NPF funding decisions are based. Groups that are lacking in one or more of the criteria listed in Figure 3 may receive a technical assistance grant and be required to improve the deficient area(s) before graduating to full support.

The first step of the application process is the establishment of qualification. All applicants respond to a request for qualification by submitting an application. All groups must be incorporated as a 501(c)(3) under Oregon law and operate in a defined neighborhood or service area. CDCs should have the provision of affordable housing as a stated purpose and should have completed or be about to complete an affordable housing project. They should demonstrate accountability to low-income neighborhoods by providing a structure for input of low-income beneficiaries or other constituents served by the organization in the development and operation of its projects, or in their representation on its board of directors.

The second stage of the application process is the completion of an organizational assessment done by a consultant. The assessment evaluates the current standing of CDCs in all aspects of their organizational development. Appendix A includes a template of the assessment tool used by NPF. If the assessment reveals serious organizational problems, a CDC may be required to "fix" the problems with technical assistance provided by NPF before moving on to the next stage of applying for full support. NPF also uses the assessment process as an evaluation tool, described in detail in the performance and evaluation section below. Results of the initial assessment form the basis for the final stage of the application process, the two-year work plan.

NPF expects the two-year work plan to be based on a CDC's existing strategic planning process. The work plan describes in detail each housing project a CDC is currently developing, sets forth a specific strategy for each housing project in the pipeline or expected to be within two years, lays out each nonhousing initiative or project in detail, describes the community relations efforts of the CDC, plans organizational development tasks over the next two years, and allocates and projects funds to all of these tasks within a two-year operating budget. Appendix B includes the template for the work plan used by NPF groups. Each section requires specific information which is accompanied by a narrative. Future evaluations of CDC performance use the work plans as a benchmarking tool, particularly when considering organizational

development. In effect, NPF-funded CDCs develop their own standards against which their performance is measured.

NPF implicitly places a priority on groups that are more community based, either by place or affinity. All groups must have some community representation at the board level. This preference would seem to limit funding to traditional CDCs. However, NPF applies this requirement loosely, as evidenced by the different types of groups that received funding this round, such as social service agencies and health care providers.

Groups that are primarily social service providers may qualify by demonstrating that their housing efforts are concentrated in low-income areas. For example, Central City Concern (CCC) serves Portland's homeless population. It owns and manages more than 1,000 units of single-room-occupancy housing, and employs more than 200 people. While it does not target a specific neighborhood, it does target a specific low-income population in Portland, providing housing for that population. In the current funding cycle, four groups are not neighborhood based, and four groups do not consider housing as their primary activity.

Performance and Evaluation

NPF evaluates groups several times throughout the course of a funding cycle. The HDSP staff committee reports on the progress of funded groups to the board every six months. If the evaluation is not favorable, based on the criteria described below, NPF may terminate the funding contract. However, NPF will try to work out problems before defunding any group.

The regular assessment of CDC performance and capacity currently uses performance standards developed by NPF (PNDSC 1997a). These standards are very detailed and specific. We have included this list of standards in Appendix C. At the bare minimum, groups must: be able to raise small amounts of money from the community; have a clear mission statement and a regular strategic planning process in place; develop management and information systems; be able to plan and complete a housing development project; and take input from residents on needs, plans, and goals. We have summarized these standards in Figure 4 and arranged them by capacity type according to the definitions developed by Glickman and Servon (1998). Figure 4 shows the broad range of NPF standards; it is clear that NPF considers CDC capacity well beyond a simple measure of housing production. The prefunding assessments consider all of these standards, as do the six-month progress reports submitted to the NPF board by the NPF staff.

The standards used by NPF for the prefunding assessments and for the six-month CDC progress reports relate to all aspects of CDC activity and management. CDCs must have a regular strate-

NPF implicitly places a priority on groups that are more community based, either by place or affinity

FIGURE 4.
NPF PERFORMANCE STANDARDS ARRANGED
BY CAPACITY TYPE

RESOURCE. All groups must have fund-raising goals. They must have a written fund-raising plan, which is evaluated for clarity and detail. Groups must show an ability to raise a small percentage of their operating budget from the community.

ORGANIZATIONAL. NPF evaluates the organizational capacity of all groups it funds. All groups must have a mission statement derived from a clearly identified community need. There must be a policy for strategic planning. The process must involve the board and the community in defining, maintaining, and adjusting organizational priorities and developing strategies that address specific long- and short-term goals. The plan must be updated every three years, and a process and criteria must be established for reviewing the organization's achievement of its goals. Groups must also meet specific criteria in the areas of financial management, governance, staffing, facilities, and MIS.

NETWORKING. NPF encourages groups to work together wherever possible. It does not formally evaluate the extent to which groups maintain relationships with other institutions; however, it does consider some external relationships to be important. For example, groups engaged in property management are expected to maintain effective working relationships with local service agencies and other organizations necessary to support property management and support services.

PROGRAMMATIC. The programmatic capacity category refers to the productivity level of CDCs—in other words, their ability to complete a community development project, housing or otherwise. NPF evaluates the programmatic capacity of CDCs in housing production, specifically project selection, implementation, monitoring, and property and asset management.

POLITICAL. Political capacity refers to the ability of a group to represent its constituents. NPF does not formally evaluate the political capacity of funded groups. The only specific evaluation reference to political capacity is with regard to housing development, where groups developing housing are expected to be able to build a political consensus necessary to win project approvals from government agencies when necessary.

Source: Portland Neighborhood Development Support Collaborative 1997a

gic planning process in place. The organizational standards place a priority on CDCs developing and employing systems in the key areas of financial management, governance, staffing, information, and facilities. NPF also evaluates the programmatic capacity of CDCs—their ability to complete a housing or other type of project. The evaluation of housing production focuses on project selection, implementation, monitoring, and property management. CDCs are also expected to develop their political capacity, planning projects with community input and building political consensus when necessary.

All funded groups must complete a two-year work plan that serves as the benchmarking tool for the NPF progress evaluations. The work plan provides a description of all housing projects, a project narrative describing how and why the project will be undertaken, and a project timeline. CDCs also provide a narrative of projects in their pipeline, and of nonhousing and community outreach activities. Any organizational development tasks for which the group plans to use NPF resources are also outlined in the work plan. Finally, each group provides a detailed budget in a format specified by the NPF.

RELATIONSHIP WITH MEMBER CDCS

NPF's approach to offering assistance has dictated its relationship with CDCs. Its original highly structured, hands-on method of support has evolved into a flexible and cooperative style. Those interviewed attributed this change in partnership focus to two factors: a change in directorship in 1994 and the maturing of CDCs, which now have different needs than they did when they were first established.

The first NPF director, Ed McNamara, had a set image of what a CDC is, what capacity is, and how that capacity should be built. He articulated this image clearly and effectively. NPF-funded groups were required to have a neighborhood-based board, with a primary focus on housing production. Support came with intensive board and staff training and a strong push to have organizational systems in place. Some CDC directors regarded this approach as paternalistic, while other informants saw it as appropriate, firmly guiding CDCs through the capacity-building process. McNamara left NPF in 1994, at which time the board hired Don Nuereuther.

CDC directors appreciate Nuereuther's cooperative style. They believe NPF listens to what they need, while ensuring that groups are not exceeding their means and are continuing to follow sound business practices. This has created a "comfort zone" for CDCs. For example, directors are open about problems they may have with their own boards. NPF staff feel that if they know

about these types of problems, they can quickly provide specific technical support to handle problems before they get out of hand and cripple an organization. CDCs feel comfortable with the role of the partnership as both funder and adviser because of the two-way communication.

