

**Joint Center for Housing Studies  
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**The Past, Present, and Future of  
Community Development in the United States**

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# THE PAST, PRESENT, AND FUTURE OF COMMUNITY DEVELOPMENT IN THE UNITED STATES

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**F**or more than a century, American reformers have struggled to remedy the problems of poverty in the places where low-income people live. At first, these social improvers could muster only a few isolated solutions, but by the end of the twentieth century, they had expanded their efforts to a large, dynamic, and sophisticated field of action. Today thousands of nonprofit community development organizations operate in the poorest urban and rural areas of the country. More impressively, they have helped stabilize community life and help individuals and families in some of the most forsaken neighborhoods in the country. The South Bronx, once

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the most infamous slum district in the United States, has become livable and vibrant.

To build a decentralized system of neighborhood improvement and individual betterment was not easy. The community development field had to emerge from the shadow of the top-down approach embodied in the urban renewal and public housing bureaucracies. The antipoverty crusaders realized that they had to combine a passion for social justice with viable management and business practices. They learned to keep practitioners accountable for their work and to measure their accomplishments.

And the movement's leaders had to grow and change, which they did by adopting new strategies aimed at building up the finances and assets of individuals, as opposed to simply looking at the problems of places.

To keep a decentralized system viable, of course, costs money. The current community development world could flourish only when new financial institutions along with philanthropic organizations, and especially government, offered sufficient financial support.

From the beginning, community development advocates have pursued the vision of a truly comprehensive strategy, one that would integrate approaches and overcome the barriers between types of services and the government and nongovernment entities that provide them. Now, in the twenty-first century, the vision of broadly collaborative approaches seems more feasible than at any time in the long and rich history of community development.

And yet to fulfill this vision the community development field must overcome the worst economic and financial circumstances its supporters have faced in the last 25 years.

## **COMMUNITY DEVELOPMENT: THE EARLY DAYS**

### **To Fight the Slums**

The concept of community development originated in the late nineteenth century when reformers discovered America's

“backward” areas. Socially committed women and men in Settlement Houses and charitable organizations confronted the ills of industrial capitalism: poorly paid immigrant and racial minority wage workers crowded into tenement apartments, cottages, and shacks in seedy neighborhoods near docks, trains, and factories. During the Progressive Era of the early twentieth century, urban reformers connected poverty, overcrowding, crime, youth delinquency, and sundry other social ills to the unsanitary and unsightly slums where the working poor and indigents lived.

The sweeping Progressive agenda of political, social, and physical reform anticipated later comprehensive antipoverty strategies. The women who led many of the reform movements liked to call the totality of their efforts “municipal housekeeping.” Others talked of dealing with “the social question,” and historians later labeled it progressivism. But under any name, their wide-ranging attack on the evils of modern urban society embraced a welter of labor, education, and welfare measures, including attempts to improve the lives of the lower classes through better housing. But if Progressive reformers left the useful legacy of trying to counter the many aspects of poverty, they also handed down the less useful principle that outside experts would save society by imposing reforms on the people they were trying to help.

### **New Deal Community Building: Comprehensive but Top-Down**

For the most part the Progressive reformers agitated in local and state government until the 1930s when the Great Depression and the election of Franklin D. Roosevelt gave outlets for their social programs in the federal government. True to its Progressive roots, Roosevelt’s New Deal encompassed a remarkably wide array of reforms, both visionary and practical. At times it seemed that he created a new agency to solve each individual social problem.

The idea of comprehensive physical and social planning ran through the diverse array of New Deal community development programs. At the large scale, the Roosevelt administration strove to develop rural regions, most notably through the Tennessee Valley Authority, which built electric power dams,

taught new agricultural methods, and planned new towns in the impoverished Tennessee River basin. At the local level in America's cities and rural counties, New Dealers rebuilt slums with public housing projects, which they designed as small planned communities.

Although New Deal programs were idealistic and well-intentioned, their top-down administrative structure was undemocratic. Like their Progressive forebears, the New Dealers believed that enlightened experts such as themselves should dictate the terms of the bright shining new world they would create. Although they would work with leaders of labor, religious, and racial organizations, the reformers in the 1930s for the most part failed to include ordinary people in their decision-making process.

The defect of this approach appeared early in the history of the public housing program in the form of the "neighborhood composition" rule. Responding to requests from field officers for a rule for selecting tenants for housing projects in racially mixed neighborhoods, Secretary of the Interior Harold Ickes set down the guideline that members of whichever race had predominated prior to demolition of the slums would be the *only* group to be admitted. This segregation policy would hamper the program for decades to come.

### **The Slum Returns as the Ghetto**

World War II brought great changes to America's cities. The construction of rapid transit systems and the Depression had in different ways helped decongest the densely packed immigrant city neighborhoods, but now the inner city filled up again. The boom in wartime industrial jobs started a migration of African Americans and people from other racial minorities in search of economic opportunity that lasted into the Cold War. But racism in white neighborhoods, real estate practices, and federal government policies combined with the newcomers' relatively low incomes to keep increasing numbers of blacks locked into racial ghettos. Soon crowded homes and decrepit buildings like those that had horrified reformers at the turn of the century were back.

Despite obvious racial issues—whites in Chicago, Detroit, and other large cities rioted and violently assaulted blacks who moved into their neighborhoods—and growing welfare needs, mid-twentieth century political leaders and reformers saw only physical problems. With little regard for the social dimension, they fixated on slum clearance as a remedy for the cities' social and economic problems.<sup>2</sup>

### **Doubling Down on Top-Down**

The Housing Act of 1949 inaugurated a new federal program, urban redevelopment, later known as urban renewal, in which a government agency staffed by experts took “blighted and slum areas” by eminent domain, demolished the buildings therein, and turned the properties over to private developers to rebuild. Realtors and urban planners had devised urban redevelopment as a way to staunch the departure of the upper middle class to the suburbs and stop physical and economic deterioration. Needless to say, this top-down program had no mechanism for consulting those whose businesses and homes were to be taken. Within a few years, civil rights advocates, angered at the demolition of massive numbers of African American homes, would deride the program as “Negro removal.” Yet the urban renewal projects that destroyed the predominantly white working-class West End in Boston to build luxury high-rise apartment buildings and razed the Mexican-American Chavez Ravine neighborhood in Los Angeles for a professional baseball stadium shamefully demonstrated that the program laid waste to low-income communities of other ethnic backgrounds as well.

The 1949 Housing Act also revived the public housing program, on hiatus during the war, with a fresh round of authorizations. The downtown powers of American cities—the mayors, businessmen, and civic leaders—thought public housing would

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2 Robert C. Weaver, *The Negro Ghetto* (New York: Harcourt, Brace, 1948); Charles Abrams, *Forbidden Neighbors: A Story of Prejudice in Housing* (New York: Harper and Brothers, 1955); Arnold Hirsch, *Making the Second Ghetto: Race and Housing in Chicago, 1940–1960* (Cambridge: Cambridge University Press, 1983); Thomas Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton: Princeton University Press, 1996).

kill two birds with one stone: clear the awful-looking slums and provide upwardly mobile African Americans with a new lot in life. They overlooked that public housing only provided for a fraction of the houses that were demolished, and they hardly ever thought about helping the displaced find new homes. Worse, during the 1950s, big-city officials built modernist public housing towers in racial ghettos to keep African Americans from moving to white neighborhoods, perpetuating the program's tradition of racial segregation. The U.S. Interstate highway program, enacted in 1956, probably demolished more low-income neighborhoods, if it were possible, than either urban renewal or public housing.<sup>3</sup> If the purpose of these postwar programs was to contain the poor and stop the spread of blight, they failed completely, largely because the destruction simply forced those low-income families who lost their homes to move to new areas.

## THE REDISCOVERY OF POVERTY

### The Other America

Starting about the mid-1950s, observers of American cities began to sound increasingly anxious. At first, many believed that urban problems stemmed primarily from the breakdown of physical planning and government services. In 1957, *Fortune* magazine produced a special issue, later a book, of essays that detailed the effects of the car, city government, the slums, sprawl, and, in Jane Jacobs' provocative debut of her urban theories, the failure to revive downtown. As more neighborhoods turned into low-income minority communities, social problems, particularly the old issue of "juvenile delinquency," entered the discussion about cities. From films like *The Blackboard Jungle* to *West Side Story*, America's popular culture gave iconic form to the urban street gangs and by extension the neighborhoods in which they lived.

