COMMUNITY DEVELOPMENT IN MEMPHIS
A Review of CDC Capacity and Performance and the State of the Industry

PREPARED FOR

COMMUNITY LIFT
Leveraging Investments For Transformation

COMMUNITY DEVELOPMENT COUNCIL OF GREATER MEMPHIS

BY

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IN ASSOCIATION WITH

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Introduction

This examination of the current state of the community development industry in Memphis was prepared by our consultant team at the request of Community LIFT and the Community Development Council of Greater Memphis. The engagement was designed to establish a base of evidence and suggest a direction and strategic framework for Community LIFT, the Council and other local partners to draw upon in developing a more unified and effective approach to strengthening the capacity of CDCs throughout the city. The expectation is that the study results will help Community LIFT and its collaborating partners to expand their understanding of existing organizational capacities and needs within the sector, the range of impacts that the industry has had within the city, and aspects of the wider fiscal, political and civic leadership landscape that are relevant to future efforts to address the key challenges that CDCs face.

It has been eight years since the last examination of industry conditions and needs. The results presented in this report are based on quantitative and qualitative information gathered from both CDCs and other public sources. Besides presenting the story of what the community development sector has accomplished in recent years, the report is intended to support the development of a shared agenda that will encourage greater leveraging of current assets and potentially the development of new funding streams that will further enhance the capacity and productivity of CDCs and nonprofit developers.

The sponsors of this study expect that it will reach beyond a presentation of findings to include recommendations for improving the effectiveness of the sector and enhancing the capacity of more than 30 nonprofits involved in community development work. Broader observations and recommendations included in this document are aimed at improving the capacity of frontline organizations at the neighborhood level, as well as the supporting roles and strategies of funders, local government agencies and the civic and business entities that all have a stake in improving the performance of the sector. Among those recommendations are a range of specific and practical next steps to guide how Community LIFT and its partners join together to enhance efforts intended to improve the industry. Included are suggestions for expanding the range of available resources flowing into the sector and suggestions for deploying available funds in the most optimal way to support capacity gains and expanded impacts.

We hope that the findings and suggestions described here will inform and encourage new thinking and investments that build on what is now in place and strengthen the entire system. More specifically we hope that the proposed next steps in this industry scan will assist in refining the development of a Community Development Capacity Building Fund that Community LIFT wishes to begin launching during the first quarter of 2016.
SECTION ONE:
Study Scope

APPROACH AND KEY FIELDWORK COMPONENTS

We began the study by meeting with Community LIFT and the Community Development Council in April 2015 to refine the overall design and workplan. We also refined data-gathering methods with Community LIFT staff after reviewing data sources and identified data constraints. In May, we developed the online survey instrument to capture as broad a range of information as possible, while being respectful of the amount of effort it would require of busy CDC staff.

Later in May, we distributed the online survey and completed interviews with local funders, other stakeholders, and system observers. These interviews were designed to gather perspectives on the broader Memphis context, the characteristics of the industry, and the strengths and limitations of the current community development support system. Our focus was on understanding key issues and trends related to neighborhood and housing policies, funding priorities approaches, technical resources, and lending activities.

The original list of CDCs to be examined included 33 different entities. Two of these entities had no information available for them and did not respond to outreach efforts. Thus, they were assumed to be closed, leaving a remaining pool of 31 CDCs. We scheduled on-site interviews with a cross-section of Memphis CDCs during the month of June; we then used additional Internet-based research to round out
our understanding of the total pool of 31 nonprofits. In parallel, we worked with Community LIFT staff to make contact with public sector and funder representatives to assemble data on foundation grantmaking and local government investments in the sector.

During July, we worked to synthesize and round out information gathered from these sources and completed the broader financial analysis of philanthropic and public funding for CDCs and their programs and activities. We drew from these different information sources to prepare a range of descriptive findings related to the current state of the industry, focusing on the scope of CDC programs, current organizational capacity and productivity, and the types of results being achieved. During this time we also compared our findings with what we knew of support systems in a few selected cities with relatively advanced community development industries – as a way of benchmarking Memphis with cities widely viewed as industry leaders and also helping to frame our broader thematic observations and initial recommendations for strengthening the Memphis system.

During August, we prepared a PowerPoint presentation to communicate a synthesis of findings and met with representatives of Community LIFT, the Community Development Council and local funders while enlisting their feedback on emerging findings and observations. We then further refined our observations and recommendations and prepared this review draft of the final report.

MODIFICATIONS TO THE STUDY SCOPE TO ADDRESS DATA CONSTRAINTS

Although this study presents a range of new information about local CDCs comprising the industry and the current state of the community development system, the scope of the analysis has been limited in several ways by constraints we encountered in gathering essential study data. The online survey results produced considerably less detail than we had originally expected to receive. Although 31 CDCs and other nonprofits were asked to participate, we received responses from 18. In addition, some surveys were only partially completed; this limited certain aspects of our organizational, programmatic and financial analyses. Although at first glance this response rate appears somewhat low, other assessment fieldwork showed that as many as 6 of the total pool of CDCs are currently dormant or closed. Another 14 of the 31 are operating with little to no budget and/or paid staff, which was likely a factor that contributed to some surveys not being submitted or completed fully.

In addition, our citywide analysis of community development investments was limited by gaps and occasional inconsistencies in available funding data, so that we were unable to build a fully comprehensive picture of combined public and private investments over a multi-year period and across different programmatic investment areas.

Finally, the short timeframe for the study led us to concentrate primarily on an analysis of grant and subsidy investments. As a result, we were unable to expand the analysis to include an examination of a broader range of capital investments and private lending patterns in Memphis neighborhoods.

Despite these constraints, we believe this study constitutes a significant step forward in gathering evidence of the current state of the sector. Most important, it identifies several key challenges that Memphis CDCs, funders and other supporters face in expanding the scale and impacts of community development work in neighborhoods throughout the city.
OVERVIEW OF THE REPORT

This report has five additional sections:

- **Section Two** gathers and presents a variety of descriptive information about the development of the Memphis CD system, the operating scale and capacity of CDCs and nonprofits included in the study, the range of program areas that those organizations are now pursuing, and the type and scale of impacts they are now achieving.

- **Section Three** draws upon the somewhat limited data we were able to collect to offer an analysis of key patterns in public and private investments in CDCs and their programs and activities. These include a geographic analysis of spending by zip codes and an analysis of investments across broad program areas.

- **Section Four** outlines how we understand the essential characteristics of an effective support system for community-based housing and economic development and other neighborhood-focused program investments, and it then examines the current support system in Memphis in comparison with several other cities with larger and more advanced support systems. This benchmarking approach provides a somewhat broader framework for thinking about the state of the CDC industry and the range of financial and other investments that may be needed to strengthen CDCs and expand the scope of their impacts.

- **Section Five** draws on the findings in Sections Two and Three and the benchmarking framework in Section Four to offer a set of broader observations about the current state of the community development system and ways of strengthening it. It focuses on some significant funding and other gaps that need to be addressed and issues of alignment and leverage of available resources. These factors are constraining the ability of several local CDCs to build additional organizational capacity and scale up their efforts to achieve larger results.

- **Section Six** provides several recommendations intended to inform a sector-focused policy and investment strategy that would direct both public and private resources more purposefully toward building deeper capacity among neighborhood-based nonprofits that are attempting to address critical resident needs and improve neighborhood quality.
SECTION TWO:  
Memphis CDCs: Program Scope, Capacity and Scale of Results

We approached our examination of the community development industry with the intention of understanding it from several complementary vantage points: (1) how the industry evolved and took root within the city; (2) how the CDCs that developed chose to pursue their work within and across different program areas; (3) how they fit in a broad continuum reflecting different operating scales and levels of impact; (4) what they are accomplishing in the way of results; and (5) how they understand the broader system-level challenges and opportunities affecting their programs and overall sustainability.

THE MEMPHIS COMMUNITY DEVELOPMENT SYSTEM IN OVERVIEW

Like other cities, Memphis has developed in a way that has left a strong mark on the evolution of its neighborhoods and also on the history of its community development sector. Observers of the local CDC movement and patterns of neighborhood development are easily able to relate the current state of the industry to a wide range of broader influences. Several stakeholders we spoke with mentioned the importance of understanding neighborhood issues in the context of the unique history and geography of Memphis as a riverfront and crossroads city that has undergone different waves of economic change. We also heard that despite its relatively large size, Memphis’ location at the far west of the state has contributed to an independent and somewhat localized political and civic leadership structure that is quite distinct from Nashville and other parts of the state. In addition, Memphis has been profoundly affected by decades of suburbanization, which has hollowed out the city’s core neighborhoods and
siphoned off much of its economic strength and tax base. Finally, the city continues to struggle with deep-seated racial and economic divides.