The good relationship that NPF maintains with CDCs is one of its greatest strengths. CDCs are very open and honest with NPF. The relationship is currently cooperative, but with the combining of the city's and NPF's operating support programs, there is some fear that NPF has become more bureaucratic and more difficult to understand. There was concern from some key general informants that the collaborative may be taking a step in the wrong direction. These people saw danger in a single source of operating support. They feared that the decision to combine programs taints NPF's private money and decision-making process with the politics that accompany local government involvement. This could create some new tension for NPF to deal with.

TRAINING AND TECHNICAL ASSISTANCE TO CDCs

NPF technical assistance grants are intended for new or struggling groups that need tailored, short-term assistance. In most cases, groups that receive technical assistance are deficient in or experiencing problems with some aspect of their organizational capacity. Grants cover the expense of retaining a technical assistance provider and the cost of services recommended by that provider. Groups that receive these grants may be lacking in one or more of the selection criteria outlined in Figure 3, or may have some key organizational development issue emerge during the grant period that needs to be addressed. Technical assistance grants are given out in six-month cycles, after which time NPF completes a performance review. Groups receiving only a technical assistance grant after applying for operating support may become eligible for full support after the performance review.

CDCs that receive technical assistance funded by NPF may receive that assistance from several different sources, depending upon specific need. The most likely source of technical assistance is the HDC, which provides assistance specifically for housing development. Technical Assistance in Community Service (TACS), headed by Kay Sohl, offers a variety of technical assistance to groups. The Enterprise Foundation also provides technical assistance to groups. Several community development consultants operate locally, among them Mimi Maduro, Janice Frater, and Anna Geller.

NPF will receive funding from the Human Capital Development Initiative (HCDI) of the National Congress for Community Economic Development (NCCED). NPF developed and submit-

All funded groups must complete a two-year work plan that serves as the benchmarking tool for the NPF progress evaluations. The work plan provides a description of all housing projects, a project narrative describing how and why the project will be undertaken, and a project timeline

NPF technical assistance grants are intended for new or struggling groups that need tailored, short-term assistance. In most cases, groups that receive technical assistance are deficient in or experiencing problems with some aspect of their organizational capacity

ted the proposal with the Seattle Community Development Partnership, another Ford-funded intermediary. The HCDCI funds efforts to develop a well-trained and diverse labor pool for CDCs to draw upon. The program will systematically recruit and train young people from targeted neighborhoods, high schools, and universities and link them to internships and employment opportunities. NPF will also make an effort to enhance the human resource systems of CDCs through the HCDCI, with the goals of increasing staff salaries in order to reduce turnover and providing CDC staff access to an individual career specialist who will help them create long-term career development plans.

NPF training and technical assistance have been very effective tools for building CDC capacity in Portland. Several groups have gone from community organizing efforts to bona fide housing production with only a year or two of NPF-supported technical assistance and training. For example, board members of Portsmouth CRC completed NPF training in 1994 and produced three single-family homes a year later. Overall, CDC directors viewed NPF training and technical assistance as central to their growth and survival.

FIVE TYPES OF CAPACITY

As noted before, there is quite a bit of variation in how people view capacity and what it means for capacity to be increased. Interview respondents were clear that CDC capacity is difficult to define and that their perceptions of capacity issues were based upon their personal observations and assumptions. The fact that the perception of capacity has become more complex was also clear. Consistent with the findings of Glickman and Servon (1998), one respondent noted that until recently she viewed capacity as strictly the number of housing units produced. Now, however, her view is more nuanced. Despite the complexity of the concept, there were some capacity issues that repeatedly emerged in documents and in the comments of informants. These issues are summarized in the following sections.

Resource Capacity

The responsibility for developing CDC resource capacity falls on funders as much as on the groups themselves. Several respondents noted that they felt that NPF could do more to forge new relationships with the corporate and philanthropic sectors. They considered these groups to be somewhat indifferent to community development. NPF has addressed this issue by increasing the number of corporate members on its board. However, some believed that NPF should establish new relationships that would raise the consciousness and awareness of community develop-

ment within the business community. To adequately address this issue, NPF may need to concentrate its fund-raising efforts on sources not linked to its board. This would be primarily a fund-raising strategy for NPF, but could result in more direct funding for CDCs as well.

Another key resource capacity issue for CDCs is the shortage of development capital. All CDC directors expressed concern about the funding void created by the decrease in PDC's equity gap financing. NPF's revolving loan fund for development capital has been able to access NCDI loan capital passed through Enterprise. However, projects have become more expensive as the prices of land and supplies have risen. Also, the Housing Investment Fund has already committed all of its \$30 million in loan funds and lines of credit. The state of Oregon's Low-Income Housing Tax Credit program has been a source of equity financing for some CDC projects. However, the state has been allocating a smaller share of those credits to groups in Portland in the past years.

The lack of development capital presents a real threat to Portland CDC resource capacity as groups compete for less money. CDCs are anticipating this challenge by expanding nondevelopment activities. Nearly all CDC directors conveyed a desire to engage in nondevelopment activities such as property management, child care, and job training. However, shifting focus will not be enough to offset the loss of housing-related funding for CDC activity. For example, BHCD operating support passed through the NPF must be used to support housing-related staff and administration. The shortage of development capital is a real threat that CDCs will not be able to avoid.

Organizational Capacity

CDC directors, NPF, and city staff conveyed two important keys to building CDC organizational capacity. The first is the leadership of board and staff, including the ability to direct the organization and to realize when an organization is in trouble. Leaders need to be sophisticated; the board and directors should know when to be strong, when to be subtle, and when to ask for outside help. Respondents speculated that organizational capacity was built by having staff with adequate training and experience. The second component is management systems. This includes the financial accounting systems, personnel, and information management systems. Groups that have organizational capacity can manage their resources effectively and are secure about their long-term sustainability.

Organizational capacity lies at the center of the NPF strategy, which clearly addresses the two key components of organizational capacity noted above. The organizational assessment that all groups must complete as part of the application process evaluates CDC leadership, considering specifically the strategic planning process,

Several groups have gone from community organizing efforts to bona fide housing production with only a year or two of NPF-supported technical assistance and training

The lack of development capital presents a real threat to Portland CDC resource capacity as groups compete for less money

Portland CDCs need to increase their ability to manage their organizational capacity. Funding cycles and the uncertainty of funding streams make it difficult for organizations to plan for the long term

and includes interviews with the board chair and other members. Management systems are also closely scrutinized by the assessment process. It is not enough for a group to keep computerized accounting records, for example. There must be a system that produces regular accounting reports submitted to and reviewed by the board. NPF requires all groups to address these issues if the assessments find them not up to par. The interim evaluation at the end of the first year of funding revisits any trouble areas noted by the assessments.

Portland CDCs need to increase their ability to manage their organizational capacity. Funding cycles and the uncertainty of funding streams make it difficult for organizations to plan for the long term. Groups grow or shrink in bursts, resulting in situations where they are always one step away from reaching an efficient size. NPF has built some mechanisms into the HDSF that indirectly address the issue of managing growth. First, groups are required to complete an organizational assessment and develop a two-year work plan that coincides with the funding cycle. By analyzing cash flows and balance sheets, the organizational assessment should determine if a CDC is too large, or whether it needs to expand operations. The work plan requires a CDC to plan in anticipation of growth, if such is recommended by the assessment. However, the two-year funding cycle makes long-term planning for growth difficult. For example, planning for growth three years in advance is difficult without a general idea of the amount of operating support that will be available at that time, or if any will be available.