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<sup>3</sup> Alexander von Hoffman, "A Study in Contradictions: The Origins and Legacy of the Housing Act of 1949," *Housing Policy Debate*, 10 (3) (Summer 2000): 299–326; Hirsch, *Making the Second Ghetto*; Raymond A. Mohl, "Race and Space in the Modern City: Interstate-95 and the Black Community in Miami." In *Urban Policy in Twentieth-Century America*, edited by Arnold R. Hirsch and Raymond A. Mohl (New Brunswick, NJ: Rutgers University Press, 1993), pp. 100–158; "The Interstates and the Cities: Highways, Housing and the Freeway Revolt." Research Report (Washington, DC: Poverty and Race Research Action Council, 2002), pp. 30–38.

Nonetheless, the increasing affluence of Americans made it shocking to discover that grinding poverty persisted. In 1962, Michael Harrington published a searing portrait of deprived and invisible poor people in *The Other America*, a book that caught the attention of many of the nation's leaders, including President John F. Kennedy. The dawning realization of poverty in the midst of plenty gave rise to a new generation of wide-ranging efforts to fight urban and rural social problems.

As in the past and many times since, reformers realized that solving the problems of the poor depended on coordinating a variety of efforts for economic development and human development. In 1958, two members of the faculty of the Columbia School of Social Work, Richard Cloward and Lloyd Ohlin, started Mobilization for Youth to combat juvenile delinquency on Manhattan's Lower East Side. Cloward and Ohlin blamed slum conditions and racial discrimination for juvenile delinquency and in response set up Mobilization for Youth as a broad attack—including job training, mental health counseling, and educational programs—on neighborhood social conditions. Although Mobilization for Youth succeeded in galvanizing low-income residents to act on their own behalf, school officials, welfare workers, and other professionals became defensive. Many of the efforts broke down in mutual hostility.

In 1961, Paul Ylvisaker, an officer of the Ford Foundation concerned with urban and racial issues, started the Gray Areas programs in Boston, Oakland, New Haven, Philadelphia, and Washington, DC. With grants from the Ford Foundation to local school departments, governments, and nonprofit agencies, he hoped to reform the delivery of social services to respond in innovative ways to the needs of the residents of low-income racial minority neighborhoods. The engine of this experiment in comprehensive community development was to be a nonprofit agency. Although these trials gave form to approaches that would soon resurface in federal policy, the failure of Ylvisaker and his foundation colleagues to think through ways to coordinate disparate agencies or to allow low-income African Americans to



participate meaningfully in planning the improvement of their neighborhoods undermined the Gray Areas projects.<sup>4</sup>

### **LBJ Declares a Comprehensive War on Poverty**

The Kennedy administration responded to the growing sense of urgency about American poverty. Attorney General Robert Kennedy nurtured youth programs through the President's Committee on Juvenile Delinquency, most famously Harlem Youth Opportunities Unlimited (HARYOU) in New York City, formed in 1962. Just days before he was assassinated, President Kennedy approved plans to launch a trial program as an attack on poverty in America. Soon after succeeding to the presidency, Lyndon B. Johnson raised the stakes by declaring not an attack but a full-fledged War on Poverty. In August 1964, Congress passed the Economic Opportunity Act, and Johnson named Sargent Shriver to head the ambitious new agency that would carry it out.

As implemented by Shriver, the War on Poverty reflected the anti-poverty experiments but with an even wider scope. In the Office of Economic Opportunity (OEO) and subsequent programs such as Model Cities, the Johnson administration strove for systematic approaches to help Americans lift themselves out of poverty. Through "comprehensive community action programs," Johnson declared in signing the Economic Opportunity Act, "We will strike at poverty's roots." He reeled off numerous approaches, including remedial education, job training, health and employment counseling, and neighborhood improvement. In the following years, the administration would add more education and human development elements: preschool learning through Head Start, itself a comprehensive approach that was to provide "health, educational, nutritional, social, and other services" to

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<sup>4</sup> Robert Halpern, *Rebuilding the Inner City: A History of Neighborhood Initiatives to Address Poverty in the United States* (New York: Columbia University Press, 1995), pp. 89–101; G. William Domhoff, "The Ford Foundation in the Inner City: Forging an Alliance with Neighborhood Activists" (Santa Cruz, CA: University of Southern California, WhoRulesAmerica.net, 2005), available at [http://www2.ucsc.edu/whorulesamerica/local/ford\\_foundation.html](http://www2.ucsc.edu/whorulesamerica/local/ford_foundation.html).

low-income children and their families; food stamps; Upward Bound for college preparation; and the child nutrition program.

The idea of comprehensiveness permeated the antipoverty measures of the 1960s. To coordinate the federal government's multipronged attack on poverty, the Economic Opportunity Act set up an Economic Opportunity Council made up of the president's cabinet secretaries and named the OEO director as its chairman. The fundamental concept of the 1966 Model Cities program was that focusing diverse programs and approaches in a concentrated area would transform a slum neighborhood and its low-income inhabitants. The OEO, and even more explicitly Model Cities, relied on an integrated approach to uplift that would break down the barriers between different types of social services. In practice, however, effectively coordinating separate and often jealous government agencies often proved infeasible.

### **The Rise of People Power**

While elite policymakers mulled over what was the best way to solve poverty, on the streets of America's cities the people had begun to act for themselves. The civil rights movement took center stage in the nation's domestic affairs, blowing from south to north and country to city and raising expectations of African Americans for a better day. After dramatic confrontations such as the marches in Selma, AL, and the triumphant achievements of the Voting Rights Act and the 1965 Civil Rights Act, civil rights leaders such as Martin Luther King Jr. pivoted to northern cities. In cities from Boston to Seattle, civil rights activists crusaded against racial discrimination in education, employment, and housing. The increasing appeal of black nationalism, which ranged from black pride to "black power," and the emergence of militant nationalists, such as H. Rap Brown, challenged leaders like King who preached nonviolence and racial integration.

Meanwhile, in Chicago, a close-to-the-ground approach to urban problems known as community organizing had taken root. In the late 1930s, Saul Alinsky, a former criminologist, applied union organizers' methods to help residents of the city's Back of

the Yards, an impoverished polyglot immigrant neighborhood, gain political power to force local government and institutions to respond to their needs. Alinsky then set up the Industrial Areas Foundation to organize the powerless of all stripes—Mexican-Americans, Puerto Ricans, and African Americans—in their home communities. During the 1960s, Alinsky’s brand of community organizing gained national attention, as Charles Silberman publicized Alinsky’s work in the best-selling book, *Crisis in Black and White*, and members of the New Left turned to the organizer to learn political tactics. Many years later Alinsky’s ideas would influence a young organizer in Chicago named Barack Obama.

### Taking It to the Streets

The spirit of resistance that flourished in the 1960s also inspired citizens to take to the streets to stop large-scale urban renewal and highway projects. Across the nation, they rallied to stop the government from tearing down their homes for a small number of public or luxury housing and from slicing 10-lane expressways through their neighborhoods to benefit suburbanites. Although not always successful, especially at first, the protests gained champions who articulated the intellectual case for their cause. In her landmark book *The Death and Life of Great American Cities* (1961), Jane Jacobs, an editor at *Architectural Forum*, laid out a devastating critique of city planning that destroyed old buildings and neighborhoods and built instead monolithic public housing projects and soulless civic centers. In *The Urban Villagers* (1962), liberal sociologist Herbert Gans portrayed the residents of Boston’s West End not as alienated slum dwellers but as members of a vital community. Martin Anderson, a scholar of finance and management, blasted urban renewal from a conservative perspective in *The Federal Bulldozer* (1964).

If the antipoverty experiments encouraged a comprehensive approach, the grassroots campaigns fed the idea that any plan to combat urban ills should involve, or better yet be written by, the people who were the objects of the initiative. Thus, a signature piece of the War on Poverty was the community action program, whose local agencies would carry out the panoply of

antipoverty programs and legal services for the poor. The rule for the community action program was “maximum feasible participation” of the poor in the design and implementation of the programs that would affect them. Some community action agencies took this goal literally, threatening the local political status quo. In response, vexed southern and big-city politicians let Johnson and Shriver feel their ire in no uncertain terms. The Johnson administration in turn gave mayors more say-so in OEO and Model Cities, but never entirely rejected the principle of participation. Hence, in contrast to public housing, urban renewal, and highway construction, the antipoverty and community development projects of the 1960s enshrined, at least to some degree, a bottom-up approach.

Perhaps because they were situated close to the people they were trying to help, community action agencies, Model Cities organizations, and community development corporations survived the political opposition and in the following decades slowly began to multiply across the United States.