What is most apparent to newer visitors to the city is the large number and wide geographic distribution of community-based organizations throughout the city. The current network of CDCs is highly diverse, ranging from relatively tiny entities with very limited capacity who are struggling to survive, to those delivering modest results with relatively constrained resources, to those operating at moderate to larger-scale, with more sophisticated programs and operating at considerable and sometimes quite large scale. Also distinctive is the broader than average array of program areas that CDCs have chosen to pursue – with a far larger number of CDCs engaged primarily in the place-based delivery of people-based services for youth and families, either instead of, or in addition to, the more familiar programmatic investments aimed at improving affordable housing, removing blight and promoting physical revitalization of neighborhood commercial areas. Also evident is a significant number of CDCs that are focused on economic empowerment through workforce, economic development, and entrepreneurship.

A relatively large number of CDCs operate at very modest scale, having developed with extremely small amounts of government subsidy. They often owe their beginnings and their basic survival to a strong affiliation with a church or other institution. The number and range of CDCs is all the more notable given that Memphis is not a place where the community development industry is the result of a deliberate public or philanthropic investment aimed at growing the sector. In other settings such as Pittsburgh, Cleveland and Detroit, for example, there were widespread investments made in core operating support and technical assistance programs beginning in the late 1980s and continuing through much of the 1990s. In contrast, the Memphis CDC industry seems to have a more organic, homegrown character; CDCs appeared in response to deep levels of neighborhood disinvestment and widespread social needs within the large, mostly Black lower-income community that remained concentrated within the city’s core neighborhoods.

The group of 31 CDCs and nonprofits identified as comprising the current industry are widely distributed throughout the lower- and moderate-income neighborhoods of the city. Chart 1 shows, this network of CDCs is widely distributed across neighborhoods within 15 of the 26 different Memphis zip codes. The majority of zip codes contain two to four different organizations that designate themselves as CDCs. As will be evident below, some of these organizations are operating at a quite small scale, but nearly all are clearly associated with a very specific geography and most have well-defined service areas.
CDC CAPACITY AND OPERATIONAL SCALE

One of the more distinctive features of the Memphis community development sector is the relatively large number of CDCs that are operating with small budgets and limited capacity. Although Memphis does have several capable CDCs that have managed to grow to significant scale and diversify their staff and programs, these organizations are the exception rather than the norm.

We examined current CDC capacity by comparing available data related to measures such as budget, staff size, program scope and past accomplishments. Our categorization relied on a combination of information from completed CDC surveys, individual CDC interviews, a review of 990 filings and, in some cases, additional Internet research. We were unable to gather sufficient information on two additional organizations to include them in this ranking. For this reason they were not included in this report.

This analysis led us to cluster the 31 organizations studied into four general categories. We identified:

- Seven organizations that are now effectively closed or dormant or near dormant or insufficient information was available for;
- Six organizations that are operating but with very modest operations with budgets under $150,000;
- Thirteen organizations with budgets, staffing and program scopes that we regard as moderate, with budgets from $150,000 to 750,000; and
- Five larger organizations with more significant budgets (ranging from $750,000 to $2 million or more) which support considerably more staff permit programs to operate with more stability and greater scale.

This tiered distribution of CDCs based on these broad measures of capacity and scale is shown in Chart 2.

**Chart 2. Distribution of Memphis CDCs by Scale of Operation**

![Chart showing distribution of Memphis CDCs by scale of operation]

**At least 14 of the 31 CDCs studied are operating at very modest scale, and six more are either closed or at-risk of closing**

**Time in operation and “organizational durability.”** To round out our understanding of the current capacity and scale of the CDCs studied, we also considered their durability, as measured by the length of time the organizations have been in operation. Our scan of available Internet information indicates that although the majority of CDCs continue to operate with minimal staff and resources, nearly all have been
in existence for relatively long time periods. Of the organizations completing the CDC survey, we found considerable variation in the dates of inception ranging from April 1989 to June 2015. However, the average length of time in business was 15 years.

**Governance and community representation.** We also considered governance and community representation as significant indicators of capacity and responsiveness to community concerns. For organizations completing the community survey, the average board size was eight seats. For 14 respondents, at least one board seat was held by a neighborhood representative and the average number of neighborhood residents on the board was three. CDCs also reported having an average of three board members representing business or stakeholder organizations within their service areas. Lengths of board service were well distributed; respondents reported an average of three members serving from 0-3 years, three members serving from 4-10 years, and three members serving from 11-20 years.

Three respondents indicated that they held regular, formal meetings with neighborhood groups, and another three indicated that they maintain community relationships through informal neighborhood advocacy/ conversations. Other approaches reported for maintaining connections to the community included informal meetings with neighbors, business owners, neighborhood groups and local schools, meetings with local area associations, and membership in neighborhood associations.

**Professional and technical certifications.** Finally, we queried CDCs about the certifications they hold, as indicators of the professional capacity of their staffs. Respondents indicated that:

- Eight CDCs or nonprofits have status as Community Housing Development Organizations (CHDOs)
- Four CDCs are Community Based Development Organization (CBDOs)
- One CDC is a NeighborWorks Partner
- Others indicated they were a HUD Approved NPO, or a HUD counseling agency, or a THDA Community Investment Tax Credit certified housing entity.

This range of responses is indicative of the very significant differences in scale among the group of organizations studied, with some operating more like associations of community volunteers and others maintaining professionally-staffed organizations well connected to professional associations.

**CDC PROGRAMS AND ACTIVITIES**

CDCs are typically offering or seeking to offer programs and services across a range of program areas. Relatively few are narrowly focused within a single area. At the same time, very few of the organizations we surveyed or interviewed are offering programs and services that reach a large audience; most recognize their efforts are spread thin by limited resources and program staff.

In order to understand the range of programs and services offered, we clustered the numerous program offerings reported by individual CDCs into four general areas. These are in order of frequency:

- **Housing and real estate programs,** including new or rehab housing development for homeownership or rental, new or rehab commercial space (including mixed-use), new or rehab community facilities development, homeowner counseling, homelessness prevention and rapid rehousing.
- **Youth programs**, including youth tutoring and literacy activities, youth arts and cultural programs, leadership programs, summer camps, teen pregnancy prevention and youth violence reduction programs.

- **Human and community service programs**, including adult tutoring and literacy activities, agricultural and gardening programs, health-related activities, arts and cultural programs, emergency assistance services, and safety initiatives.

- **Workforce and economic development and entrepreneurship programs**, including various types of business technical assistance, entrepreneur development, corridor revitalization programs such as marketing/communications, corridor convening and streetscape, façade improvement efforts and job readiness and training programs.

A relatively large number of organizations typically offer more than one program within the above program clusters. This combined with the wide array of offerings reflects the relatively comprehensive approach to community development that prevails throughout the community sector in Memphis. Chart 3 illustrates a count of the total number of community-based organizations offering programs within each cluster.

**Chart 3. Number of CDCs Offering Services and Activities in Four Main Community Development Program Areas**

The consolidation of many different types of programs within these four areas masks the complexity and variety of activities actually underway within the sector – especially within the youth and human/social service areas. The following is a more detailed breakout showing the number of particular types of programs offered within each program cluster.

Chart 4 shows the number of individual CDCs reporting program activities within the human and community services arena. None of the CDCs participating offer programs only in this category. Their
programs are intended to complement or enhance programs in other areas. The most commonly offered programs include health-related activities and community gardening, agricultural and clean-up activities.

**Chart 4. Number of Memphis CDCs Offering Human and Social Service Programs**

There is also considerable variety in how CDCs approach youth programing. The most frequent offerings are in youth tutoring and literacy activities, a priority for at least 10 of the CDCs for which data is available as illustrated in Chart 5. Often these activities are combined with others, such as leadership development.

**Chart 5. Number of Memphis CDCs Offering Youth Programs**

As might be expected, development of affordable rental or ownership housing, along with homeownership counseling, has been a continuing priority for many Memphis CDCs as illustrated in Chart 6. However, the scale of activity varies greatly among the CDCs, depending on organizational scale and available resources. Based on the data available, we found that at least six CDCs are also involved in commercial development and three have been involved in building or improving community facilities.
Within the workforce and economic development arena, we found that several CDCs are offering or have offered assistance and support for local small businesses, and that an equal number are pursuing programs aimed at developing entrepreneurship as illustrated in Chart 7. A relatively small number of CDCs studied claim to be involved in neighborhood commercial corridor revitalization.