Networking Capacity

CDCs in Portland are very well networked. The NPF-funded CDN, headed by Tasha Harmon, is a tremendous resource that connects CDCs to each other, and more importantly to local government institutions. Representatives from the Housing Authority of Portland (HAP), BHCD, and PDC attended a recent CDN meeting. Public policy issues are the central concern of the CDN, as much of its work is advocating on behalf of CDCs and other organizations with an interest in affordable housing. Some of the efforts in which CDN played a role were: the creation of the Housing Investment Fund in 1995; lobbying the regional government, Metro, to adopt a regional “fair-share” affordable housing requirement; lobbying the state government for a real estate transfer tax; pushing Metro to consider an affordable housing requirement in its plans to increase density around transportation hubs and corridors.

The CDN also provides a forum for dialogue within the CDC community, and between CDCs and specific government agencies. A good deal of coordination results from the open dialogue at CDN meetings. For example, at a recent CDN meeting, several CDC directors expressed a concern for the uncertain future of PDC

as a source of development capital, and they agreed to begin to do background research on national sources of development capital. At the same meeting, the executive director of REACH CDC expressed her gratitude to an official from the Housing Authority of Portland (HAP) for that agency's withdrawal of a development proposal to PDC that would have competed with the CDC for project funding. By funding the CDN, NPF greatly enhances the networking capacity of Portland CDCs.

NPF also supports a workforce development network that allows CDCs to network with existing workforce development providers to learn about and coordinate services. Patterned after the CDN, the Workforce Development Network (WDN) focuses on policy issues by advocating for community-based approaches to workforce development policy, and also seeks to explore the potential role of CDCs in such development. NPF hired Danielle Salus in 1997 to coordinate the group. WDN is part of an \$800,000 NPF initiative to increase the capacity of CDCs to participate in workforce development strategies funded by the Northwest Area Foundation, NCDI, and BHCD. Connecting residents to jobs and addressing the lack of skills among Portland's low-income population offer CDCs new challenges. While all CDC directors expressed the desire to move into this field, many admitted they did not know how to go about it. The network will facilitate a steady entree into the new field of workforce development.

The Oregon Association of Community Development Organizations' (AOCDO) membership includes nonprofit housing developers across the state who receive the benefit of AOCDO's statewide and national advocacy efforts. It also publishes a directory of resources and serves as a clearinghouse for nonprofit developers. AOCDO is more useful to groups outside of Portland simply because those in Portland have other networking resources available, particularly NPF and the CDN. Portland CDCs gain benefits credited to the statewide and national advocacy efforts of AOCDO.

Portland CDCs are very open and aware of each other's activities. However, the fact that more CDCs than ever are competing for fewer resources in Portland means that groups may have to do more than communicate on a regular basis. They may need to coordinate activity to ensure survival. Groups with overlapping service areas may benefit from specializing in a handful of activities, especially activities that can be contracted out to other groups to supplement income.

NPF has not taken explicit steps to facilitate future coordination of CDC activities in the manner suggested above. Most CDCs do projects on their own. However, in order to survive, groups may opt for greater coordination of activities in the near future. Also, Portland has a very cooperative culture, a trait that extends to its organizational relationships. It is possible that this climate or cooperation may help dampen any CDC conflict related to competition for resources or turf.

The CDN also provides a forum for dialogue within the CDC community, and between CDCs and specific government agencies.

A good deal of coordination results from the open dialogue at CDN meetings

The key programmatic capacity issue that CDCs will face in the coming years is the ability to engage in nonhousing activities. The most common phrase uttered by Portland CDC directors is “We want to move beyond housing,” a desire driven by the tightening real estate market and the shortfall of development capital

Programmatic Capacity

Respondents viewed programmatic capacity as the technical know-how to do housing, meaning either possessing or having access to the skills to do real estate projects. A core group of NPF-supported CDCs have taken advantage of NPF training and developed staff capacity to a point where they are very effective producers of housing. Nonprofit developers in Portland have produced more than 3,500 units of housing and have increased production since the creation of NPF. The HDC has also provided groups with key technical assistance in all aspects of development, and may be the single most important nonfunder source of support for Portland CDCs.

However, the key programmatic capacity issue that CDCs will face in the coming years is the ability to engage in nonhousing activities. The most common phrase uttered by Portland CDC directors is “We want to move beyond housing,” a desire driven by the tightening real estate market and the shortfall of development capital. CDC directors want to have the capacity to do economic development projects, specifically commercial development and workforce development. Most admitted that these areas were completely new to them and they would require a lot of training to even understand the economic development needs of their neighborhoods. Only a handful of groups have tried to do commercial development, and banks are likely to be pessimistic about the viability of CDC commercial development because they will be competing with the private sector in a booming real estate market. Also, NPF has no explicit policy about supporting commercial development.

Workforce development is an issue with which Portland CDCs have begun to wrestle. Welfare reform has pushed many of their tenants into the working world, so workforce development becomes an asset management strategy. Tenants who lose welfare income must have that income replaced to pay the rent, as the viability of many CDC-owned low-income rentals is at stake. The challenge for CDCs is that workforce development cannot operate in a vacuum. Groups must tap in to existing training programs, employment networks, and agencies such as the Private Industry Council (PIC), the Workforce Quality Committee, and Workforce Development Boards. NPF has anticipated this need by creating the WDN to serve as CDCs’ entree into the existing workforce development arena.

The shift in the focus of programmatic capacity building from strictly housing development to include economic and workforce development raises some questions about the potential for CDCs to be effective players in these new areas. Are CDC staff and board prepared to do economic and workforce development? Where is the impetus for these new types of activity coming from, CDCs

or funders? Should CDCs even be involved in economic and workforce development?

NPF enters this new area with understandable caution. Reforms in state and federal workforce development and welfare policy have generated a new interest at the local level, which is reflected in the desire of CDC directors to become involved in workforce development. CDCs across the country find that there is much that they can do to prepare residents for, and connect them to, job opportunities (Harrison 1995). Studies by the Center for Community Change and the Ford Foundation note that the role of neighborhood-based groups in workforce development begins with links to established networks (Harrison 1995, Okagaki 1996). The WDN is a good way for NPF to educate groups about workforce development and tie them into the existing network, while encouraging CDCs to enter this new field informed and with patience.

Political Capacity

The political capacity of Portland CDCs was difficult to determine. While many groups involve residents in the development planning process, the extent to which CDCs represent or advocate on behalf of their constituents is unclear. NPF requires that CDCs hold at least one annual meeting with residents, that they prepare and distribute annual reports, and that they have some way of regularly communicating their activities to residents. However, there is no requirement that CDCs advocate some issue on behalf of residents in their community.

As discussed above, the CDN adds to the political capacity of all CDCs and to the Portland community development system in general. CDCs can voice the political concerns of their constituents to the CDN and seek to build a consensus of groups on any given issue. Being recognized as the local representative body for CDCs by the city, county, and state governments gives the CDN direct access to politicians' ears.

NPF itself has a very strong political capacity, with two of the strongest advocates for affordable housing and community development issues on its board—Gretchen Kafoury, city commissioner, and Beverly Stein, chair of the Multnomah County Board of Commissioners. Not only do they give NPF direct access to government officials, but as board members they lend their expertise and perspective on NPF strategy. The connection has proven to be very valuable to NPF. It is unlikely that so close a public-private partnership could have been cultivated had NPF not developed such a strong political capacity.