## **TOWARD BUSINESS REMEDIES**

### **Urban Crisis**

Despite the civil rights movement victories, Johnson’s massive government antipoverty project, and the other community efforts, from 1964 to 1968 violence rocked big-city ghettos. Each summer an incident, usually involving the police, sparked riots in which angry blacks fought police, started fires, and looted stores. In 1964, sporadic violence broke out in several cities, most notably in New York. The following summer the Watts section of Los Angeles erupted for an entire week, with rioters crying out, “Burn, baby, burn!” When it was over, 34 were dead, hundreds injured, and almost 4,000 people arrested. In 1966, violence struck the West Side of Chicago and the Hough section of Cleveland, and the next year numerous cities exploded. The worst was Detroit, in which four days of upheavals left 43 dead and more than 7,200 arrested. After the assassination of Martin Luther King Jr. in April 1968, rioting hit numerous cities, to deadly effect in Chicago, Baltimore, and Washington, DC.

As the upheavals sent shockwaves through the country, the nation's increasingly anxious leaders cast about for explanations and solutions. While the fires were still smoldering in Detroit, President Johnson named the National Advisory Commission on Civil Disorders—known as the Kerner Commission after its chairman, Illinois governor Otto Kerner—to determine what was causing the violence and how it could be stopped. Some observers called for a crackdown on lawlessness, but many believed that deep-rooted problems were to blame for the violence. Reformers had long condemned the slums as a source of disorder, so it was unsurprising that numerous leaders, including the members of the Kerner Commission, concluded that conditions in the ghettos had helped spur a violent revolt.<sup>5</sup>

### **Bringing Big Business to Save the Ghetto**

Hence, in the late 1960s, Americans redoubled their efforts to cure the slums and ghettos of their cities. Somewhat surprisingly given the leftward political tilt of the 1960s, lawmakers and government leaders seized on the idea that the private sector should play a central role in solving what many called the “urban crisis.” New York Senator Robert F. Kennedy became a leading proponent of the idea of tapping the power and wealth of corporate America for social betterment. Deeply unhappy with Johnson's efforts to rescue America's ghettos—there was no love lost between LBJ and the martyred president's younger brother—Bobby Kennedy sought an alternative to the big government programs of the Great Society.

Kennedy turned to big business. In 1966, he and his aides conceived the idea of a “community development corporation,” a prototype of which they worked to set up in Brooklyn's Bedford-Stuyvesant neighborhood. As Daniel Patrick Moynihan put it, the Bedford-Stuyvesant project would “get the market to do what the

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5 The Kerner Commission singled out three major underlying causes of the riots: discrimination and segregation (in employment, education, but also housing); black migration and white departure from central cities (causing “concentration of impoverished Negroes”); and black ghettos. Report of the National Advisory Commission on Civil Disorders (New York: Bantam, 1968), pp. 203–204.

bureaucracy cannot.”<sup>6</sup> With the support of New York Republican leaders Senator Jacob Javits and Mayor John Lindsay, Kennedy persuaded Congress and the administration in November 1966 to amend the Economic Opportunity Act by adding the “Special Impact Program” to fund community development ventures in urban poverty areas, beginning with Kennedy’s Bedford-Stuyvesant Restoration Corporation.<sup>7</sup> In December Kennedy announced that two new nonprofit organizations—one made up of local leaders and another of top business executives—would lead the effort to revive Bedford-Stuyvesant. Kennedy had convinced several corporate heavyweights—including Thomas Watson, chairman of IBM, and George S. Moore, chairman of First National City Bank (later renamed Citibank)—to serve on the businessmen’s advisory committee.

Not long after, the project directors dropped the awkward idea of a white corporate over-board. A locally based organization under Franklin Thomas, a rising African American star in New York City political circles, took over the direction of the effort, and the Manhattan executives were relegated to fundraising. The group would face other hurdles in the years to come, but something called a community development corporation (CDC) had been established in the federal law and on the mean streets of an American city.<sup>8</sup>

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- 6 William P. Ryan, “Bedford-Stuyvesant and the Prototype Community Development Corporation.” In *Inventing Community Renewal: The Trials and Errors that Shaped the Modern Community Development Corporation*, edited by Mitchell Sviridoff (New York: Community Development Research Center, New School University, 2004), pp. 67–96; Jeff Shesol, *Mutual Contempt: Lyndon Johnson, Robert Kennedy, and the Feud that Defined a Decade* (New York: W.W. Norton, 1997), p. 249 (Moynihan quotation).
- 7 Alice O’Connor, “Swimming Against the Tide: A Brief History of Federal Policy in Poor Communities.” In *Urban Problems and Community Development*, edited by Ronald Ferguson and William Dickens (Washington, DC: Brookings Institution Press, 1999), pp. 105–108.
- 8 Kimberley Johnson, “Community Development Corporations, Participation, and Accountability: The Harlem Urban Development Corporation and the Bedford-Stuyvesant Restoration Corporation,” *Annals of the American Academy of Political and Social Science* 594 (1) (July 2004): 117–120.

## **Private Sector Enlists**

In the 1960s the social mission of business took many forms. Corporations such as General Electric and IBM operated urban centers for the federal government's Job Corps program, a key part of the War on Poverty. Employees of private firms helped to run hundreds of government, nonprofit organizations, and corporate charitable programs. Some aimed to employ the "disadvantaged," whereas others provided housing, education, safety measures, and social services. In September 1967, 348 life insurance companies pledged to commit a billion dollars to mortgage financing of low-income housing and other investments to help the impoverished sections of America's cities.

To take advantage of the blossoming sense of social responsibility among business people, the Johnson administration set up the Job Opportunities in Business Sector (JOBS) program, in which the federal government would train the "hard-core unemployed" and a volunteer organization, National Alliance of Businessmen, would find the trainees gainful employment. In 1968, after consulting with a presidential commission led by industrialist Edgar Kaiser, Congress passed a sweeping new housing bill that created two powerful new low-income programs, one for rental apartments and the other for single-family home purchases. Both were to be carried out not by public housing authorities but rather by private sector builders and real estate agents.

## **Black Business and the Rise of Local Economic Development**

The private business approach also took hold locally in African American communities. The Reverend Leon H. Sullivan pioneered black economic development in Philadelphia. In 1964 he founded the Opportunities Industrialization Center, an employment training program. He then persuaded the members of his congregation to tithe themselves in what he called the 10-36 plan (they were to contribute \$10 for 36 months) to establish the Zion Non-Profit Charitable Trust (ZNPCT). With this endowment the ZNPCT started a number of programs, including a for-profit subsidiary, Progress Investment Associates, which built moderate-income housing.

As businesses and government departments applied business techniques to solve America's pressing social problems, philanthropic institutions took up the idea of making interest-bearing investments in socially motivated enterprises. In 1967 John Simon of the Taconic Foundation organized the Cooperative Assistance Fund, a nonstock corporation made up of nine philanthropic foundations capitalized with \$3.8 million, to invest in minority business enterprises. Simon had worked out the legal grounds for philanthropic investments based on social goals rather than maximum profit. He was joined by Louis Winnick, who was interested in making loans on projects, such as buildings, that would create an asset for low-income people. As a program officer at the Ford Foundation, Winnick helped persuade his board to become one of the members of the Cooperative Assistance Fund and then in 1968 to launch a "program-related investments" program that would channel Ford's capital funds as loans into projects with social purposes.<sup>9</sup>

As both the community development and civil rights movement progressed, policy intellectuals began an argument that continues today. Some believed that the poor and racial minorities should move to upper-middle-class neighborhoods where they could benefit from nearby jobs and better schools. Others questioned the practicality and political wisdom of moving the populations to integrate entire metropolitan areas and suggested the energy would be better spent improving the places where the poor currently lived. In fact, racial integration of housing and community development are not mutually exclusive goals, and reformers have pursued both successfully.<sup>10</sup>

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9 Ford Foundation, "Program-Related Investments: A Different Approach to Philanthropy" (New York: Ford Foundation, 1974), pp. 5–6, 16; "Investing for Social Gain: Reflections on Two Decades of Program-Related Investments" (New York: Ford Foundation, 1991), pp. 5–7.

10 Frances Fox Piven and Richard A. Cloward, "The Case Against Urban Desegregation," *Social Work* 12 (1) (January 1967): 12–21; "Desegregated Housing—Who Pays for the Reformers' Ideal?" *New Republic*, December 17, 1966; John F. Kain and Joseph J. Persky, "Alternatives to the Gilded Ghetto," *The Public Interest* 14 (Winter 1969): 74–83; John F. Kain, "The Spatial Mismatch Hypothesis: Three Decades Later," *Housing Policy Debate* 3 (2) (1992): 371–460.