**CDC FINANCES AND REVENUE SOURCES BASED ON AVAILABLE DATA**

The information we were able to gather from the online surveys is more limited, but it does provide additional evidence of the annual financial resources available to a subset of the 31 organizations studied.

Table 1 combines financial data from a total of 12 CDCs that were able to include more detailed budget information in their responses. As Table 1 indicates the median annual incomes and expenses for the
most recent fiscal year were in the lower $300K range. However the variance was considerable, from only $2,000 for one group to $2 million for another. A similar variance exists in comparing balance sheets for these organizations. Although the median asset value was $1.6 million, the range of annual reported asset values ran from $50,000 on the low end to $7 million on the upper end. Specific types of assets and liabilities were not asked for in the survey. Based on the interviews, assets appear to be mostly comprised of headquarters and rental property.

In addition to overall scale of funding, we examined the CDCs’ revenue mix. A total of 12 organizations providing detailed financial information for the most recent fiscal year. From that information, we are able to offer the following findings:

- In the aggregate, this group of CDCs draws revenue from a diverse mix of sources, including government and foundation grants, and earned revenue from projects and programs.
- The largest single share of revenue is earned income at 31 percent of the total. This earned revenue includes 8 percent in developer fees and 23 percent in other types of earned revenue including rental income, counseling service fees, contracted services, home sales and investment sales.
- Government revenues account for 37 percent of the total reported revenue; however revenue from the City of Memphis accounts for only 17 percent, with the remaining 20 percent provided from other government agencies including county, state and federal sources.
- Total philanthropic revenue accounts for 20 percent of the total; that includes 16 percent from local funders and 4 percent from national foundations.
- The remaining 14 percent of the revenue picture is comprised of revenue from individuals (7 percent), faith-based organizations (3 percent), corporations (2 percent) and other (2 percent).
- Limited data suggests that CDCs are supported by a diverse revenue mix, with funding from local government and foundations comprising only about one third of the total.

This overall breakout of revenue by type is shown in Chart 8. In viewing this breakout of revenue, it is important to recognize that some smaller CDCs also benefit from significant in-kind assistance from

Table 1. Reported Financial Data for Memphis CDCs Completing the Online Survey

<table>
<thead>
<tr>
<th></th>
<th>Total Income for Most Recent Fiscal Year</th>
<th>Total Expenses for Most Recent Fiscal Year</th>
<th>Current Value of Assets</th>
<th>Total Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td>$ 350,000</td>
<td>$ 332,086</td>
<td>$ 1,639,653</td>
<td>$ 953,000</td>
</tr>
<tr>
<td>Average</td>
<td>$ 684,475</td>
<td>$ 619,219</td>
<td>$ 2,670,907</td>
<td>$ 983,582</td>
</tr>
<tr>
<td>Range (Low)</td>
<td>$ 2,480</td>
<td>$ 3,038</td>
<td>$ 52,500</td>
<td>$ 44,103</td>
</tr>
<tr>
<td>Range (High)</td>
<td>$ 2,000,000</td>
<td>$ 2,000,000</td>
<td>$ 7,000,000</td>
<td>$ 2,000,000</td>
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sponsoring entities, particularly faith-based organizations and larger institutions. This assistance is not represented in these revenue figures.

If the pattern evident among the 12 CDCs providing detailed information in the survey is representative of the whole sector, it suggests that total earned revenue may be proportionately higher than in other cities with more developed support systems. It also suggests that both public sector and philanthropic sector funding levels may be proportionately lower than in other cities with more developed support systems. A more detailed cross-city comparison of this type may be useful to pursue in the future, provided that it includes additional data from a larger number of Memphis CDCs.

**CDC STAFFING AND PROFESSIONAL EXPERIENCE**

Memphis CDCs have relatively small staffs and staff compensation is also modest. A total of 60 full- or part-time salaried staff were reported among the 12 CDCs that provided staffing information. The total annual cost of salaries is $2,185,132 and the average salary is $36,418. Six CDCs reported that their most senior position earns less than $50,000. Three CDCs reported the most senior position earns more than $75,000. Three CDCs reported their most senior position earns between $50,000 and $75,000.

The average number of paid staff among these 12 CDCs is 5, with most staff positions concentrated in programmatic support. Salaries for typical program positions range from $35,000 to $55,000. In fact, during the interviews, CDCs referenced low salaries as an obstacle to hiring and retaining quality staff.

As Chart 9 shows, the time that staff reported they have been with their current employing organization includes a healthy spread across tenure ranges. The largest number of CDC staff have been at their organizations for a period of one to three years.
The survey also revealed a relatively high level of education among CDC staff as illustrated in Chart 10. The executive, financial, and program positions are primarily filled by staff with at least a 4 year degree. Program positions also have significant staff with at least some college experience. Three organizations identified that their executive directors only had some college experience or a high school diploma.

This level of education for executive directors is not surprising given the limited budgets and the number of organizations with unpaid executive positions.
We learned from survey responses and individual CDC interviews that some financial and programmatic support is provided externally. Volunteers heavily support the CDC industry in Memphis. The CDCs reported 34 volunteers that play some type of staff role at their organization. This is more than half the number of total paid staff. Two organizations reported having volunteers perform executive management roles at their organizations.

Table 2 identifies how these staff are broken down by staff classification and employment status.

<table>
<thead>
<tr>
<th>Table 2. Summary of Staff Support by CDC</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Full-time salaried staff</td>
</tr>
<tr>
<td>----------------------------------</td>
</tr>
<tr>
<td># of Part-time salaried staff</td>
</tr>
<tr>
<td># of contractor or consultants who play staff roles</td>
</tr>
<tr>
<td># of volunteers who play staff roles</td>
</tr>
</tbody>
</table>

*Executive staff includes multiple types of directors*

**IMPACTS OF CDC PROGRAMS AND PROJECTS**

The information we were able to gather on the results of CDC programs and activities is drawn almost entirely from the 12 fully completed responses received to the online survey, since these were the only responses containing this level of detail. Another limitation of the results reported is that the information presented for real estate projects covers only the most recent three years; information presented on non-housing and real estate related program results only covers results for the CDCs' most recent fiscal year. Although this information is likely to be representative of the range of annual accomplishments being achieved by the moderate- to larger-scale CDCs, it should not be taken as a complete accounting of impacts for the entire set of CDCs.

Results are summarized below for each of the four clusters of program activity.

**Housing, real estate and blight removal activities**

- CDCs report completing 85 rental units and 84 homeownership units over the most recent three years. Memphis has over 270,000 residential units and over 25,000 vacant lots. The bulk of rental units were the result of rental rehab projects rather than new construction. None of the rental projects reported was undertaken using tax credit financing under the Low Income Housing Tax Credit program.

- An additional 82,000 square feet of commercial space and 3,000 square feet of community facility space was reportedly built or renovated by CDCs in the same period.
During this same period, a total of 102 lots were reported to have been cleaned and/or cleared and 25 homes were boarded up. CDCs reported that 35 properties were planted.

The total estimated value of these housing and real estate projects amounted to $36.25 million. $27 million of that total flowed to three larger-scale projects – including $10 million to Riverview Kansas CDC, $10 million to Lemoyne-Owens CDC, and $7 million to United Housing.

One of the projects was a New Market Tax Credit project. None of the projects reported were mixed-use projects and none were LEED or Energy Star certified.

Housing counseling was provided to over 1,200 people.

Youth programs and activities

A total of seven CDCs reported significant annual results for programs focused on youth.

These activities served over 600 individuals, mainly through programs in the areas of youth tutoring and literacy, and programs providing arts and cultural opportunities for youth. Chart 11 provides an additional breakdown of youth served in various programs.

Chart 11. CDC Annual Youth Program Results

CDC youth programs served 611 individuals in the most recent fiscal year.

Human and community services

A total of 10 CDCs reported results within other human and community services areas. Chart 12 provides an additional breakdown of people served by different programs.

Altogether, these programs served over 2,200 individuals, primarily in the area of health-related services.
Economic development programs and services

- Within the economic development program cluster, a total of seven CDCs reported measurable results for the prior fiscal year – including either numbers of businesses served or jobs created. These are illustrated in Chart 13.

- The largest areas of program activity were business technical assistance and programs aimed at developing entrepreneurs.

- Among the seven organizations reporting, the total impacts reported included 81 businesses served and 67 jobs created.

- CDCs reported that job training programs served 62 people.