While NPF works closely with the city and local government, it chooses not to immerse itself officially in local policy debates. It is not clear whether board and staff believe that doing so would

Workforce development is an issue with which Portland CDCs have begun to wrestle. Welfare reform has pushed many of their tenants into the working world, so workforce development becomes an asset management strategy

threaten relationships with local government or corporate fundraising efforts, but NPF leaves community advocacy to the CDN and AOCDO. The powerful NPF board and its close relationship with government are sources of tremendous political capacity that NPF does not fully tap.

V

NPF'S IMPACT ON CDC CAPACITY: THREE CASE STUDIES

While NPF works closely with the city and local government, it chooses not to immerse itself officially in local policy debates

To provide some depth to our analysis of the role of NPF in the capacity building of Portland CDCs, we present case studies of three CDCs and their relationship with NPF. The three CDCs are ROSE Community Development Corporation, REACH Community Development Incorporated, and Portsmouth Community Redevelopment Corporation. These CDCs were chosen because they represent the breadth of Portland CDCs. ROSE CDC is mid-sized and middle-aged for a Portland CDC. REACH is the largest and most productive group, and Portsmouth is a small, young CDC. The case studies are based on information in the Request for Qualifications (RFQ) that CDCs submitted to NPF, as well as on information gleaned from interviews.

ROSE CDC

History

ROSE CDC was incorporated in 1991. It emerged from efforts by the Southeast Uplift Neighborhood Program to organize residents of the outer southeast neighborhoods of Portland around issues relating to derelict housing in the area. The Portland Bureau of Buildings counted more than 300 derelict buildings in the area at the time, and ROSE was created to address this issue as well as matters concerning the provision of affordable housing. ROSE is a typical Portland CDC in terms of staff size and production. The story of its growth mirrors that of other groups in Portland. ROSE's development provides a good example of the intensive capacity-building strategy that NPF employed to help groups build organizational capacity and quickly move from neighborhood initiative to productive CDC.

ROSE is an acronym for Revitalize Outer South East; its name is also a reference to Portland's reputation as "the city of roses." It operates on the fringe of the city. ROSE's central purpose is to improve the livability of outer southeast Portland by bringing citizens together to realize a shared vision of a thriving neighborhood. Its target area includes the Brentwood-Darlington, Foster-Powell, Lents, and Mt. Scott-Arleta neighborhoods, which together have a population of more than 27,000 people. The area is almost rural in character. Basic infrastructure is missing in many places, with some parts lacking paved roads, street lighting, and sewer hookups. These neighborhoods have some of the poorest census tracts in Portland. The 1990 median income of the ROSE service area was about \$22,000. The area has been referred to as "felony flats" due to the high concentration of ex-convicts who have lived there—more per capita than anywhere else in the state.

Resource Capacity

NPF has not put much emphasis on CDCs' ability to generate resources. Groups have depended upon NPF resources very heavily. However, the fast growth of ROSE CDC shows how quickly a group can begin operations once operating support has been secured. In 1990, NPF gave a \$6,600 self-help grant to the housing subcommittee of Southeast Uplift, a nonprofit neighborhood association. After board members completed an intensive training session, NPF awarded ROSE a \$42,000 operating support grant in 1992. ROSE produced its first unit of housing later that year. Since 1992, ROSE has received more than \$445,000 in operating support from NPF and the city. Over \$310,000 of that total came from NPF, while the city has provided more than \$136,000.

Organizational Capacity

ROSE has five permanent staff, led by Nick Sauvie, its executive director. Nick has degrees in architecture and economics, and worked previously at Southeast Uplift. Other housing-related staff include a controller and an office manager. A ten-member policy-setting board governs the organization. Half of the board are residents of the target area, and several are employed by other nonprofits in the neighborhood.

NPF was very involved in the early stages of ROSE's development. With help from NPF and local government, ROSE grew from a committee to a producing CDC in less than three years. Between August 1991 and April 1992, ROSE board members attended nine intensive weekend training sessions run by the National Economic Development and Law Center, and sponsored by NPF. During this period, the ROSE board also applied for and received 501(c)(3) status, held three target area public workshop meetings, developed a target area revitalization plan for the Lents neighborhood, and ac-

ROSE's development provides a good example of the intensive capacity-building strategy that NPF employed to help groups build organizational capacity and quickly move from neighborhood initiative to productive CDC

With help from NPF and local government, ROSE grew from a committee to a producing CDC in less than three years

quired its first property. After receiving a \$42,000 NPF operating support grant in 1992, ROSE produced its first unit of housing with the help of a contractor and volunteer work done by the board.

Programmatic Capacity

Housing is the area's greatest need. With housing prices tripling in the last five years, the neighborhood struggles to maintain a mix of homeowners and renters. Welfare reform will have a great impact on the area, which still has a large number of ex-convict residents, who will lose government subsidies, have no skills, and are lumped in the "difficult to employ" category due to their criminal records.

Housing has been ROSE's central focus. It has completed 45 units of rental and owner-occupied housing and has well over 100 more in its pipeline. However, given the rise in development costs, ROSE is moving into other areas. It provides business support to home child-care providers. The Child Care Neighbor Network refers child-care providers to a business development training program and a microloan program. ROSE also connects parents with providers, and providers with each other through a peer network.

ROSE is initiating a Time Dollars barter system, which allows people to contribute time providing some service to a resource pool. Residents can then later draw time for some service needed from that pool. For example, a mechanic can contribute four hours of work at \$15 per hour, for a total of \$60 in the pool. Later she could draw on that \$60 account to buy six hours of child care from another individual at \$10 per hour.

Networking Capacity

ROSE networks with other CDCs, much to the benefit of the residents in its service area. ROSE is a member of the CDN, WDN, and AOCD. Nick Sauvie has also been instrumental in the creation of the Neighborhood Pride Team (NPT), a successful community-building initiative in outer southeast Portland. NPT operates a skills training center and is working to provide a comprehensive set of services to the city's southeast residents. NPT has also been recognized by the *New York Times* as a model community-building effort. ROSE has networked with Franciscan Enterprise to operate the Child Care Neighbor Network mentioned above. Franciscan manages the business development and microloan programs for the Network.

Conclusion

ROSE has not always had a smooth relationship with its funders. Most of the board is very determined to move beyond

housing, often to the irritation of funders who want to see production. This tension has also caused some disagreements about strategy and the long-term goals of the organization. However, ROSE has a very good relationship with NPF. The relationship appears to be a true partnership, and NPF played a key role in the early development of the organization.

Strong board commitment supported by intensive NPF training were behind the fast rise of ROSE CDC. Board members attended nine weekend training sessions in seven months, showing the real dedication of volunteers with families and no direct stake in an organization. The NPF carrot—offering operating support upon completion of training—added to the existing board member commitment. Board members were assured that they could use the skills gained from training to achieve some impact on the community, and that these efforts would be supported by NPF. Neighborhood initiatives may die out quickly when the efforts of volunteer residents are stalled, or when residents realize they lack the training necessary to undertake tasks to achieve their mission. The ROSE story shows how intensive training sessions can preempt that possibility by building capacity quickly, thereby avoiding frustration and burnout in the core group of volunteers.

REACH CDI

History

REACH is the oldest, largest, and most visible of the Portland CDCs. It has built or renovated more housing than any other Portland-based nonprofit (630 units in five years); it is implementing a business district revitalization plan; and the executive director sits on the NCCED board. REACH is larger than the typical Portland CDC in size, scope of activity, and production.