## THE EMERGENCE OF A NATIONAL COMMUNITY DEVELOPMENT SYSTEM

### The Inner City Spirals Downward

The ghetto riots of the 1960s, it turned out, were only a harbinger of bad times to come in the inner city. Apparently many inner-city residents agreed with the outside society that their neighborhoods were wanting and began to depart. From the late 1960s, the number of crimes rose, while street gangs and drug traffickers took over large areas of turf. A national building boom, chiefly in the suburbs, sank inner-city real estate values into the negative numbers, with the result that landlords abandoned and sometimes burned their properties. Local stores shut down and local government services dried up. As the stream of people departing inner-city neighborhoods turned into a flood, the local populations shriveled, such that by 1990 some were as little as one-third their size of only 10 or 20 years earlier. The exodus, sociologist William Julius Wilson has pointed out, deprived the neighborhoods of stable African American middle- and working-class families who could serve as models of how to get ahead in society. Left behind were the poor and elderly.<sup>11</sup> Yet even as the inner city spiraled downwards, the embryonic community development movement began to grow into a national force.

### From Small Acorns Grow Large Oaks

Out of many small local efforts—and the increasing support for them of government and philanthropies—grew a complex national community development system. A key to the system was the creation of national institutions, called financial intermediaries, that provided loans and grants to local organizations. Although the people who worked at the local nonprofit groups and the well-endowed national intermediaries had different perspectives and roles, they shared a commitment to the idea that the combination of social mission and business practices would

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<sup>11</sup> William Julius Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago Press, 1987).

produce practical and effective ways to boost downtrodden communities and the people who lived in them.

In 1968, Dorothy Mae Richardson and her friends in a block club in Pittsburgh's Central Northside neighborhood were fighting slum rats and landlords. The club's efforts to get housing loans for their low-income neighbors attracted the attention of local bankers and foundation officers. After thinking it through together, the block club, a local bank, and the foundation set up a novel program to give home improvement loans and advice to residents whose incomes made them look too risky for fearful conventional bankers. They called the new lending agency Neighborhood Housing Services (NHS).

In 1970, Federal Home Loan Bank (FHLB) board members, who were visiting Pittsburgh to conduct special training for savings and loan officers, discovered and were impressed by the NHS experiment. Three years later, FHLB joined the Department of Housing and Urban Development (HUD) under Richard Nixon to create a task force that would expand the NHS concept across the country. The taskforce helped organize the Neighborhood Housing Services of America to operate a secondary market for the NHS high-risk loan funds and to provide technical assistance to the individual Neighborhood Housing Services. In 1978, with 60 Neighborhood Housing Services now operating around the country, Congress turned the task force into an independent entity, Neighborhood Reinvestment Corporation, now called NeighborWorks America, to support and strengthen the NHS system. After an initial period of struggle, NeighborWorks America began to grow by strengthening its affiliates—beginning with a rural NHS group in West Rutland, VT—and attracting investments from national financial partners. The program also launched successful home ownership campaigns. The little experiment in Pittsburgh would produce a national housing network.

During the late 1960s and 1970s, various nonprofit organizations began to appear in many inner-city and rural areas where poor people lived. In Los Angeles, with the help of the community

action program, Mexican-American activists organized the East Los Angeles Community Union (TELACU), and African Americans, led by local United Auto Workers official Ted Watkins, set up Watts Labor Community Action Committee for that distressed district. In many riot-torn areas, residents set up community action agencies or development corporations such as the Hough Area Development Corporation in Cleveland. In 1968 in the Hunts Point section of the Bronx in New York City, a Roman Catholic priest, Father Louis Gigante, founded the South East Bronx Community Organization Development Corporation (SEBCO) as a Model Cities agency to serve impoverished Puerto Ricans. In the countryside, activists set out to improve the depressed conditions with organizations such as the Kentucky Highlands Investment Corporation.

### **Watering the Grass Roots**

At the Ford Foundation, Mitchell Sviridoff had replaced Ylvisaker as head of urban operations and shifted the philanthropy's emphasis from strictly social services to economic development and housing. Sviridoff, the former director of the Gray Areas organization in New Haven, thought the nonprofit development organizations held great potential for social uplift. On the train returning from a trip to Baltimore to visit local CDCs in 1979, a Ford Foundation trustee challenged Sviridoff by asking him what he would do if he had \$25 million to help the fledgling groups. It would take Sviridoff a year to answer that question. But with the help and support of Franklin Thomas, the former head of the Bedford-Stuyvesant Restoration Corporation who had recently become president of the Ford Foundation, Sviridoff worked out the idea for a large independent organization to assist CDCs. Using a grant of \$9.3 million from the Ford Foundation and six major corporations, Sviridoff in 1980 established the Local Initiatives Support Corporation (LISC) to give loans, grants, and technical assistance to CDCs. Four years later LISC had obtained more than \$70 million from 250 corporations

and foundations and three federal agencies and set up 31 branch offices, which raised funds from local sources.<sup>12</sup>

Idealistic real estate developer James Rouse set up the third national financial intermediary. As in the other cases, his idea germinated from a small beginning. Terry Flood and Barbara Moore, two women who were part of a social mission group of the ecumenical Church of the Saviour in Washington, DC, wanted to save two decrepit apartment buildings in the Adams Morgan neighborhood. They turned to their fellow church member Rouse for help. Although he counseled against the idea, he supported the church members when they formed a nonprofit community development organization, Jubilee Housing, to renovate rundown properties for poor people in Adams Morgan. Impressed, Rouse and his wife Patricia decided to create a national institution, and in 1982 founded the Enterprise Foundation to assist entities of all types interested in developing low-income housing. Like LISC, the Enterprise Foundation (now called Enterprise Community Partners) grew quickly. In 1982 it supported six groups in six locations; six years later, Enterprise had made \$5.8 million in loans and grants and had expanded its network to 54 organizations in 27 locations. In the years that followed, both LISC and Enterprise would continue to expand their operations and finances by leaps and bounds.<sup>13</sup>

### **The Emergence of Social Loan Funds**

As the financial intermediaries and philanthropies demonstrated new ways to support nonprofits, activists in different parts of the country began creating social banks that would make loans to nonprofits for projects that regular banks shunned. One of the first of these social lenders was ShoreBank, which began in 1973 when four idealistic friends purchased a bank in the South Shore

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12 Avis C. Vidal, Arnold M. Howitt, and Kathleen P. Foster, “Stimulating Community Development: An Assessment of the Local Initiatives Support Corporation.” Research Report R86-2 (Cambridge, MA: John F. Kennedy School of Government, Harvard University, June 1986), pp. 3–6.

13 Y. Thomas Liou and Robert C. Stroh, “Community Development Intermediary Systems in the United States: Origins, Evolution, and Functions,” *Housing Policy Debate* 9 (3): 585–586; Enterprise Foundation, *Many Roads Home. Annual Report* (Washington: Enterprise Foundation, 1993), pp. 3, 41.

neighborhood of Chicago to counteract the departure of other banks from an area undergoing a racial and economic transition. After a few years of losing money on its loans to struggling local stores, the bank's owners found customers who both brought in profits and fulfilled a social purpose. By making loans to mom-and-pop landlords who wanted to rehabilitate their apartment buildings, ShoreBank helped stabilize working-class neighborhoods. Soon others founded new banks devoted to working in lower-income neighborhoods. From the broader credit union movement, for example, came community development credit unions, such as that started by the Center for Community Self-Help to help low-income African Americans, women, and rural residents in North Carolina.<sup>14</sup>

Meanwhile, religious groups had begun to build a movement to provide capital to social mission projects. Inspired by the Second Vatican Ecumenical Council (declared by Pope John XXIII in 1962), the civil rights, antiwar, and women's liberation movements, Catholic women's religious orders led the way to faith-based community investing as it is known today. In 1978, the Adrian Dominican Sisters, who had joined other denominations in the Interfaith Center on Corporate Responsibility, established its own Community Investment Program, as a way to provide for the growing number of their order's retired nuns and at the same time work toward social justice. At first, the Adrian Sisters had difficulty finding financially viable nonprofits, but eventually they discovered nonprofit food banks, housing organizations, and community land trusts to invest in.<sup>15</sup>

In the early 1980s, social investment in the United States gathered momentum. Along with their grants and technical assistance, the large financial intermediaries, LISC and the Enterprise

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14 Ronald Grzywinski, "The New Old-Fashioned Banking," *Harvard Business Review* 69 (3) (May-June 1991): 87-98; Richard P. Taub, *Community Capitalism* (Boston: Harvard Business School Press, 1992); ShoreBank, 1996 Annual Report (Chicago: Shorebank, 1996), available at <http://self-help.org/about-us>.

15 Portfolio Advisory Board, "History of the Adrian Dominican Sisters' Socially Responsible Investments" (Adrian, MI: Adrian Dominican Sister, n.d.), available at <http://pab.adriandominicans.org/AboutUs/History.aspx>.