*Chart 12. Annual CDC Human and Community Service Program Results*

*Chart 13. CDC Annual Economic Development Program Results*
Representatives we talked with throughout the sector are well aware of the impact of revenue limitations on the scale of results that CDCs within the system are able to achieve. Most believe that the demand for services now being offered greatly exceeds the capacity and scale of current programs. Community-based nonprofits could accomplish significantly more if current programs were able to operate with expanded resources.
SECTION THREE: Preliminary Analysis of System Resources and Investments

Our analysis of the range of resources now flowing into the Memphis community and to community development activities in particular is quite limited by the range of data we were able to gather in the timeframe of this study. Besides the information presented above on revenue sources for the 12 CDCs completing the survey, we were able to gather three main types of funding data to build a broader picture of the overall scale of funding flowing toward CDCs and their programs and projects.

- Four local funders (Community Foundation of Greater Memphis, Plough, Poplar and HFF) provided detailed grant data for 2014. We used this data to examine both the types of grant investments made across different investment categories and we also looked at the geographic distribution of those investments. (Although the level of grant detail provided by local private foundations was quite helpful in understanding the distribution of grants by types and geography, there are some inconsistencies in methods of categorizing community development grants vs. other types of charitable giving.)

- The Memphis Housing and Community Development Department provided detailed data for the three year period from 2012 to 2014 on public investments into the community development sector; these included grants categorized under housing development and services, social and public services, economic development, and public facilities. We used this data to make a similar analysis by grant categories and geographic distribution.
We heard consistently from several CDC informants that the Tennessee Housing Development Agency has been a very significant funder of housing projects within Memphis and Shelby County. The THDA provided information on its investments for Shelby County from 2012 to 2014. These investments included $6.6 million in Neighborhood Stabilization Program (NSP) funding, $6.5 million Community Investment Tax Credits, $67.8 million low income housing tax credits, and $79.9 million in Homeownership loans. This total investment of over $160 million over the 2012 period is nearly ten times larger than the total City of Memphis investment during the same time period. (Unfortunately, we do not have a more detailed breakout from THDA of the projects, locations and specific years those projects were funded.)

We do not have extensive or detailed data related to Shelby County grant funding or other capital investments in community development organizations or projects. We did hear from some CDC informants that they have approached county agencies for funding and have received modest grant support from those sources.

As previously noted, there are different levels of detail in the information provided by the above sources and also differences in the reporting periods for local funders and the City of Memphis. These data issues limit our ability to draw observations about patterns of alignment among these key sources of funding. A more extensive analysis of financial resources and their deployment would include an examination of how funds are layered in support of individual projects and organizations, and how funds have been distributed geographically across the city over a longer time period than the past several years.

Despite these constraints, we are able to offer some potentially useful findings related to patterns of both philanthropic and local government grant funding.

**SCALE OF AND DISTRIBUTION OF PHILANTHROPIC GRANTS FOR COMMUNITY DEVELOPMENT**

Information on the annual allocation of funding was requested from local foundations. Information was received from the Hyde Family Foundation, Community Development Foundation of Greater Memphis, Plough Foundation, and the Popular Foundation. The foundations were asked to categorize their grants as follows:

- **Capacity Building** – Examples include: trainings, general operating, memberships
- **Community Engagement** – Examples include: planning, outreach, memorial donations
- **Economic Development** – Examples include: entrepreneurial development, business development
- **Education** – Examples include: tutoring, Teach for America, Scholarships
- **Housing Development/Services** – Examples include: Housing development, greenway development, housing counseling
- **Public Facilities** – Examples include: health centers, public facilities, parks
- **Social/Public Services** – Examples include: health/medical services, addiction programs, event sponsorships
- **Arts and Culture** – Examples: music programs, museums and historical programming, theater
Findings related to the overall scale of local philanthropic and governmental grants for community development include the following and are illustrated in Chart 14:

- Among the four funders providing detailed grant information, total grantmaking activity benefitting Memphis nonprofits totaled over $66 million in the single year 2014. This total would likely be considerably larger if it included grants from other local funders. It signals a very significant level of philanthropic grantmaking for a city the size of Memphis.

- There are generally less total grant dollars flowing into community development compared with other areas of foundation giving. During 2014, total grantmaking for community development was $8.98 million compared with $57.05 million for public services including art and education. Community development was defined broadly; it encompasses specific grants for community engagement, economic development, housing development/services, capacity building and physical improvements.

- The distribution of grants across different categories of investment is shown in the figure below. As is indicated, the largest categories of grantmaking are in education and social/public services.

- Individual grants made within the community development sector are comparatively smaller in size than other grant categories; the average grant for community development activities is $157,000 compared with an average grant size of $271,000 for public services including art. The median grant size for public services is $40,000 and $25,000 for community development activities.

- When the top and bottom two grants are removed; the average grant for community development activities is $38,000 compared with an average grant size of $153,000 for public services including art.

![Chart 14. Memphis Funder Investments by Category (2014)](image)

For the purpose of this assessment and to show the geographic distribution of foundation investments, the City was split into five sectors, each containing several zip codes. The sectors include: Downtown, North, Central, South, and East.
The following map shows the distribution of all 2014 grant dollars to each sector, based on data provided by the four foundations referenced above. Of the total grants tracked in 2014, $2 million were clearly citywide grants and therefore not assigned to a specific sector.

- The geographic distribution of grants made shows a heavier investment in the downtown and Central (Midtown) areas. This is driven by the $23 million invested into education, of which $20.4 million was for Teach for America and Teacher Town USA. This geographic concentration is reinforcing and following private investment into areas with stronger housing and commercial areas.

- The geographic areas of greatest need (North and South) received somewhat less funder investment during 2014.

Table 3 below shows the distribution of 2014 grant investments by individual zip codes (excluding zip code 38103 where organizations received over $28 million in funding). The actual value of funder investments by zip code shows even more dramatically where grant dollars were concentrated. Aside from the large concentration of grants to organizations located in the downtown area, only two zip codes received grants totaling more than $5 million.
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*The funding levels shown are not inclusive of all philanthropic funding for 2014. These totals reflect only information that was self-reported by philanthropic funders and HCD.

**LOCAL GOVERNMENT GRANTS FOR COMMUNITY DEVELOPMENT**

- Local government grants into the community development sector totaled approximately $17.5 million in the three year period from 2012 to 2014.

- Of this total, the largest share of local government grant dollars went to economic development and housing development services. A much smaller share of these dollars was spent on social/public services and public facilities. The distribution of HCD dollars by categories of investment is shown in Chart 15.

- We do not have detailed information on the recipients of the grant dollars spent, but we presume that at least a significant portion of the allocations for social/public services and public facilities dollars went to community-based nonprofits.
The data provided by HCD also included the zip code addresses of grantee organizations. This permitted us to analyze the geographic distribution of local government grants during the 2012-2014 period. Refer to Table 4 below.

- The largest share of government grant investments, over $9 million, was spent in only two zip codes, representing a priority placed on Downtown and South Memphis.

- Remaining HCD grant funds were distributed widely over other zip codes in the city. Few other zip codes received grant investment totaling over $1 million.

Table 4. Summary of HCD Investments by Zip Code (2012-2014)

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*The funding levels shown may not be inclusive of all public funding for 2012-2014. These totals reflect only information that was self-reported by HCD.*
SECTION FOUR:  
A System View of Support:  
Memphis Compared with Other Cities

In order to fully assess the strengths and limitations of the community development sector in Memphis, it is useful to identify the key elements of an effective support system for neighborhood-based revitalization. Memphis has a great opportunity to learn from the progress that some other cities have made in building support systems for CDCs and the revitalization of core neighborhoods.

Considering the current Memphis system in a broader context also helps in setting expectations for what a well-functioning system could accomplish in support of the revitalization of individual neighborhoods and the city as a whole. Any examination of the wider community development field must begin by recognizing how much the field has changed over the past decade. In addition, the economic downturn and the housing foreclosure crisis of the last few years have significantly weakened the entire industry, eroded neighborhood housing markets and weakened every citywide system, including those recognized as among the strongest. Here we offer our own perspective on the key components of a sound support system and look briefly at aspects of systems in other cities where significant system-building investments have been made.
ATTRIBUTES OF AN EFFECTIVE SYSTEM

There is a growing understanding nationally of what a citywide support system for neighborhood revitalization typically includes. Although no two systems are ever the same, several common factors are generally present that contribute to the results that have been achieved among cities such as Boston, Chicago, Cleveland, Indianapolis, Kansas City, Philadelphia, Pittsburgh and the Twin Cities, where there has been a sustained, multi-decade investment in CDCs and neighborhoods. The following is a synthesis of what we have learned about the aspects of these support systems based on various studies and evaluations as well as our own work in other cities.