A concerned group of neighbors created REACH in 1982 to address a lack of affordable housing and the large number of run-down homes in eastside neighborhoods. The neighborhoods that REACH serves are in inner southeast Portland: Kerns, Buckman, Sunnyside, Richmond, Creston-Kenilworth, Brooklyn, and HAND. These neighborhoods are mostly white, with as many as 24 percent of their residents living in poverty, according to the 1990 Census. The REACH mission is:

To develop and maintain a permanent resource of affordable housing, promote healthy business districts, and mobilize resources for those in need, through community-based partnerships.

Organizational Capacity

REACH is governed by a 16-member board of directors who bring a great deal of development experience and skill to the orga-

While REACH's most visible accomplishments have been in housing production, it also presents a model of resident participation in development planning that has set the standard for Portland CDCs

Currently, REACH's greatest challenge is staving off the gentrification that has crept into the inner southeast neighborhoods

nization. Seven of the 16 members are residents of the REACH service area. The board officers include executive directors of other nonprofits and a nonprofit grant administrator, as well as two accountants, the director of a neighborhood group, a Realtor, property manager, a landscape architect, a land-use planner, a lawyer, a policy analyst, a financial analyst, a professor, a developer, and a teacher. Many CDCs would be envious of such a group of board members. A staff of 25—half of whom do property management—manages REACH's day-to-day operations. The executive director, Dee Walsh, is a former BHCD employee with an urban planning degree.

Programmatic Capacity

While REACH's most visible accomplishments have been in housing production, it also presents a model of resident participation in development planning that has set the standard for Portland CDCs. REACH blends traditional community planning with the planning of development projects, focusing on small target areas and organizing resident involvement around the needs of that small area. Residents develop and officially adopt an action plan with REACH staff. REACH then brings together the resources necessary to implement the plan. The process mirrors the comprehensive planning process city governments use to develop plans, including research and goal-setting phases and the development of a timeline for implementation.

For example, residents adopted the Belmont Action Plan in 1993. They developed goals for the business district, housing, safety, traffic, neighborhood appearance, and schools. Participants conducted surveys with residents and businesspeople. Survey results reflected a concern for a vacant dairy building; it was an eyesore, a magnet for crime and transients, and was hurting the commercial district of the neighborhood. The Business District Group developed a separate business district plan to deal with commercial revitalization. As part of the plan implementation, REACH completed its Belmont Dairy project in 1997, which converted the old dairy building into a mixed-use development with 27,000 feet of retail space on the first floor, parking at the street level, and 66 units of affordable housing and eight units of market-rate lofts above. The project has completely transformed the look of the business district.

Currently, REACH's greatest challenge is staving off the gentrification that has crept into the inner southeast neighborhoods. There has been so much development and rehab by REACH and private developers that the neighborhood exhibits little evidence of the housing deterioration that sparked REACH's creation. REACH competes with private developers for land, and preserving the affordable housing stock in light of market pressure presents REACH with a dilemma that takes more than good plan-

ning to overcome. If it does market-rate projects to subsidize the affordable ones, it may be contributing to the gentrification of the neighborhood.

Conclusion

REACH has maintained a good, open working relationship with NPF since the partnership began funding CDCs in Portland. The close relationship was supported by the fact that a former REACH director was the first NPF director. However, staff expressed frustration about the assessment process for the first funding cycle of the NPF. They felt that the outside consultants doing the assessments were ill-prepared. More specifically, the assessors seemed unfamiliar with CDC practices in general. While this problem seemed to be a slight annoyance, it did not appear to strain the relationship with the NPF.

The strength of the REACH approach can be attributed to several factors. REACH has benefited from excellent leadership, specifically a strong executive director and a board with a variety of expertise to draw upon. REACH has also been very creative and adaptive. No project type is outside its realm of activity, as long as there is a need. It has not shied away from mixed-use projects as other groups have done. Also, it owns a large number of special-needs units, a type of housing that can be supported with funds that may not be available to a standard affordable housing development.

PORTSMOUTH CRC

History

Portsmouth Community Redevelopment Corporation (PCRC) is a small, young CDC that operates in north Portland. Portsmouth provides a good contrast to REACH and ROSE, given its smaller size and its north Portland geographic target area. It was incorporated in 1993, the result of residents and educators coming to the conclusion that the high turnover in the neighborhood schools was rooted in a housing affordability problem. Residents of north Portland needed affordable family housing in order to create stable environments for their children.

The PCRC mission is:

To promote long-term stability in the Portsmouth and adjacent neighborhoods through the development of quality affordable housing for low- and moderate-income families, provide training opportunities for youth, and expand resources for the community through local partnerships.

Portsmouth serves the Kenton, St. Johns, and Portsmouth neighborhoods. Portsmouth is mixed, about 68 percent white; Kenton is also mixed; St. Johns, an older neighborhood, is very

BOX 3

BEST PRACTICE: RESIDENT INPUT IN CDC NEIGHBORHOOD PLANNING

The focus strategy of REACH, which targets the specific needs of small sections of neighborhoods one at a time, has shown significant success as a neighborhood planning model for CDCs. The process directly involves residents in establishing community needs and setting development priorities, empowering them beyond simple input through a standard neighborhood survey. Resident volunteers develop Action Plans and research and design their implementation. For example, the Belmont Action Plan was implemented between 1993 and 1996 and addressed day care, community policing, transportation, and housing condition concerns. REACH uses a similar strategy to develop commercial revitalization plans, gaining the input of business owners along commercial strips. The strategy is a good blend of traditional planning and community development.

Housing Our Families (HOF) also depends heavily on resident input for project planning. A neighborhood organizing model built around family housing drives HOF developments. The Maya Angelou Community Action Initiative organized resident involvement around HOF's Maya Angelou Apartments development in 1993. HOF began with 130 one-on-one interviews, then held three community forums to solicit resident input into the management of the 42-unit apartment complex and about general concerns in the neighborhood as a whole. HOF grouped resident concerns under four categories and had residents set program priorities under each category: safety, physical revitalization, social events, and youth. For example, residents placed a high priority on home repair under the physical revitalization category. As a result, HOF partnered with a volunteer group, Christmas in April, to do repairs on the homes of 10 elderly homeowners for free. Neighborhood residents also put a high priority on block watches as a strategy to improve safety in the neighborhood. A neighborhood crime specialist from a coalition of neighborhood associations then provided residents with training and support for a resident foot patrol. The HOF strategy uses housing development as a base for organizing community residents to take action on other pressing concerns.

Portsmouth provides a good contrast to REACH and ROSE, given its smaller size and its north Portland geographic target area. It was incorporated in 1993, the result of residents and educators coming to the conclusion that the high turnover in the neighborhood schools was rooted in a housing affordability problem

white, and is made up of homeowners who passed homes down through generations. The entire area has a high percentage of young single women with children.

Organizational Capacity

PCRC has a nine-member board; six members reside in the service area. Board members are a good mix of professionals and neighborhood activists. The executive director, Lisa Horne, manages the operations of the group and is the only paid staffer. Lisa was a former board member who took over the position when the first director left the organization.

Programmatic Capacity

Three single-family homeownership units have been completed and sold by PCRC, and three more units were expected to be completed in 1997. Developing rental housing is a priority for PCRC, which was making bids on properties for that purpose in 1997. PCRC has also done some successful organizing projects. They held a paint-a-thon, modeled after an event created by REACH CDC. PCRC organized resident volunteer parties to paint houses in need of repainting. Residents received PCRC T-shirts, and homes that were painted displayed a sign bearing the PCRC name.