Foundation, began making social purpose loans. In 1982 the Enterprise Foundation, for example, formalized its lending by starting the Enterprise Community Loan Fund. In 1983, local activists organized the New Hampshire Loan Fund with the support of the Adrian Sisters and other religious investors. On the West Coast, San Francisco reformers grew frustrated with the biases of mortgage lenders and in 1984 founded the Low Income Housing Investment Fund to set a good example. Over the next 15 years it grew exponentially and, renamed the Low Income Investment Fund (LIIF), made loans for building child care and education facilities as well. On the opposite coast, socially conscious financiers in 1985 pooled resources to found Boston Community Capital, which invested in housing, child care, youth programs, and commercial real estate in poor neighborhoods.<sup>16</sup>

In 1994 Congress responded to the increase in community development lending by establishing the Community Development Financial Institutions Fund in the Treasury Department. Since that time, the Fund has made equity-like investments in hundreds of community development financial institutions (CDFIs). This has allowed the CDFIs, which include banks, credit unions, and a wide variety of loan funds directed at social progress, to vastly increase their lending to organizations working to help low-income communities.<sup>17</sup>

### **Government Tools for Community Development**

Although philanthropic and nonprofit support helped the movement to grow, government funding, especially federal funding, was essential if community development was to thrive on any significant scale. Under both Republican and Democratic presidents, the federal government gradually became an indispensable source of funds for the community development system.

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<sup>16</sup> Thomas Miller, *Bridges to Dreams: The Story of the Low Income Investment Fund, Celebrating 25 Years of Impact: 1984-2009* (San Francisco: Low Income Investment Fund, 2009), available at [http://liifund.org/wp-content/uploads/2011/03/Bridges-to-Dreams-The-Story-of-LIIF-2009\\_LRes.pdf](http://liifund.org/wp-content/uploads/2011/03/Bridges-to-Dreams-The-Story-of-LIIF-2009_LRes.pdf).

<sup>17</sup> Mark Pinsky, "Taking Stock: CDFIs Look Ahead after 25 Years of Community Development Finance." (Washington, DC: Brookings Institution and Joint Center for Housing Studies, 2001).

Congress took a major step when, after years of haggling with the Nixon administration over its proposed bill, it passed the landmark Housing and Community Development Act of 1974. The law replaced the unpopular urban renewal program and the idealistic but poorly conceived Model Cities and other categorical programs with community development block grants (CDBGs) to local governments. Although the act allowed governments to use block grants for a range of activities, it required that at least some of the funds help low-income families. Three years later, the Carter administration reinforced this goal through the Urban Development Action Grant program to target additional funds to inner-city areas in extreme economic distress. With these prods, many local government agencies began to contract redevelopment work to neighborhood nonprofit organizations, including community action agencies and CDCs.

Besides the numerous antipoverty aids such as child care, meals for the elderly, and loans to small and minority businesses, government programs specifically targeted low-income housing. The 1974 act created the federal Section 8 housing program, which subsidized rents for tenants in newly constructed, rehabilitated, and existing apartment buildings. In combination with federal tax benefits for real estate investors, the Section 8 subsidies provided a set of financial incentives that produced a surge of privately owned, low-income housing developments.

Although in 1986 Congress eliminated key tax incentives for real estate development, it replaced them with the Low Income Housing Tax Credit, which proved to be one of the most powerful housing programs ever devised. Unlike the earlier system, which relied on small-scale investors, the Low Income Housing Tax Credit opened the door to large banks and corporations to pour hundreds of millions of dollars into housing projects. To date, the program has helped finance more than 2.5 million homes. And in 1990 the government specifically

recognized the work of nonprofits by setting aside funds for them in the HOME program.<sup>18</sup>

State governments too supported the community development system. By 1980, 42 states had established housing finance agencies, which issued state bonds to finance the construction of low-income housing. In the face of Ronald Reagan's cuts in housing spending, the remaining eight states soon followed. Some states went further. Massachusetts led the way by creating one corporation to finance community and economic development projects; another entity to give technical assistance and consulting services to nonprofit organizations carrying out housing, job training, local economic development, and improvements to child care facilities; and another program to provide crucial operating support to CDCs.<sup>19</sup>

Local activists gained another tool when federal regulators began to implement the Community Reinvestment Act (CRA), which was aimed at overcoming banks' refusal to lend in inner-city neighborhoods. The act had been passed in 1977, but only became effective in the mid-1990s. There were two main reasons. The first was that regulators, under pressure from political agitation and legislation that changed their reporting requirements, began to reveal publicly banks' lending behavior. The second reason was that after a steep increase in the number of banks seeking to merge with other banks, the regulators indicated that they would not grant approval for the mergers unless the requesting bank fulfilled its local lending obligations under CRA. To comply with the regulations, many banks seeking approval for mergers began providing capital to CDFIs and making loans to developers of the Low Income Housing Tax Credit deals.

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18 David J. Erickson, *The Housing Policy Revolution: Networks and Neighborhoods* (Washington, DC: Urban Institute Press, 2009); David Erickson and Nancy Andrews, "Partnerships among Community Development, Public Health, and Health Care Could Improve the Well-Being of Low-Income People," *Health Affairs* 30 (11) (2011): 2058.

19 Margaret M. Brassil, *The Creation of a Federal Partnership: The Role of the States in Affordable Housing* (Albany: State University of New York Press, 2010), pp. 48, 51–54; Alexander von Hoffman, *House by House, Block by Block: The Rebirth of America's Urban Neighborhoods* (New York: Oxford University Press, 2003), p. 86.



In this way, CRA encouraged investment in inner-city and rural neighborhoods. From 1977 to 1991, according to the National Community Reinvestment Coalition, financial lenders and community organizations negotiated \$8.8 billion in CRA credit agreements. Spurred undoubtedly by a strong economy and a variety of new banking and securitization practices, from 1992 through 2007 lenders committed an astonishing \$4.5 trillion in CRA loans.<sup>20</sup>

### **Community Development, the Leading Edge of Revival**

By the 1980s, forces that would encourage the revitalization of the inner city began to gather momentum. During the 1980s, immigrants, attracted by economic opportunity greater than that in their homelands, began to arrive in increasing numbers. Often low-wage workers, they sought and found inexpensive shelter in low-income neighborhoods of large “gateway” cities, such as New York, Washington, Chicago, Los Angeles, and Miami. At the same time, a small but noticeable number of artists and white-collar professionals began to take up residence in central cities. For them the city held attractions: historic homes, which some of the arrivals took great care to renovate, lively cultural life, and proximity to downtown jobs.

But during the 1980s and 1990s, the community development movement provided the most visible signs of new life in the inner city. Across the United States, but especially along the East and West Coasts and in the Midwest, the number of local CDCs in storefronts and church basements began to multiply.

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20 The Financial Institutions Reform, Recovery and Enforcement Act of 1989 required federal bank regulators to release CRA evaluations and changed the rating system from a numeric to verbal grades. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 allowed mergers of banks in different states. William Apgar et al., “The 25th Anniversary of the Community Reinvestment Act: Access to Capital in an Evolving Financial Services System,” prepared for the Ford Foundation (Cambridge, MA: Joint Center for Housing Studies, Harvard University, March 2002); Eric S. Belsky, Michael Schill, and Anthony Yezer, “The Effect of the Community Reinvestment Act on Bank and Thrift Home Purchase Mortgage Lending.” (Cambridge, MA: Joint Center for Housing Studies, 2001); Eric S. Belsky, Matthew Lambert, and Alexander von Hoffman, “Insights Into the Practice of Community Reinvestment Act Lending: A Synthesis of CRA Discussion Groups.” (Cambridge, MA: Joint Center for Housing Studies, 2000); National Community Reinvestment Coalition, *CRA Commitments* (Washington, DC: NCRC, September 2007), p. 5, available at [http://community-wealth.org/\\_pdfs/articles-publications/cdfs/report-silver-brown.pdf](http://community-wealth.org/_pdfs/articles-publications/cdfs/report-silver-brown.pdf).

In the shambles of a neighborhood that was West Garfield Park in Chicago, the Lutheran Church in 1979 started a community development organization called Bethel New Life. The name expressed the hope that these organizations brought to the depressed and abandoned inner-city neighborhoods.