We focus on eight attributes that are essential to the performance of a neighborhood development system. These are shown in Figure 1 and briefly described below.

Figure 1. Eight Attributes of an Effective System

The eight system attributes include:

- **A coherent neighborhood strategy.** By this we mean more than an aggregation of individual neighborhood investments, but not necessarily requiring a fully developed, citywide neighborhood revitalization plan. A coherent strategy would include a limited number of priorities around which there is broad agreement, linked to a collection of coordinated actions undertaken by a cross-section of stakeholders, and focused on some specific and measurable objectives to be accomplished. It would also include an understanding of the kinds of resources that need to be brought together to achieve those objectives, and a sense of where those resources should be focused first (both programmatically and geographically). Finally, it would include a reasonable level of agreement on
the implementation roles and responsibilities of the different stakeholders involved and a process for tracking progress and adjusting the strategy over time.

- **Public sector capacity and resources.** It is difficult to imagine a neighborhood system operating without the active leadership and involvement of elected and appointed public officials who share a commitment to a neighborhood improvement agenda. Ideally, that commitment will encompass a general understanding of the pivotal role that CDCs can play in shaping the direction of neighborhood improvement; a few well-defined priorities that shape local funding decisions; and agreement on the key governmental actions that can best attract and reinforce the talents of other system partners. Often the most challenging aspect of the local government role is ensuring that the neighborhood agenda is adequately supported with essential public sector dollars; nearly as important is a practice of ensuring that decisions about the deployment of government dollars are well-coordinated with those of other key players; third, community development programs need to be overseen by agency managers with adequate technical expertise. Particularly in times when strains on the public purse are enormous, the availability of seasoned senior program managers with the skills to work effectively with neighborhood, private sector and philanthropic leaders is every bit as important as the total dollars available.

- **Intermediaries and implementation partners.** Every credible neighborhood support system we know of is anchored by one or more locally-based intermediaries and support organizations that are able to serve as bridges between the neighborhood-level nonprofits and community leaders and the broader system stakeholders. The roles that these intermediary organizations play are many – involving a combination of financial, managerial, technical, and political skills, along with the ability to keep the focus on moving the strategy forward from concept to execution. In quite a few localities, these critical bridging roles are shared among several organizations, which might include a local program office of LISC or Enterprise, a homegrown intermediary such as NPI in Cleveland (or Community LIFT in Memphis), a neighborhood technical support organization, a leadership program, a neighborhood data center, a trade organization representing CDCs, one or more anchor institutions who take the lead in particular neighborhoods, and sometimes a locally-based funder with a strong neighborhood focus. In systems that work well, there is clear role definition and good cooperation among these different entities.

- **Public policy and advocacy.** Beyond the operational aspects of the neighborhood development system, there is the need in every locality to continually strengthen locally-based advocacy for the neighborhood agenda and work toward public policy improvements that lead to better public and private decisions about neighborhoods. Traditionally, these public policy efforts focused mostly on improving housing policies that ensured affordability and choice. Lately, their scope has broadened to include a greater emphasis on transportation access, crime and safety improvements, greater economic and workforce opportunities, and sustainable development and smart growth. The Massachusetts Association of CDCs (MACDC) based in Boston and the Philadelphia Association of CDCs (PACDC) are excellent examples of membership associations that have progressively broadened their policy efforts to include issues of import to wider constituencies. The breadth of these policy efforts and their coordination with one another are critical to the effectiveness of the entire system.
Reliable measurement data. Any effective system requires a way of tracking progress and measuring results against expectations. The most critical component of such a measurement system is high-quality neighborhood-level data that is regularly gathered and broadly available. This data needs to be available at a small enough geographic level to pick up changes that occur as a result of demographic and market shifts, as well as new programmatic investments. The best and most useful neighborhood data is at the individual parcel level and/or Census block group level. Managing this data and ensuring that it is well used usually requires a capable, locally-based data resource organization that is well connected to neighborhood stakeholders and able to work well across the different sectors of the system. The member organizations of the National Nonprofit Indicators Project are all striving for this type of excellence in gathering and using data; organizations such as the Greater New Orleans Community Data Center and Data Driven Detroit have gained greater prominence lately for the quality of their analysis of neighborhood issues.

Flexible philanthropic dollars. Though seldom the largest share of the resources required, the dollars that local foundations are able to provide to the community development system are often the most critical. This is because they are not subject to the many programmatic restrictions that govern the use of most governmental dollars, and because these funds can be increased or decreased, and also deployed most flexibly to fill gaps, address emerging needs, and support ongoing innovation. Because of their flexibility, philanthropic dollars available locally have proved to be powerful in shaping how systems are defined. These dollars, although sometimes not the largest source of support for the system, can often prove highly effective in filling in essential funding gaps and leveraging and supplementing the additional dollars that are also required from local government and the private sector. For all these reasons, local funders have tended to play a pivotal role in shaping and sustaining the more comprehensive and effective CD support systems.

Private investment capital and lending partners. An effective system cannot survive simply as a result of public sector investments or the grant support provided by foundations. To achieve neighborhood improvement results of any scale the system depends on a significant flow of private investment capital. The effective use of private capital in neighborhood development systems depends on a community of lenders and investors who understand neighborhoods and neighborhood markets and have experience in weaving private capital together with public sector and philanthropic dollars. Private investors can be powerful allies in stabilizing neighborhoods and improving the health of a citywide system, whether acting individually or in concert as members of lending pools and consortia. However, the extent of their participation on neighborhood revitalization often depends on their confidence that funding from the governmental and philanthropic sectors is being well focused and used in ways that recognize the market constraints that determine what private investors are able to do with their money.

Neighborhood nonprofits who mobilize stakeholders. A neighborhood development system cannot function without skilled, on-the-ground nonprofits who are well-connected to and understand their communities, and who are able to engage with and forge agreement among residents, local businesses, and other neighborhood institutions and interests. They play a central role in building a neighborhood agenda that makes sense and can attract support from outside the community. In this arena in particular, the community development field is undergoing enormous change. It is
increasingly difficult for neighborhood nonprofits to remain viable by focusing on a narrow neighborhood advocacy agenda or by acting as developers of affordable housing or other projects that meet the particular needs of only one constituency in their community. The shift in the field is toward increased support for neighborhood nonprofits who are able to take on new roles as effective neighborhood intermediaries - with the capacity to represent the full array of interests present in their communities, forge consensus across different stakeholder groups, craft inclusive plans for their communities that are more comprehensive in scope, and that are capable of attracting broader citywide support because they are relevant to citywide revitalization agendas. For many established neighborhood nonprofits this has proved to be a very difficult transition. In some localities, many well-established neighborhood nonprofits are struggling to survive or have been forced to close their doors, leaving their communities without the leadership they need to manage changes in their markets or exercise effective voice in the broader decisions affecting them. In others, neighborhood nonprofits have been encouraged to make the transition toward a new broader leadership role in their communities and to become critical partners with local government, philanthropy and the private sector in guiding neighborhood-driven revitalization efforts. In still others, neighborhood nonprofits have been encouraged or compelled to respond to local needs more comprehensively, but without the scale and consistency of funding required to develop and sustain a comprehensive program strategy.

**BENCHMARKING MEMPHIS AGAINST OTHER CITIES WITH MORE DEVELOPED SYSTEMS**

The above framework is helpful in highlighting several broad observations about the current neighborhood development system in Memphis. Although the city is home to a large number of community-based nonprofits working to address a broad array of neighborhood issues, only a few are operating at a large enough scale to achieve significant results at a scale that matches, or has the potential to match the scale of disinvestment that has occurred. The reasons for this are well known within the community development sector. They include the overall size of the city, both in population and geography, the extent of disinvestment that has occurred over many decades, and that has left so many of its neighborhoods without the population, housing stock, institutional assets, community capital, public infrastructure and essential services that are necessary for building a neighborhood recovery strategy. Over the past few years, the severe housing market downturn, foreclosures, and significant crime levels have worsened vacancies, blight and the array of social issues that accompany severe poverty.

Despite these challenges, Memphis already has in place several components of an effective system. For example, it has:

- A relatively large and well-established philanthropic sector with ample resources that could be deployed flexibly to shape and support an effective neighborhood revitalization strategy.
- A large number of CDCs with limited resources and varying levels of capacity, but with significant potential for further growth.
- An emerging local intermediary with the potential to provide citywide coordination in developing a stronger system.
A respected CD Council with policy expertise and an ability to advocate on behalf of neighborhood interests.