Conclusion

PCRC and NPF appear to have a good relationship. The NPF director has been to PCRC board meetings, and NPF staff members make themselves available. PCRC's director trusts NPF and often seeks NPF advice. NPF has funded PCRC and provided its board members with training that respondents considered invaluable. PCRC has retained the services of HDC for technical assistance with its projects.

In contrast to REACH and ROSE, PCRC has not yet developed the experience that comes with building many units of housing for a neighborhood. However, PCRC does seem to have a grasp of neighborhood needs and is very focused on its current projects. PCRC is facing two serious challenges related to its late entrance into the community development environment in Portland that may threaten its future viability. First, PCRC is just beginning to develop housing as the real estate market is tightening. This means that project costs are shooting up before it can gain experience in the development process and increase its programmatic capacity. Second, PCRC was created just as public community development resources were beginning to decrease in Portland. North and northeast Portland are also saturated with CDCs. While PCRC serves some neighborhoods not

served by other NPF-funded groups, there are seven groups that concentrate activity in that part of town. More groups than ever are competing for limited resources in Portland, and PCRC is just one of them.

VI

CONCLUSIONS AND RECOMMENDATIONS

This concluding section is divided into three parts. We begin with a review of the NPF experience in building CDC capacity in Portland. The review assesses the strengths and weaknesses of NPF policy and strategy, and includes suggestions for improving upon weaknesses. In the next part, we key in on the ways that NPF has previously responded and is currently responding to the challenges presented in the introduction, and we make some recommendations on how NPF could respond effectively to the challenges it now faces. We conclude with the key lessons to be learned from the NPF experience.

NPF STRATEGY AND CDC CAPACITY

When NPF was created, only two CDCs existed in Portland—REACH and NECDC. Today there are 12 CDCs and five other nonprofit groups that do low-income housing in Portland. A core group of CDCs have grown up with NPF support, and their needs have changed as they have grown. In the beginning, NPF focused on training boards, helping CDCs hire and train staff, and CDC housing production. Today, nonprofits have an admirable record, having produced more than 3,500 units of affordable housing. These groups rely on resources from BHCD, the CDN, the Oregon Community Development Training Institute, the HDC, and Enterprise, none of which existed or supported groups in Portland before NPF was created. It seems safe to conclude that NPF has successfully created an industry of CDCs in Portland and established a support system for those groups.

We outline the strengths and weaknesses of NPF below, based on themes that emerged from interviews and from our own assessment of NPF activity, and follow up with recommendations for improving upon an observed weakness.

Today there are 12 CDCs and five other nonprofit groups that do low-income housing in Portland

Strengths

- *NPF has a very consistent, clear, comprehensive vision of community development support.* Leadership from executive directors Ed McNamara and Don Nuereuther and board chair Paul Lorenzini has articulated a vision that is appropriate for the young CDC community in Portland. NPF support evolved as CDCs grew, providing CDCs the right type of assistance when they needed it—training for new CDCs, technical assistance for new and young groups, and multiyear operating support for established groups. The evolution of NPF support also included the investment in separate institutions like the HDC, CDN, and WDN. Consequently, CDCs have access to a broad variety of resources.
- *NPF has a strong relationship with the city government.* CDCs have benefited from the close relationship between NPF and the city. The city began an operating support program using CDBG and HOME funding in 1993, two years after NPF began constructing a CDC infrastructure. PNDSC, the collaborative operating support between NPF and the BHCD, is a direct result of a close relationship between the heads of BHCD and NPF—Steve Rudman and Don Nuereuther, respectively.
- *NPF maintains excellent relationships with CDCs.* Relationships are based on open and candid communication. NPF stresses open communication so that it can anticipate and react to problems quickly and effectively. CDCs know that NPF sets aside money for technical assistance to deal with problems that may occur during the funding cycle and are comfortable knowing that revealing trouble early does not reduce funding security. The fact that the NPF director has attended CDC board meetings to assist with internal problems exemplifies the close relationship.
- *NPF has the ability to generate support from national sources.* NPF has secured funding from the Ford Foundation and from NCDI through several rounds of their funding cycles. Funding from national sources has allowed NPF to support all Portland CDCs, rather than limiting support to the most productive or needy groups.

NPF needs to make a greater effort in the following areas:

- *NPF needs more support from local corporations.* While NPF has been able to raise funds from national sources, local fund-raising remains a challenge. Local corporations and banks tend to give in small amounts. A typical grant to NPF from a Portland corporation is less than \$50,000.

Recommendations:

- Advocate for PDC-administered tax incentives for corporate donations to NPF. NPF money mixes with public funds through the PNDSC and allows for some government control over its distribution. This could justify the public use and benefit of a donation to NPF and rationalize the tax breaks to the public.
- Take steps to publicize CDC and NPF activity in the mainstream media by recruiting a local television news, radio, or newspaper personality to sit on the board. The board member could be encouraged to pro-

duce NPF-funded news segments on CDC activity on a regular basis.

- *CDCs should have some input in NPF strategic planning.* NPF could do more to solicit input from CDCs when determining strategy or making major decisions about policy or direction. For example, some CDC directors, concerned about the prospect of a single source of operating support for Portland CDCs, felt they had inadequate input on the creation of PNDSC.

Recommendations:

- Create a separate CDC advisory board that holds at least one vote on NPF strategic planning and policy issues only. The advisory board would not vote on grant awards.
 - Allow the existing CDN to fill the role of the CDC advisory board described above.
- *NPF should recruit more community representatives for its board.* The NPF board currently has only one member listed as a neighborhood representative. Board members from the business and government sectors predominate, which increases legitimacy to the corporate sector, but means residents and community activists are underrepresented.

Recommendation:

- Establish at least three revolving positions on the board designated for noncorporate, community representatives. The NPF executive director would appoint the positions for staggered two-year periods. Ideal candidates would be community organizers by profession, already familiar with the community development process. The Portland system of neighborhood associations would provide fertile recruiting ground for candidates.
- *Relations with certain minority-led groups are strained.* Respondents noted that NPF has had problems with minority-led groups. It could be a communication problem, or that the minority-led, minority-serving model of a CDC does not work well with the NPF approach. While respondents said this was not a serious problem, it could become one now that there is only one local source of operating support.

Recommendation:

- Review relationships with minority-led, minority-serving groups, with specific input from those groups. Based on agreements made during meetings with those groups, joint action could be taken.
- *NPF could take a stronger lead role in political action.* With a city and a county commissioner on the NPF board, and good relationships with the local governments, NPF has the capacity to wield some political power at the state and local levels. However, NPF does not take the lead role in advocating for CDC-related policy, instead allowing the independent CDN and the AOCDO to advocate on behalf of CDCs.

Recommendation:

- Powerful corporate members on the NPF board could use their clout to advocate in the policy arena. These

members could solicit the support of other corporations on matters relating to housing and community development policy.

NPF RESPONSE TO COMMUNITY DEVELOPMENT CHALLENGES

Several issues and trends noted in the introduction challenge NPF's efforts to build CDC capacity in Portland: an increasingly acute housing affordability crisis; dwindling public resources; CDCs' desire to move beyond housing; skyrocketing land prices; and the need for increased CDC development capital. NPF has responded to these challenges in the following ways:

- *Housing is becoming less affordable.* NPF maintains a focus of support on housing development. Operating support remains tied to housing development, and NPF created the Development Fund to support projects. NPF also funds workforce development as a strategy to help low-income families raise their incomes to a level more compatible with housing prices.