### Learning by Trial and Error

Yet the road to community development was rough. The original notion, dating from Kennedy's experiment in Brooklyn, was that ghettos were backward places of low employment. Hence, in the 1970s and 1980s, community development advocates endeavored to lure large corporations to set up factories in the inner city, with only mixed success. The Bedford-Stuyvesant Restoration Corporation was able to persuade IBM to open a small manufacturing plant in the neighborhood. Yet old buildings were not necessarily efficient for modern production, locations were not always near highways, and sometimes labor costs were too high. No other large corporations followed IBM, which closed its plant but stayed in Brooklyn until the early 1990s. Similarly, the Stride Rite shoe corporation and the Digital Equipment Corporation agreed in the late 1970s to operate factories in Boston's Roxbury neighborhood. But in December 1992, both companies announced that they would shut the doors of the facilities.<sup>21</sup>

Because of their economic development goals, leaders of CDCs also tried to stimulate small-scale enterprises, a treacherous undertaking under any circumstances. Community development groups that invested directly in local supermarkets and restaurants often lived to rue the day, if they survived the ordeal. In 1981, for example, the Codman Square Community Development Corporation in Boston's Dorchester district tried to replace the neighborhood's recently closed supermarket with its own, but the store quickly went bankrupt and took the CDC down with it. Bedford-Stuyvesant Restoration was more successful than some, but was forced to liquidate its ice

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<sup>21</sup> Ryan, "Bedford-Stuyvesant and the Prototype Community Development Corporation"; Barry Bluestone and Mary Huff Stevenson, *The Boston Renaissance: Race, Space, and Economic Change in an American Metropolis* (New York: Russell Sage Foundation, 2000), pp. 68–70.

cream shop and fashion design firms. And Restoration's efforts at starting new businesses, according to its historian, "proved almost impossibly difficult." Even with lavish backing from the federal government and corporations, Restoration undercapitalized its business startups and lacked the management skills to help the fledgling companies.<sup>22</sup>

These kinds of early business failures were valuable, if painful, learning experiences for the new grassroots practitioners of community development. Gradually they gained professional skills in real estate development, finance, and management. Just as importantly, local community development directors and project managers began to appreciate that business methods and discipline were necessary tools for the pursuit of their social and economic goals.

Through trial and error, the community developers learned that housing, for which there was both subsidies and demand, provided a viable business model. With a commitment for federal government's Section 8 rental assistance or the allocation of a Low Income Housing Tax Credit, a nonprofit could make a reasonably accurate financial plan of revenue for a low-income housing project. That plan, in turn, could convince lenders to back the deal. Nonprofit community development groups usually had to find multiple lenders to back their deals, but despite this serious burden, they developed hundreds of thousands of homes, either by constructing new attractive buildings or by renovating old apartment buildings inside and out.

### **In the Inner City, a New Day Dawns**

Across the country the new wave of housing developments stabilized the lives of low-income people and served notice that their neglected neighborhoods were worthy places in which to live and invest. The most spectacular example of the transformative effect of housing development on dying communities came in New York's South Bronx, the international symbol of urban

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<sup>22</sup> von Hoffman, *House by House, Block by Block*, p. 85; Ryan, "Bedford-Stuyvesant and the Prototype Community Development Corporation," p. 88.

degradation. In 1986, Mayor Edward Koch declared a 10-year plan to rebuild homes on the rubble of abandoned and arson-destroyed apartment buildings that pocked the city's landscape. Unlike the old central command model of the public housing and urban renewal programs, the Koch administration opened the city's coffers to anyone who had a plausible project. The city eventually put up \$5 billion to develop or renovate more than 180,000 dwellings, and the largest share (65,300 units) went to the troubled borough of the Bronx. Yet diverse developers—large and small, nonprofit and for-profit—using an array of approaches and programs rebuilt New York. In the process, CDCs—including the colorfully named Mid-Bronx Desperadoes and Banana Kelly in the Bronx and St. Nicholas Neighborhood Preservation Corporation in Brooklyn—demonstrated their abilities to lenders and boosted the number and size of their projects.<sup>23</sup>

By the late 1990s, buoyed by an expanding economy and an influx of immigrants, areas of the Bronx and Brooklyn had undergone a startling makeover. In the vicinity of community development efforts, property values were rising and crime rates falling. Gone were the abandoned buildings, raging fires, and open drug markets, and in their stead were well-maintained apartment buildings, newly built row houses, and bustling boulevards of shoppers. Young people played sports in well-maintained parks. So normal looking was the South Bronx that when a delegation from inner-city Baltimore arrived there in 1995 to learn about community development, they initially thought their trip had been a waste of time. Looking around, the first-time visitors had decided that such a normal-looking place could not possibly offer lessons in how to save blighted neighborhoods.

Although no other city would match the scale of New York's massive effort, CDCs during the 1980s and 1990s sparked similar revivals in inner-city neighborhoods from coast to coast. In the Roxbury and Dorchester neighborhoods of Boston, on

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<sup>23</sup> Michael Schill, Ingrid Ellen, Amy Ellen Schwartz, and Ioan Voicu, "Revitalizing Inner City Neighborhoods: New York City's Ten Year Plan for Housing," *Housing Policy Debate* 13 (3) (2002): 529–566.

the West Side of Chicago, and in South Central Los Angeles, savvy CDC directors helped fill in the unsightly and dangerous vacant lots and buildings on their streets. In Washington, DC, the pioneering efforts of Jubilee Housing in Adams Morgan and the Development Corporation of Columbia Heights helped ignite a process that by the 2000s would turn these formerly crime ridden and dwindling communities into booming fashionable districts. If community development was stronger in coastal cities and the Midwest than in the South and Southwest, it nonetheless had a visible impact on inner-city neighborhoods that had been left to die not long before.

Although new housing development could make a dramatic impact on fortunes of a low-income neighborhood, the leaders of the effective groups believed that housing was only one component of community development. In addition to housing development, groups such as the Vermont-Slauson Economic Development Corporation in Los Angeles and Greater Southwest Development Corporation in Chicago helped to start or expand businesses and revive inner-city commercial thoroughfares. Organizations such as Newark's New Community Corporation offered a broad array of social services including child care, job training, and drug rehabilitation. Some groups introduced medical clinics to their neighborhoods. A few such as South Bronx Churches operated schools. In Atlanta, the Reynoldstown Revitalization Corporation developed housing and ran parenting classes, classes for school dropouts, and an antidrug program. But its centerpiece program has been the Wheelbarrow Summer Theater, an annual community arts festival.<sup>24</sup>

### **New Visions of Comprehensiveness**

The broad range of activities pursued in the name of community development reflected the recurring theme of holistic urban revitalization that appeared in the nineteenth-century Settlement

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24 For the range and accomplishments of community development groups in the 1990s, see von Hoffman, *House by House, Block by Block*; Carol F. Steinbach, "Coming of Age: Trends and Achievements of Community-Based Development Organizations." (Washington, DC: National Congress for Community Economic Development, 1999); Avis C. Vidal, "Rebuilding Communities: A National Study of Urban Community Development Corporations." (New York: Community Development Research Center, 1992).

Houses, reemerged in the New Deal projects, and had inspired Great Society antipoverty efforts. During the heyday of community development, it reappeared specifically in the form of comprehensive community initiatives (CCIs). These initiatives, often spurred by program officers in philanthropies and financial intermediaries, aimed to coordinate a set of locally determined and collaboratively diverse programs that would uplift impoverished neighborhood and residents together.

The forerunner and a prototype of comprehensive neighborhood renewal efforts is the Dudley Street Neighborhood Initiative (DSNI) in Boston, which like many CCIs emerged under unique circumstances that may not be easily replicable. When an alliance of local social service agencies, CDCs, and churches founded the DSNI in 1984 to upgrade an area of approximately 1.5 square miles in the Roxbury section of Boston, for instance, it garnered an extraordinary amount of interest among the local residents. The reason was fear: the Boston Redevelopment Authority had recently proposed an urban renewal plan that, with its call for construction of office towers and luxury hotels, raised the specter of demolition and gentrification of the Dudley Street neighborhood. A group of concerned residents took over the DSNI and transformed what was supposed to be a large-scale social service operation into a new kind of locally based redevelopment-planning entity.<sup>25</sup>

With the backing of a local foundation, the DSNI's new leaders were committed to strong neighborhood representation and community organizing. Their first executive director was an experienced community organizer, Peter Medoff, who won credibility for the group by leading a successful campaign to force the city government to get rid of abandoned cars and illegal trash transfer stations that plagued the neighborhood. To counter the Boston Redevelopment Authority's urban renewal plan, the DSNI put together a series of well-attended community workshops in which

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<sup>25</sup> Peter Medoff and Holly Sklar, *Streets of Hope: The Fall and Rise of an Urban Neighborhood* (Boston: South End Press, 1994); Dudley Street Neighborhood Initiative, "From the Bottom Up: The Dudley Street Neighborhood Initiative Strategy for Sustainable Economic Development." (December 1997), available at <http://dsni.org>.

residents devised a master plan for developing an “urban village” of houses, parks, and shops for the Dudley Street neighborhood. In an unprecedented accomplishment for a community-based nonprofit, the DSNI in 1988 acquired the power of eminent domain from the city’s redevelopment agency to supervise the development of the neighborhood’s 177 acres of vacant lots. Within the next 10 years, the DSNI oversaw the development of 300 vacant lots into 225 new homes, playgrounds, gardens, and community buildings.