However, Memphis also has some significant gaps in the system as it is presently configured. These include:

- The absence of a sound neighborhood strategy that includes the identification of a limited number of geographic and/or programmatic priorities and investment targets that help to frame coordination among governmental agencies and between government, philanthropy, nonprofit and private sector leaders, and that positions Memphis' neighborhood revitalization strategies within a broader economic development agenda.

- Little evidence of the intentional alignment of funding strategies and other forms of investment among public and private sector players.

- Limited local government staffing and expertise and modest public resources flowing toward neighborhood reinvestment.

- An underdeveloped lending sector and limited private market investment activity, along with relatively weak neighborhood real estate markets.

- Limited local business and civic support for the community development sector and neighborhood revitalization.

- Underdeveloped local data capacity and expertise in community development.

It is useful to use the system attributes framework to consider the current strengths and limitations of Memphis' neighborhood development system in comparison with systems that have evolved in several other cities. Although a detailed benchmarking study that includes specific quantitative indicators of financial investments, capacity and productivity for the cities selected is beyond the scope of this scan, we have used the eight attributes to draw attention to several aspects of systems that have been put in place in other cities, some which could provide guidance for local efforts to round out and reinforce the current Memphis system.

For this purpose we chose four Midwestern cities of varying size with which we are familiar – Cleveland, Pittsburgh, Indianapolis and Chicago. In each of these comparison cities, there has been a deliberate and sustained effort to address neighborhood revitalization in a coordinated way. Also, in each of these places the philanthropic sector has chosen to play an active leadership role in funding the neighborhood development sector. As in Memphis, local funders are trying to understand how best to align philanthropic, private, and public sector dollars and expertise to achieve meaningful results. In each of these cities, significant investments continue to be made in building the kind of nonprofit capacity needed at the neighborhood level to ensure stakeholder involvement, build agreement on priorities, and shape an overall neighborhood plan. Across all these cities, efforts are underway to better target resources geographically, according to varying criteria related to need, capacity and market opportunity.

Rather than present a comprehensive overview of the systems in each city, we focus instead on lifting up a few relevant observations about how each city has organized itself to address some key system attributes or is responding to current issues and priorities. Table 5 following these descriptions provides a high-level comparison of Memphis with these other cities, referring to the eight system attributes.
Cleveland

The Cleveland system has long been recognized as one of the most complete and productive neighborhood support systems in the country. The groundwork for the system was laid in the late 1980s and that groundwork has been continually reinforced by deliberate public, philanthropic and civic decisions. For two decades, the overall strategy has been to support the revitalization of Cleveland’s more distressed neighborhoods through funding of a broad network of community development corporations who play key planning and development roles in their neighborhoods. A strong local intermediary organization, Neighborhood Progress, Inc. (NPI) has occupied center stage in the system since its inception, but there are numerous other organizations in place that provide additional support for neighborhood-based development activities. These include the Cleveland Housing Network, Enterprise Community Partners, and a strong CDC association among others. Local funders provide critical operating support for NPI as well as a portion of the core operations of the stronger and more established CDCs that work closely with NPI. There is a significant public sector role (through City Council) in providing a steady flow of additional core funding for neighborhood based CDCs and other nonprofits. Besides serving as a conduit for grants to CDCs, NPI also provides project development financing and technical assistance on larger scale development projects in neighborhoods throughout the city. Business and civic leaders are engaged in the system through participation in the boards of NPI and other support organizations, and the local lending community provides the additional capital needed to fund real estate projects.

Although the recent recession, housing market downturn and rising foreclosure problems added to the city’s many economic challenges, the structure of the system has persisted and most of the City’s responses to these new crises have been developed collaboratively by NPI and local CDCs working in partnership with other key stakeholders. Examples of these responses include innovative foreclosure prevention and vacant land disposition strategies, and a new emphasis on land re-use, greening and green jobs, and energy efficient retrofits of existing housing stock.

Tiered funding for CDCs in Cleveland

Beginning in the early 2000s, Neighborhood Progress, Inc. (NPI) began moving toward a more tiered strategy of support for its CDCs in Cleveland. It introduced a more targeted and comprehensive development strategy in six Cleveland neighborhoods and that strategy was gradually expanded to encompass other parts of the city. Later in that decade, the Cleveland Foundation introduced another tier of funding in the form of a small grants program called Neighborhood Connections. This innovative program aimed to provide significant new support for smaller, more grassroots civic organizations and block clubs provides a large number of grants in two rounds per year to fund a wide range of community improvement efforts. It remains the largest program of its kind in the country.
Corridor-centered approach works well in Pittsburgh

The best example of a corridor-centered investment approach in Pittsburgh was focused on a corridor running through four different neighborhoods in the East End, with a strong concentration in the East Liberty neighborhood. The strategy was built around a revitalization plan developed with strong community input. A new entity, the East End Growth Fund, was established to provide financial assistance and advice to encourage small businesses and larger establishments to locate and grow in the area; it also created a vehicle for local CDCs to share in the value of commercial development and use the return on their investment to grow their own capacity. Its advisory board provided a venue for community groups, lenders and government agencies to guide the process and resolve problems. By 2006, the Growth Fund had leveraged $66.9 million in new development; the number has grown significantly since then.

Pittsburgh

The community development system in Pittsburgh was also established in the late 1980s and has also been anchored by a well-established local intermediary, the Pittsburgh Partnership for Neighborhood Development (PPND). Now an affiliate of LISC, PPND has been funded primarily by a cross-section of local funders. For over two decades it provided a stable source of core operating support and project financing for CDCs in lower- and moderate-income neighborhoods throughout the city. On its board are funders, lenders and other civic stakeholders and the organization serves as the catalyst for an array of neighborhood focused initiatives and strategic discussions, and also the locus for policy and advocacy decisions focused on neighborhood revitalization. Other local intermediary and support organizations round out the system. Support for the role of neighborhood nonprofits in revitalization has waxed and waned in Pittsburgh under different administrations, but the philanthropic and civic leadership have sustained their support for CDCs through PPND.

From the late 1980’s into the early 2000’s, PPND’s support was distributed relatively widely in the form of core operating grants for more than a dozen CDCs of varying capacity, many serving mostly small neighborhood target areas. During the 2000’s it pursued a somewhat different, more market-focused strategy to begin consolidating its support to a smaller number of CDCs with the capacity to lead efforts to address development opportunities along key corridors in the city.

A subsequent strategic plan adopted by PPND built off the success of this strategy by continuing its support for revitalization in the East End while attempting to replicate this corridor approach in additional multi-neighborhood target areas. Support to target areas was channeled through one lead entity responsible for building a collaboration of locally-based CDCs and other nonprofits and developing broad community support for an integrative strategy for the target area. To reinforce this approach, PPND also supported a citywide effort to create the Pittsburgh Neighborhood Collaborative, a broad consortium of agencies and service providers that work collaboratively to align their efforts around the revitalization strategies that emerge in the target areas chosen. These efforts marked the beginning of a shift in the strategy guiding how Pittsburgh supports neighborhood revitalization. More recently, this targeted
investment strategy has continued to evolve, with a clear focus on well-focused strategic investments within a comprehensive community development approach.

**Indianapolis**

The key elements of the Indianapolis system have also been evolving over more than 25 years. The system originated with a civic commitment made in the late 1980’s during the last term of Indianapolis mayor Richard Hudnut to create a broad-based partnership to address that city’s housing affordability problems. With strong support from the mayor, the Indianapolis Neighborhood Housing Partnership (INHP) was established and in its early years developed a three-part strategy that included: (1) providing attractive financing for housing and real estate projects in Indianapolis neighborhoods, (2) encouraging and supporting a system of CDCs across all the neighborhoods of the city’s urban core, and (3) launching a homeowner development program that would enable low- and moderate-income families to become homeowners.

Although additional elements have been added to the system in the years since then, all three elements of this initial strategy remain in place, largely because of the sustained support for them from the area’s largest funder, the Lilly Endowment. In addition, the board of INHP includes a balance of lenders, civic leaders and mayoral appointees, ensuring that decisions about the program strategy are tempered by the needs and expectations of a broad array of system stakeholders and supporters. INHP has continued to sustain the support of local government under several republican and democratic city administrations.

The Indianapolis system has also benefited from the efforts of a second intermediary, Indianapolis LISC, which initially anchored the city’s neighborhood commercial revitalization strategy but has subsequently assumed a broader role that began with that city’s innovative Great Indy Neighborhoods Initiative (GINI). Over the past several years in particular, LISC built a broader base of support locally to fund the development of comprehensive neighborhood plans in six neighborhood target areas. These plans have been responsible for fostering a renewed interest in community development in the city and by the end of 2008 had helped to leverage over $23 million in new public and private investment in the target neighborhoods. In the Near East Side, the presence of the plan is credited with attracting a commitment
to invest proceeds from the 2012 Indianapolis Super Bowl in a Legacy Project focused on implementing key plan elements. Now the city is preparing to roll out a broader version of its targeted investment strategy that will include closer alignment of community development investments with additional place-based human service investments in partnership with the local United Way.