Recommendation:

- NPF should continue to combat gentrification by advocating for a stronger comprehensive regional low-income housing preservation strategy. Policy should include an affordable housing unit required of private developers who produce a certain number of market-rate units.
- *Public resources will decline.* The creation of the PNDSC effectively locks in city support of CDCs for at least the duration of the current funding cycle. NPF has also been able to solicit funds from national sources that previously had not supported CDCs in Portland, such as the \$800,000 grant to support workforce development from the Northwest Areas Foundation.

Recommendation:

- Given that total resources are limited, NPF may have to make some difficult decisions. More groups will be competing for less money, and NPF may have to determine the fate of some groups in order to continue to provide adequate support to all. Other groups may have to shift focus. If a "reassembling" of the support infrastructure occurs, it should include CDC input.
- *CDCs want to move beyond housing.* NPF provides flexible training and technical assistance in a variety of CDC program areas: property management, workforce development issues, and economic and commercial development. However, neither CDCs nor NPF are certain of the appropriate role for CDCs in workforce development.

Recommendation:

- NPF could involve the PDC and Metro in its economic development training. These groups have access to information about and an understanding of regional trends. They could help CDCs carve out a role in local

neighborhood development that is consistent with trends in the regional economy and compatible with local and regional economic development programs and policies.

- *The real estate market is pricing CDCs out of the development business.* CDCs compete with each other and private developers for land. NPF alone cannot slow the skyrocketing prices of the private market.

Recommendation:

- It may not be too late for NPF to bank land for future development by CDCs. Land banking would take a tremendous amount of capital that could be provided by program-related investments from national foundations or intermediaries. Enterprise could be a source of this type of funding. NPF could use this capital to competitively bid on properties, buy the properties, and set them aside for sale to CDCs or other nonprofit developers at a subsidized rate.
- *CDCs need more development capital.* NPF has secured enough capital to ensure the long-term survival of its development fund. However, it has not yet found sources to replace suppliers of development capital like the HIF and PDC's Equity Gap Investment program that have uncertain futures.

Recommendations:

- NPF could initiate a separate loan guarantee fund that would help CDCs secure project financing from commercial banks. The fund could be managed by Enterprise, which already administers the NPF Development Loan Fund. Funding could come from program-related investments from the national intermediary and foundation sources that already have relationships with NPF.
- NPF could develop relationships with banks and other sources of development capital, focusing on increasing private-sector familiarity with CDC development financing. NPF could host informal "training" sessions for bank lending officers that introduce them to CDC development financing needs.

LESSONS LEARNED

There are two important lessons to be learned from the NPF experience documented in this case study. The first is that an intermediary can have a direct impact on neighborhood change. The second is that the NPF experience in Portland does not have to be unique. Its success is mostly due to NPF creating key elements of CDC support, integrating these elements into the existing system of support, and continuing to boost and expand the overall support system. Other partnerships can replicate this approach, despite political and turf issues with the potential to limit the effective coordination between elements of CDC support that is central to NPF's success.

While economic growth has played a part in the upgrading of poor neighborhoods, the sheer volume of CDC production and activity in some neighborhoods has also contributed to their improvement

NPF has had an important impact on neighborhood change in Portland. CDC neighborhoods currently show few signs of the type of decline that community groups were created to reverse. However, respondents consistently stress that change has been dramatic in some neighborhoods, change that began before the economic boom. Much of the credit does go to the strong economic growth that has driven private investment and employment into the region, priming some Portland neighborhoods with reinvestment reflected in the built environment and new businesses. While economic growth has played a part in the upgrading of poor neighborhoods, the sheer volume of CDC production and activity in some neighborhoods has also contributed to their improvement.

The most dramatic transformation appears to be in the neighborhoods of northeast and north Portland. This is an area where NPF can take some credit for the improvement, simply because it helped establish a number of the CDCs operating there. Northeast Portland was stigmatized by disinvestment during the 1970s and 1980s. The housing stock deteriorated, and many homes and empty lots were abandoned. Neighborhoods became crime and gang infested. Today, when walking through some of these same neighborhoods, one is unaware of that recent history. Traces remain in the form of a handful of dilapidated properties, but widespread physical evidence of disinvestment is not apparent. Supported and cultivated by NPF, the seven CDCs that operate in the neighborhoods of north and northeast Portland have driven a lot of the neighborhood change by producing nearly 900 units of affordable housing since their creation. It should also be noted that only one CDC existed in northeast Portland before NPF.

Southeast Portland neighborhoods have improved as well. Two groups operate in the southeast sector, one of which has grown since the partnership was created. Southeast Portland is quite different from the northeast; inner southeast has never really had the northeast's poverty, while outer southeast has considerable poverty. In inner southeast, REACH activity and impact have been widespread and have included commercial development and all types of housing, from homeownership to special-needs.

The NPF experience teaches another lesson: that the steps to building CDC capacity are quite straightforward, and consequently, easily replicated in other places. NPF began with a focus on intense board training. Portland CDCs did not spend their early years meandering from project to project, "learning" the development process through frustrating trial and error. Boards knew how to develop clear strategies and were aware of their abilities and limitations. Other partnerships would be wise to take this approach in supporting young groups. More importantly, this approach could be used to reinvigorate an older group, or to fix an ailing group.

Another replicable step of the NPF experience is the creation of other institutions that support community development. The HDC and the CDN provide tremendous resources to Portland CDCs, augmenting the operating support provided by NPF. Neither organization is totally dependent upon NPF funding. They exist as part of a broad community development support system, one that offers a variety of resources to the groups it works with. Partnerships that wish to make their community development support system more comprehensive could take steps to create institutions similar to the HDC and CDN.

NPF built its own capacity to support community development by forming partnerships with other funding organizations. PNDSC, the NPF-city operating support collaborative, is not typical of the relationship between public and private sources of community development support. PNDSC's pooling of resources gives NPF a larger base of funds from which to leverage matching grants and other types of support. NPF has also collaborated with the Seattle partnership, submitting and winning funding for a combined proposal to NCCED for funding from its HCDI program. The joint proposal was more likely to be funded, as it was unlikely that two competing proposals from the Northwest would both be funded.

Finally, NPF has always been responsive to CDC needs. It expanded operating support when groups grew. It created a development fund to provide CDCs with an alternative source of project financing. NPF created the WDN when it sensed that groups wanted to tap in to the workforce development arena. It is also likely to expand statewide and launch a new effort to support child care in the near future, again in response to CDC demand. Other partnerships should note that flexibility and adaptability are key to the long-term success of any organization. NPF's success in supporting community development rests in part on its ability to provide the type of support that groups need, when they need it.

The NPF experience teaches another lesson: that the steps to building CDC capacity are quite straightforward, and consequently, easily replicated in other places

Other partnerships should note that flexibility and adaptability are key to the long-term success of any organization

REFERENCES

- Briggs, Kara. 1997. Poverty moves to the edges of Portland. *The Oregonian*, July 13: Sec. A1, 1.
- Center for Population Research and Census. 1997. *Metropolitan population trends*. Portland, OR: Center for Population Research and Census, Portland State University.
- Center for Urban Policy Research. 1997. *State of the nation's cities*. New Brunswick, NJ: Rutgers University, Center for Urban Policy Research.