The DSNI took a broad approach to the problems of the Dudley Street neighborhood. Besides physical development, the DSNI addressed issues of public safety, youth development, and environmental justice. From the beginning the organization was committed to organizing and resident participation, and so residents themselves determined the areas in which the DSNI would be active. Whenever possible, the DSNI did not manage projects directly but instead encouraged and coordinated local agencies and nonprofits to carry out the DSNI agenda.

The DSNI relied on local CDCs and minority developers to develop or rehabilitate housing and started the Agency Collaborative to coordinate human service programs within the neighborhood. The wide range of programs it adopted helped inspire the comprehensive community initiatives of the 1990s.<sup>26</sup>

In 1991, an officer of the Surdna Foundation started the Comprehensive Community Revitalization Program (CCRP) in the Bronx, creating another prototype for comprehensive community development. With funds from several foundations, Anita Miller, a veteran Ford Foundation and LISC program officer, instituted a \$10 million program to improve six Bronx neighborhoods. Having helped a number of Bronx CDCs get off the ground, Miller was able to identify experienced and successful organizations to help to diversify their programs.<sup>27</sup>

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26 Medoff and Sklar, *Streets of Hope*; von Hoffman, *House by House, Block by Block*, pp. 92–94, 107–108.

27 Xavier De Souza Briggs, Anita Miller, and John Shapiro, “Planning for Community Building: CCRP (Comprehensive Community Revitalization Program) in the South Bronx,” *Planners’ Casebook* 17 (Winter 1996): 1-6.

Like the DSNI, the organizers and funders of the CCRP placed great store in local participation and community planning. To carry out “quality-of-life physical planning” in each neighborhood, the local CDC put together a task force of its own leaders, residents active in community affairs, service providers such as police and teachers, and local merchants. The task forces in turn organized neighborhood forums in which local residents and government representatives and officials, with the help of planning consultants, drew up plans for their neighborhoods. The leaders of the CCRP also believed that collaboration was a powerful tool for community development. They felt that bringing together representatives of various elements of neighborhood life was in itself an achievement because it would lead to later collaborations to solve the problems raised in the community forums.<sup>28</sup>

Under the CCRP, the participating CDCs moved into or expanded their efforts in new areas of community development. One of the most impressive results was the creation of five new family practice health clinics in areas of the Bronx in which the local residents were forced to obtain most of their health care in hospital emergency rooms. True to the goal of collaboration, the CDCs provided the facilities for the primary health-care clinics, and the city’s large hospitals ran them. In addition, four of the CDCs participated in a state program of immunization and lead screening. Other projects that grew out of the CCRP included employment training centers to teach basic job skills, professionally run child care centers, the development of new public parks, neighborhood safety efforts, and several economic development enterprises.<sup>29</sup>

### **Comprehensive Community Development Catches On**

Following these stirring examples of wide-ranging community development, foundations during the 1990s created numerous

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28 CCRP, “Summaries of Quality-of-Life Physical Plans.” (New York: CCRP, 1995), pp. 1–2.

29 Gerri Spilka and Tom Burns, “Final Assessment Report: The Comprehensive Community Revitalization Program in the South Bronx.” (New York: CCRP, OMG Center, 1998), pp. 15–30. See also Anne C. Kubisch et al., *Voices from the Field III* (Washington, DC: Aspen Institute, 2010).



comprehensive community initiatives. Begun in 1990 by the Ford Foundation, the Neighborhood and Family Initiative targeted poor neighborhoods in Detroit, Milwaukee, Memphis, and Hartford. The Ford Foundation worked through a philanthropic foundation in each city to guide the formation of a collaborative committee. In the collaborative committees, neighborhood residents, business owners, and professionals developed a local agenda, for which representatives of the city's government agencies, corporations, and nonprofit organizations served as resources. The same year, the Enterprise Foundation and the City of Baltimore began the Neighborhood Transformation Initiative, a multipronged effort—including education, social services, job training, and community organizing—to address in systematic fashion the social, economic, and physical conditions of Sandtown-Winchester, an impoverished district of Baltimore. In 1993 the Annie E. Casey Foundation's Rebuilding Communities Initiative began to fund existing community organizations in Denver, Detroit, Philadelphia, and Boston to lead campaigns for comprehensive renewal in their home neighborhoods. Other foundations such as The Pew Charitable Trusts followed with their own comprehensive initiatives.<sup>30</sup>

In general, the collaborative groups created by these comprehensive initiatives took on a diverse range of neighborhood issues—such as safety, education, housing, social services, employment, and collective action—and accomplished a great deal of good. Yet the projects tended to be isolated “one-off” deals, which the new collaborative organizations either maintained as specialized activities or let expire once the funding ran out. More to the point, the holistic improvement of a neighborhood by many parties working together synergistically never happened. Despite a new school, new houses, and useful programs, the

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30 Robert J. Chaskin, Selma Chipenda-Dansokho, and Amanda K. Toler, “Moving Beyond the Neighborhood and Family Initiative: The Final Phase and Lessons Learned.” (Chicago: Chapin Hall Center for Children at the University of Chicago, 2000); Winton Pitcoff, “Redefining Community Development, Part I: Comprehensive Community Initiatives,” *Shelterforce* 96 (November/December 1997) (Special Section): 2–14; Winton Pitcoff, “Redefining Community Development, Part II: Collaborating for Change,” *Shelterforce* 97 (January/February 1998) (Special Section): 2–16.

Sandtown-Winchester neighborhood remains impoverished and untransformed.

As in the past, the leaders of these efforts at comprehensive community development aimed higher than their reach. Looked at more closely, neither the DSNI nor the CCRP was truly comprehensive. By far the DSNI's greatest accomplishment lay in land planning, in which it had been fortunate to have enjoyed the crucial support of the mayor and the head of the city's neighborhood development agency. In the Bronx, the purpose of the CCRP was less to transform communities completely than to expand the accomplishments of local CDCs beyond housing.

Other comprehensive community initiatives bogged down for a variety of reasons: vague goals; strained relationships between the visionary officers of sponsoring foundations and leaders of local organizations; lengthy deliberations of community groups over the agenda; and strategies that were not always lined up with other community efforts. As a result, reformers and philanthropic program officers began to question whether a systematic, all-embracing approach to community improvement was practical. With some notable exceptions such as the MacArthur/LISC New Communities Program in Chicago, many philanthropic organizations by the 2000s had backed away from comprehensiveness as a goal.<sup>31</sup>

Nonetheless, the federal government committed heavily to the goal of comprehensive community development through HOPE VI, a program intended to replace crime-ridden and physically deteriorated public housing projects with wholesome living environments. Beginning in 1993, HUD and local housing authorities demolished public housing projects, replaced them with houses that resembled and sometimes included private-market homes, and rented them to families with a range of low incomes. Although an expensive and controversial program, HOPE VI has produced several showcases—such as the Townhomes on

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31 Anne C. Kubisch, "Lessons to Improve the Design and Implementation of Community Change Efforts." In Kubisch et al., *Voices from the Field III*.

Capitol Hill in Washington, DC or the Villages of East Lake in Atlanta. One of the program's key goals has been to create vital communities for low-income people, and in pursuit of that goal many housing authorities—often in partnerships with nonprofit agencies—have taken a holistic approach by incorporating child care, job training, recreation, and health care into the new developments.<sup>32</sup>

## **THE CHANGING WORLD OF COMMUNITY DEVELOPMENT**

### **Redrawing the Map of Poverty**

By the start of the new millennium it was clear that the map of poverty had changed once again. In the large cities where the community development movement was strongest, the changes that had begun in inner-city communities now reached or passed a tipping point. Where once only a CDC or a few urban pioneers had seen the potential value of a neighborhood, an influx of upper-middle-class and wealthy professionals had driven up rents and home prices far above what unsubsidized low-income families could pay. In such gentrified places, subsidized affordable housing projects built in an earlier era of economic need now helped maintain a mixed-income character. Immigration also transformed the ethnicity of neighborhoods. The arrivals from Latin America, the Caribbean, and Asia had begun to write their own chapters of the history of their neighborhoods. Longtime residents of Los Angeles were startled to realize that the majority of people in the city's historically African American neighborhoods—Watts, for example—were now Mexicans. Poverty had by no means disappeared, and after a long decline began rising again. By 2010, with the nation feeling the effects of the Great Recession, the proportion of Americans whose incomes fell below the poverty line hit 15.1 percent, the highest level since 1993.<sup>33</sup>

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32 Arthur J. Naparstek et al., "HOPE VI: Community Building Makes a Difference." (Washington: U.S. Department of Housing and Urban Development, 2000); Susan J. Popkin et al., "A Decade of HOPE VI" (Washington, DC: Urban Institute, 2004).