**Chicago**

At the core of the Chicago community development system is the New Communities Program (NCP), a long-term initiative of the Chicago LISC to support comprehensive community development in 16 Chicago neighborhoods. This widely recognized 10-year effort seeks to “rejuvenate challenged communities, bolster those in danger of losing ground, and preserve the diversity of areas in the path of gentrification.” NCP covers a large portion of Chicago’s South, Southwest, West and Northwest sides. The initiative was formally introduced by LISC in 2005 with strong backing from the Mayor and generous funding from the MacArthur Foundation. Additional resources continue to be attracted to support the program’s implementation.

The program was an outgrowth of a pilot program launched in 1998 in three Chicago neighborhoods. A central feature of the program is the development of neighborhood quality-of-life plans. Three of the plans were developed during the 1998-2002 pilot and most of the others were completed during 2003 to 2005. The plans were prepared through a structured community planning process that involved local residents and leaders in the creation of strategies to improve the community’s quality of life. Another feature is the central role of a designated lead agency in each community that coordinates programs among other local organizations and citywide support groups. The agencies involved in NCP planned to spend at least 10 years implementing their plans.

The comprehensive approach helps broaden opportunities for local residents and equip them to take advantage of larger market forces to attract retail and housing development to areas that have experienced little new construction, achieve better economic balance in neighborhoods where working-class residents fear displacement by higher-income newcomers; and create stronger connections to metropolitan-wide business, employment and educational opportunities. A third core feature of the initiative is an emphasis on creating local and citywide partnerships to address issues including employment, parks and

**CDCs share staff and access to loan and grant funding**

*Through the New Communities Program (NCP) in Chicago, the 14 lead agencies (one of which serves three adjacent communities) are provided with staffing (a full-time NCP director and an organizer), access to a pool of loan and grant funds that are awarded competitively as seed money for short- and long-term initiatives to further plan goals. These agencies also are eligible to draw upon a variety of technical support resources and and peer-learning opportunities. Lead agencies are encouraged to forge partnerships with other nonprofit groups, businesses, government and residents to address issues such as affordable housing, prisoner re-entry, cultural programming, education reform, community marketing, and open space development.*
recreation, health care, housing affordability, commercial and retail development, child care, education quality, neighborhood aesthetics and personal security.

The initiative places a strong emphasis on documentation and knowledge sharing across the participating neighborhoods and their lead agencies and support organizations. By documenting the activities and sharing strategies and methods through a newsletter, meetings, training sessions, web site and other methods, NCP hopes to multiply the impact of each neighborhood's work while advancing knowledge of community development practice.

Although each of the four comparison cities has evolved its own distinctive approach to building and supporting a strong CDC sector, the systems that have taken shape are very much a response to locally-defined needs and priorities. Their system characteristics are very different from one another; however, each has fashioned a multi-dimensional set of CDC organizational and program supports designed to further well-defined community development goals. Table 5 shows how the Memphis system compares with these four other systems along each of the eight attributes of an effective support system.

### Table 5. Memphis' System Compared with Those of Other Cities

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<th>System Attributes</th>
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<th>Cleveland</th>
<th>Pittsburgh</th>
<th>Indianapolis</th>
<th>Chicago</th>
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</thead>
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<tr>
<td>Coherent neighborhood strategy</td>
<td>Fragmented with little geographic focus or</td>
<td>Yes</td>
<td>Emerging market-</td>
<td>Mixed strategy that is becoming</td>
<td>Yes</td>
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<tr>
<td></td>
<td>alignment of public and private sectors</td>
<td></td>
<td>focused strategy</td>
<td>more focused on strategic areas</td>
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<tr>
<td>Public sector capacity and resources</td>
<td>Limited local government staffing and</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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</tr>
<tr>
<td></td>
<td>expertise and modest resources for</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>neighborhood investment</td>
<td></td>
<td></td>
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<tr>
<td>Flexible philanthropic resources</td>
<td>Significant local funder resources and</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td></td>
<td>additional potential for support and</td>
<td></td>
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<td></td>
<td>leadership in building capacity for</td>
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<tr>
<td></td>
<td>CDCs and neighborhoods</td>
<td></td>
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<tr>
<td>System Attributes</td>
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</tr>
<tr>
<td><strong>Intermediaries and implementation partners</strong></td>
<td>Emerging local intermediary</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td><strong>Private investment capital and lending partners</strong></td>
<td>Underdeveloped lending sector</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td><strong>Neighborhood nonprofits who mobilize stakeholders</strong></td>
<td>Large number of CDCs, but many smaller-scale entities with limited staffing and resources</td>
<td>Large sector with several strong CDCs</td>
<td>Large sector with only a few strong CDCs</td>
<td>Sector includes CDCs with varied capacity</td>
<td>Large sector with several strong CDCs</td>
</tr>
<tr>
<td><strong>Public policy and advocacy</strong></td>
<td>Respected CD Council policy role but limited broader support</td>
<td>Moderate to strong</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Strong</td>
</tr>
<tr>
<td><strong>Reliable measurement data</strong></td>
<td>Underdeveloped local data capacity and expertise in community development</td>
<td>Strong data providers at local universities</td>
<td>Good access to data from multiple sources</td>
<td>Good access independent data center</td>
<td>Extensive access to data</td>
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SECTION FIVE: Broader Observations about the Current State of the Industry

This section of the report adds to the earlier findings and the benchmarking framework by offering a broader set of observations, drawn mostly from conversations with CDC representatives and other stakeholder interviews, about the current state of the community development system. These observations reinforce the argument that although Memphis already has some significant assets to build on in strengthening the capacity and productivity of its CDCs, it must also address gaps within the current system that constrain the industry’s development and hamper efforts to achieve greater impact.

By looking more closely at these gaps and determining how current resources might be better aligned and leveraged to greater effect, the key stakeholders investing in the current system should be able to assist a significant number of the CDCs now in place to build additional organizational capacity and scale up their efforts to achieve larger results.

The following observations are intended to help in focusing those efforts.
AN UNDERDEVELOPED SECTOR WITH STRENGTHS TO BUILD ON

There is an extensive and varied collection of community-based organizations in place with the potential to represent and serve certain critical needs in the majority of Memphis neighborhoods that have seen the most severe disinvestment.

- With a few notable exceptions, the Memphis community development sector is predominantly comprised of CDCs now operating at a quite modest scale, with limited financial resources, staff capacity and program breadth. Some organizations that have designated themselves as CDCs are effectively operating as neighborhood civic organizations and associations, responding as best they can to critical neighborhood needs, with minimal staff and budgets. Some are barely operational or have apparently closed their doors.

- Despite the severe constraints at work within the local environment, these organizations are serving an important role/represent a much-needed asset in the neighborhoods where they are working.

- Although their impacts are limited, most have demonstrated considerable resourcefulness in cobbling together resources and making connections to essential services that address blight and meet pressing needs of residents living in poverty.

Few of the organizations contributing to the study are able to operate with the level of impact or breadth of focus required to address the challenging conditions that prevail in their communities.

- Most focus on individual projects or on specific types of programs that respond to tangible needs – typically blight removal or various types of social service provision.

- Although the CDCs' accomplishments clearly have value, few projects and programs are operating at a scale sufficient to achieve meaningful impacts in the communities served.

- Some organizations have chosen to respond to resource constraints by specializing, choosing to focus their resources to achieve results in specific arenas of activity; however, a larger number have spread their efforts across a very broad spectrum of program areas.

- Few CDCs are now able to function at a level sufficient to deliver place-based programs and services comprehensively or at a scale sufficient to prevent further deterioration of neighborhood conditions or achieve market improvements, or meet the service needs of residents.

CRITICAL CHALLENGES TO OVERCOME

The sector as a whole remains under-funded and the resources that are provided are not being deployed in ways that would enable the industry to sustain itself or address strategic priorities.

- Local government investment in the community development sector has been modest compared with those made by other local governments.

- Available federal entitlement dollars have continued to decline and those dollars have been channeled mostly to a few larger-scale projects. Most larger project investments are being undertaken as one-off investments, in the absence of significant complementary investments that would increase their impacts on neighborhood conditions.
The Tennessee Housing Finance Agency has reportedly been a solid partner and potential investor, with the current tax credit program, the Housing Trust, and effective administration of NSP program. There is also reportedly a broader concern at the state level for doing more to address issues of poverty and disinvestment in Memphis; yet concrete plans to do so have not materialized.