- City of Portland. 1997a. City budget. May 5. [Retrieved at <http://www.ci.portland.or.us/>.]
- City of Portland. 1997b. *Neighborhood social profiles (1990 census)*. December 7. [Retrieved at <http://www.teleport.com/~ona123/other/demog/>.]
- Church, Foster. 1996. Portland housing 6th least affordable. *The Oregonian*, April 4: Sec. B, 1.
- Enterprise Foundation. 1997. *Portland NCDI III workplan*. Portland, OR: Enterprise Foundation.
- Ertel, Chris. 1996. Revenge of the baristas, economic growth and income stagnation in Portland, 1983-1993. *Metroscape: An Atlas and Mirror of the Portland Metropolitan Region 2*. Spring. Portland, OR: Portland State University.
- Glickman, N.; M. Lahr; and E. Wyly. 1996. *State of the nation's cities*. Report prepared by the Center for Urban Policy Research for the U.S. Department of Housing and Urban Development. April.
- Glickman, Norman J., and Lisa Servon. 1998. *More than bricks and sticks: five components of CDC capacity*. New York: Ford Foundation.
- Harrison, Bennett, with Marcus Weiss and Jon Gant. 1995. *Building bridges: community development corporations and the world of employment training*. New York: Ford Foundation.
- Neighborhood Partnership Fund. 1995. *The first five years 1990-1995*. Portland, OR: Neighborhood Partnership Fund.
- Neighborhood Partnership Fund. 1997. *1996-1997 progress report*. Portland, OR: Neighborhood Partnership Fund.
- Nelson, Arthur C., with Jeffrey H. Milgroom. 1995. Regional growth management and central-city vitality: comparing development patterns in Atlanta, Georgia, and Portland, Oregon. In Fritz W. Wagner, Timothy E. Joder, and Anthony J. Mumphrey, Jr., eds., *Urban Revitalization*. Thousand Oaks, CA: Sage.
- Okagaki, Alan. 1996. *Developing a public policy agenda on jobs*. Washington, DC: Center for Community Change.
- Portland Development Commission. 1997. May 29. [Retrieved at <http://www.portlanddev.org/>.]
- Portland Neighborhood Development Support Collaborative. 1997a. *Housing Development Support Program, program summary*. Portland, OR: Portland Bureau of Housing and Community Development, and the Neighborhood Partnership Fund.
- Portland Neighborhood Development Support Collaborative. 1997b. *Request for qualifications template*. Portland, OR: Portland Bureau of Housing and Community Development, and the Neighborhood Partnership Fund.

Portland Neighborhood Development Support Collaborative. 1997c. *Integrated operating support rationale*. Portland, OR: Portland Bureau of Housing and Community Development, and the Neighborhood Partnership Fund.

Portland Neighborhood Development Support Collaborative. 1997d. *Request for qualifications (completed applications from 16 groups)*. Portland, OR: Portland Bureau of Housing and Community Development, and the Neighborhood Partnership Fund.

Realtors Multiple Listing Service (RMLS). 1997. *Appreciation by area: 1992-1997*. Fact sheet excerpted from Market Action. Portland, OR: RMLS.

State of Oregon Employment Department. 1994. *Industry employment projections, July 13, 1995, occupational program planning systems: comprehensive analysis file, 1994*.

Vrana, Rick. 1995. Periodic atlas of the metroscape. *Metroscape: An Atlas and Mirror of the Portland Metropolitan Region, 1, 1*. Portland, OR: Portland State University.

INTERVIEWS

Carl Abbott, Professor of Urban Studies and Planning, Portland State University

Angelina Allen-Mpyisi, Program Officer, Neighborhood Partnership Fund (NPF)

Mike Andrews, Fund Manager, Enterprise Foundation of Portland, Oregon

Robert Bole, Program Manager, Bureau of Housing and Community Development (BHCD), City of Portland

Rich Brown, Vice President of Public Affairs, Bank of America-Oregon

Greg Chaille, Executive Director, Oregon Community Foundation

Molly Cooley, Neighborhood Pride Team

Maxine Fitzpatrick, Executive Director, Portland Community Reinvestment Initiative

Janice Frater, Community Development Consultant

Kelly Garner, Association of Oregon Community Development Organizations

Anna Geller, Community Development Consultant

Tasha Harmon, Coordinator, Community Development Network

Richard Harris, Executive Director, Central City Concern

Lisa Horne, Executive Director, Portsmouth Community Redevelopment Corporation

Kathy Kniep, Operations Officer, NPF

Gretchen Kafoury, Commissioner, City of Portland

Margaret Labadie, Board Member, Inner West Side CDC

Paul Lorenzini, Senior Vice President, Pacificorp, and NPF Board Chair

Diane Luther, Executive Director, Northwest Housing Alternatives

Mimi Maduro, Community Development Consultant

Peg Malloy, Executive Director, Portland Housing Center

Dave McConnell, Director, Enterprise Foundation of Oregon

Martha McLennan, Program Manager, BHCD

Ed McNamara, Director of Development, Realty Trust and Associates

Julie Metcalf, Executive Director, Low-Income Housing for Native Americans of Portland, Oregon (LIHNAPO)

Richard Meyer, Association of Oregon Community Development Organizations

Danielle Salus, Coordinator, Workforce Development Network

Diane Miesenhelter, Executive Director, Sabin CDC

Howard Nolte, Executive Director, Home Ownership a Street at a Time (HOST)

Don Nuereuther, Executive Director, NPF

Carolyn Piper, Executive Director, Human Solutions

Betsy Radigan, Board Member, NPF

Laura Recko, Project Coordinator, Outer Southeast Community Project

Rev. John Rogers, Portland Organizing Project

Charles Rooks, Executive Director, Meyer Memorial Trust, and NPF Board Member

Steve Rudman, Director, BHCD

Nick Sauvie, Executive Director, ROSE Community Development Corporation

Ethan Seltzer, Director, Center for Metropolitan Studies, Portland State University

Kay Sohl, Consultant, Technical Assistance in Community Service

Brian Stewart, Community Development Officer, Washington Mutual Bank

Father Matt Tumulty, Board Member, Franciscan Enterprise

Margaret Van Vliet, Former Executive Director, Network for Oregon Affordable Housing, and REACH Board Member

Karen Voiss, Executive Director, Franciscan Enterprise

Dee Walsh, Executive Director, REACH CDC

Will White, Director, Housing Development Center

Cynthia Winter, Executive Director, Habitat for Humanity of Portland

Philip Wong, Community Organizer, Southeast Uplift

NOTES

1. These are estimates based on Briggs's analysis. They are based on subsidized school lunch data from schools in Washington, Multnomah, and Clackamas counties.
2. These are the neighborhoods that Portland CDCs served as of January 1997. The current round of NPF funding began in June of 1997 and includes one nonprofit that operates mostly outside of Portland, another that is primarily a social service provider and has a countywide service area, and two others that have housing scattered across the city and outlying areas.
3. The Office of Neighborhood Associations based the neighborhood profiles on 1990 census data.
4. The neighborhood associations are distinct from CDCs. They are strictly community organizing entities, while CDCs also provide services for their residents. Also, ONA has been renamed the Office of Neighborhood Improvement (ONI).
5. Figures are as of July 1997. Also note that sources and uses totals are not equal. This is because technical assistance grants are made to CDCs on an as-needed basis and are not projected for 1998-1999, and because projections of 1998-1999 administrative costs were not yet available.
6. Table 5 reflects data as of January 1997.
7. We assume that a CDC is an organization that has a neighborhood-based board.
8. Currently defunct, receiving a TA grant to restart operations.
9. What used to say "industry" now says "network."
10. The current NPF operating support program is operated through the PNDSC. When describing the operating support program, we choose to use "NPF" to avoid confusion.

APPENDIX A
PNDSC ASSESSMENT TOOL

APPENDIX B
PNDSC WORKPLAN TEMPLATE

**APPENDIX C
PNDS SC PERFORMANCE STANDARDS**