Although the local philanthropic sector has consistently provided some level of financial support for community development, grants to this sector are fewer and smaller than in other sectors. In addition, there is not yet evidence of purposeful targeting of available dollars to specific geographies in ways that build on past investments or capitalize on emerging opportunities. Nor is there evidence of aggressive philanthropic leadership in encouraging larger and more coordinated investments to strengthen capacity among neighborhood nonprofits and address persistent neighborhood challenges.

As of yet, there is little evidence of effective alignment and concentration of philanthropic and governmental resources so that these different forms of grant support leverage one another and begin to attract additional lending activity and private investment capital into neighborhoods where opportunities may be greatest for stabilizing and strengthening local real estate and commercial markets.

No new locally-generated public funding has been introduced to make up for steadily declining federal support. As a result, there is an insufficient supply of subsidy dollars to invest in community development projects or the organizations that are critical to their planning and implementation. There is little focus on ensuring the stability of core operations of the most promising and effective organizations or strengthening staff and board capacity – all required to advance projects in a timely way, maintain existing levels of activity, and ensure continuity of programs and services.

In effect, there is still no shared sense of an “industry” that serves a key role in revitalization of the city. The sector is generally fragmented and lacks structure and is not regarded as playing an essential role within a larger economic investment agenda.

Past efforts to adopt a more strategic approach to prioritizing and aligning investments and expand the overall scale of community development investment have not yet produced the level of results expected, and this is contributing to some increased frustration and doubt about the prospects for stabilizing and growing the sector.

Worsening neighborhood conditions and the slow pace of efforts to strengthen the community development system may be contributing to a growing sense of frustration and also increasing competition among the key players, both among CDCs and between the CDCs, the Community Development Council and Community LIFT.

Limited movement progress in strengthening the sector may also be raising questions about the wisdom of creating Community LIFT as a local intermediary to address these issues. There are also still doubts about the capacity of Community LIFT to move forward in the direction that was originally outlined.
Although not all stakeholders share this view, there are a fair number who share a sense of lost momentum and frustration with the lack of political and wider civic leadership in addressing worsening poverty and blight across a large number of Memphis neighborhoods.

**BETTER CONNECTING COMMUNITY DEVELOPMENT WITH A BROADER REVITALIZATION STRATEGY**

There is no clear evidence of a broader civic understanding of the interconnections between worsening neighborhood blight and disinvestment abandonment and the overall health of the local economy.

- Neighborhood stabilization and reinvestment is not yet seen as sufficiently critical to the effectiveness of efforts to grow population, tax base, attract new employers, and revitalize the downtown and other key commercial corridors.

- There is a lack of local civic champions within the business community who have taken the lead in pressing for greater public-private investment in neighborhood improvement. (One possible exception to this is a reported increase in potential interest in neighborhood revitalization with the Greater Memphis Chamber of Commerce Chairman's Circle.)
SECTION SIX:
Recommendations for Strengthening the Sector

Following are seven recommendations that follow from the findings and observations presented earlier. Together they offer some starting points for Community LIFT and its partners and sponsors to consider in developing a strategic response to the results of this study.

Community LIFT and the funders that support it should plan to communicate the results of this study broadly so that the observations about accomplishments and potential are widely known not only within the CDC sector and funding community but also within local and state government and among other civic and business leaders.

The key factors that are limiting the overall growth of the sector need to be more broadly understood, particularly within the governmental sector and within the wider civic leadership. This will require an intentional communications strategy that is intended to reframe how the health of neighborhoods and the key roles of CDCs as neighborhood representatives and intermediaries are understood. The communications strategy that is needed should also aim to begin changing thinking about the types and levels of funding needed to grow the sector’s impacts and what this might mean for wider economic revitalization efforts benefiting the overall health of the city and region.
Community LIFT should determine with greater clarity the type of intermediary and thought leadership role it wishes to play within the Memphis context.

Community LIFT, in collaboration with its key partners, has the potential to play a broader and more central role in reshaping the community development system. However to do this, it will need to prepare itself to reach beyond its current role as primarily a re-granting and technical support agency for nonprofits working within the sector. It should consider the additional value it might bring by expanding its focus to encompass a more externally-focused strategy that engages other public and private leaders in confronting neighborhood challenges through a wider range of coordinated investments that improve housing markets and expand economic opportunities for all Memphis residents. This broader role would entail more than making the case for increased community development funding. A new vision seems needed that clarifies the connections between neighborhood revitalization and Memphis’ broader economic development goals. This new type of leadership role may require Community LIFT to change what it is doing programatically and it may require a review of its current board and staffing.

Key corporate leaders in Memphis should be enlisted early in the effort to build a broader civic consensus on a neighborhood revitalization strategy that includes the corporate sector as a critical partner with government and philanthropy.

The scale of the city’s neighborhood revitalization challenges and the interdependence of neighborhood health and the broader economic health of the city and region suggest a clear role for corporate leaders to play in shaping the strategy, advocating for it politically at the local and state levels, and participating with local government and philanthropy in assembling the scale of new capital investment required. Returning more Memphis neighborhoods to good health must come to be viewed as on par with other large-scale economic development challenges – such as educational quality, workforce development, transportation, infrastructure and the health of the downtown. Just as progress in these other areas depends on effective public-private investment approaches, so it will within the community development sector. An essential first step in building public-private agreement is to identify and engage a group of respected corporate leaders as active collaborators in determining how the new strategy should be shaped and communicated, to ensure there is sufficiently broad base of private sector support to help with its implementation.

Additional time and effort is required to establish a more complete and consistent system for tracking CDC activities and measuring the results of current program against a bolder set of neighborhood improvement targets.

Resetting the vision for community development in Memphis may depend as much on defining the future potential of the sector as it does on describing its current situation or past performance. Having a full picture of the ways in which additional results might be achieved by a cadre of better funded and more strategically focused network of CDCs working to restore good health to key neighborhoods across the city could greatly assist in broadening support for the sector; this could in turn extend the scale of impacts in the program areas in which CDCs are most active. Accomplishing this will require more clarity on how the current system can be transformed through a set of mutually-reinforcing investments in capacity and increased program scale. It will also require clarity on how the broader benefits of these investments are best conveyed to those less directly connected with the community development sector.
The overall health of the sector will require a different approach to resource development and deployment.

In general, supporters of CDCs and neighborhood improvement would benefit from a more comprehensive approach to building an effective support system for community development. Initially, this will likely mean defining the characteristics of such a system and the ways of putting it in place. Over the medium and longer term, there should be a shift away from promoting and channeling investments aimed at individual organizations and projects. Instead, the emphasis should be on investments whose value can be documented differently – such as improvements in indicators of individual and family well-being among residents of places that are targeted, and improvements in neighborhood-level indicators, such as population increase, and increased levels of new private investment in real estate by current and new residents.

The strategy that is developed for a fund needs to confront the challenges of alignment and scale referred to in many of the study observations; it ought to attract broad civic support and have the potential to achieve greater geographic focus and integration of investments across sectors.

The community development fund design and the fundraising strategy need to be determined in conjunction with a further exploration of funding potential for the sector as a whole. This will include a more extensive examination than was undertaken in this scan. For example, it could include: (1) more extensive benchmarking of Memphis with other places where larger-scale efforts are underway; (2) examination of connections between neighborhood market activities and potential for greater attraction of private capital; (3) approaches to building a tiered system of community development organizations, along the lines described earlier; and (4) the definition of financing strategies and tools that deploy additional private capital and that extend and complement the roles that grants and grantmaking organizations are able to play within the system.

The methods for developing this sector-level strategy will require more than simply the development of a more collaborative approach to philanthropic funding. The very critical roles of local funders need to be articulated in relation to well-defined roles for both the public sector and local lenders and investors with the ability to deploy additional private capital to extend and amplify the effects of grant investments.

A collective impact approach may be the most attractive way to build consensus on a few broad community development objectives that inform and drive a broad range of strategies that span the government, private and community sectors.

Experience in other places illustrates growing evidence that this general approach provides the greatest opportunity for actors from different sectors to determine for themselves how they wish to align their decisions and investments within an inclusive vision for how the community development sector can be strengthened. Such a vision could encompass different pathways for collaborating on initiatives and projects. Defining investment opportunities that fit together within a broader change strategy helps to frame specific ways of aligning resources and investments across sectors and allows multiple actors to define how they are best able to participate in the work of community development. An approach like this to build broader commitments to grow the sector should accompany any efforts to increase funding for CDCs and community development projects.