33 Sabrina Tavernise, "Soaring Poverty Casts Spotlight on 'Lost Decade,'" *New York Times*, September 13, 2011.

Complicating the problem were population movements that expanded the geography of poverty. Some poor people continued to reside in the old inner-city neighborhoods, some of which had extremely high rates of poverty. But increasingly low-income Americans, like their better-off fellow citizens, moved outwards in search of better homes, schools, and recreation. Both low-income African Americans and immigrants, long associated with inner-city neighborhoods, moved to the suburbs. Between 2000 and 2010, the number of poor people living in suburbs soared by 53 percent, twice the rate it grew in cities. Two-thirds of this increase took place during the recession after 2007. The great problem was that the governments of the towns where low-income people now made their homes often lacked the budgets, staff resources, and access to state and federal programs that large city administrations had.<sup>34</sup>

### **Community Development Gets Personal**

Meanwhile, many in the community development field began to seek new approaches that were not necessarily “place-based” as were so many earlier efforts. During the 1990s, some in the field grew frustrated that too many community development efforts were restricted to one or another form of real estate development. In Los Angeles, for example, the comprehensive effort known as Rebuild Los Angeles evolved into an effort more tightly focused on small business development. Denise Fairchild left her position as LISC program officer to work on organizing trade associations for small ethnic businesses and increasing technological skills of inner-city workers. Whether because of an aversion to the real estate approach, the inability to devise a truly comprehensive strategy, or general intellectual restlessness, many national and community foundations chose not to support place-based project work directly.<sup>35</sup>

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34 Sabrina Tavernise, “Outside Cleveland, Snapshots of Poverty’s Surge in the Suburbs,” *New York Times*, October 24, 2011.

35 von Hoffman, *House by House, Block by Block*; Kubisch, “Lessons to Improve the Design and Implementation of Community Change Efforts,” p. 135.

Perhaps the greatest change in thinking in the antipoverty field was the widespread adoption of the concept of asset building. The community development movement that emerged in the 1970s and 1980s was built on the idea of improving the economic and community life of the places where low-income residents lived. If this generally included a host of programs that helped individuals directly, the emphasis was on the community. Indeed, CDCs often found that when successful, their efforts to increase the opportunity and skills of local people undermined their goal of a healthy community because individuals who prospered often chose to move elsewhere. The idea of asset building changed the overall priorities by focusing on increasing the wealth of individuals, not improving neighborhoods.

The theories of Michael Sherraden, a social work professor at Washington University, particularly influenced the officers of private funding agencies concerned with helping people escape poverty. Sherraden defined assets as wealth, including property and financial holdings, and his writings sometimes seemed to suggest that there was nothing that increasing poor people's assets could not do. In one article Sherraden asserted that asset building would increase household stability, make people plan their future, "provide a foundation for risk-taking," enhance a sense of well-being, elevate social status, and increase community involvement and civic participation and the well-being and life chances of the family's children.<sup>36</sup>

### **Finance for Individuals**

One of the most popular policies that Sherraden championed to help poor people increase their wealth was individual development accounts (IDAs). Typically in these schemes, funding agencies and local nonprofit organizations match the amount of money that an individual saved. Sometimes IDAs were targeted

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36 Michael Sherraden, *Assets and the Poor: A New American Welfare Policy* (Armonk, NY: M.E. Sharpe, 1991); Michael Sherraden and Deborah Page-Adams, "Asset-based Alternatives in Social Policy." In *Increasing Understanding of Public Problems and Issues: Proceedings of the 1995 National Public Policy Education Conference* (Oak Brook, IL: Farm Foundation, 1995), pp. 65–83; Deborah Page-Adams and Michael Sherraden, "Asset Building as a Community Revitalization Strategy," *Social Work* 42 (5) (September 1997): 423–434.

for specific goals such as school tuition or the purchase of a home. In that IDAs are a direct cash transfer, albeit for a special purpose, they are extremely beneficial to people whose chief problem is a lack of money.

Sherraden also advocated another individual asset program, microenterprise, which involved lending small sums of money to individuals. Activists working with very poor people in South Asia, South America, and Africa had devised the program to encourage the informal businesses that proliferate in the global slums. Conditions in the United States, however, differ from those in developing regions. Here the poor frequently lack tightly knit clan-type social groups, even the smallest businesses are regulated, and for better or worse credit is available to almost anyone. Nonetheless, the American version of support for microenterprise has grown dramatically. By 2002, more than 500 organizations offered either credit—including small seed grants and equity investments—and financial services or financial training and technical assistance. ACCION, the largest agency by far, had lent approximately \$148 million to more than 15,000 entrepreneurs, with an average loan of \$5,300.<sup>37</sup>

### **There's No Place Like Home**

Home purchases, which IDAs could help achieve, became the other popular form of asset building. People in the community development field had long praised the effect of homeownership on neighborhoods: low-income homeowners, like other homeowners, worked hard to maintain their houses and yards and were engaged in community affairs. In addition to these beneficial aspects of owning a home, reformers now extolled the idea that houses were an asset that, like a bank account, could be drawn against in the future. At the same time, presidents Bill Clinton and George W. Bush both declared that expanding the percentage

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37 Elaine Edgcomb and Joyce Klein, *Opening Opportunities, Building Ownership: Fulfilling the Promise of Microenterprise in the United States* (Washington, DC, Aspen, Colorado: Aspen Institute, 2005), p. 24; William Burrus, "Innovations in Microenterprise Development in the United States." Paper for Microcredit Summit Campaign, 2006, pp. 9, 16, available at [http://microcreditsummit.org/papers/Workshops/12\\_Burrus.pdf](http://microcreditsummit.org/papers/Workshops/12_Burrus.pdf); Mark Schreiner and Gary Woller, "Microenterprise Development Programs in the United States and in the Developing World," *World Development* 31 (9) (2003): 1569–1570.

of homeownership in the United States was a high priority for the nation. Thanks to a number of changes in mortgage lending, credit that had been so hard to come by in the past was now available to low-income households.

Nonprofit organizations such as the Neighborhood Housing Services groups across the country offered first-time home buyer classes as well as loans. These careful programs required that the novice mortgage borrowers take classes to prepare them for the challenges of homeownership and also offered them well structured fixed-rate loans. As a result, the first-time homebuyer programs had few defaults.

As is well known, however, subprime mortgage companies that were more interested in quick profits were not so careful and in some cases operated fraudulently. In numerous cases, unscrupulous lenders lured unsuspecting borrowers—who were disproportionately African American and Hispanic—into disastrous refinancing schemes, eventually causing millions of defaults and foreclosures. The concentration of foreclosures in low-income neighborhoods, especially those in the Midwest, undid decades of hard-won progress.

In the end, those low-income homebuyers who were able to complete their purchases had acquired their own homes, which is perhaps the most important benefit of the purchase. They often, however, did not possess an appreciating asset. Their houses were likely to be located in neighborhoods with stagnant or declining property values. Therefore, even if they were able to retain their homes, low-income homeowners often could not trade up or borrow against their houses for future investments as upper-middle-class owners in appreciating land markets might do.

### **The Return of Economic Community Development**

Place-based community development was hardly dead. Rather it returned to its roots in economic development. To stimulate “economic opportunity in America's distressed communities,” in 1994 the Clinton administration instituted the Empowerment Zone/Enterprise Community program, which channeled billions

of dollars in tax incentives, performance grants, and loans to more than 100 designated urban and rural places. Twenty-seven years earlier, Robert Kennedy had proposed a similar concept, but it was Jack Kemp, HUD Secretary under President George H. W. Bush, who first established “enterprise zones” to provide financial incentives to help expand businesses and employment in economically depressed areas.

Following business professor Michael Porter’s research on the hidden economic potential of the inner city, a coalition of 65 business and community leaders and government officials in 1997 concluded that private-sector investment in areas considered economically broken would actually pay off. Three years later, the federal government passed the New Markets Tax Credit program to stimulate “community capitalism.” Similar in concept to Low Income Housing Tax Credits, the program allocated tax credits to organizations (including affiliates of many CDFIs) to attract investment in businesses in low-income communities. And similar to the response to the Low Income Housing Tax Credit, both local community developers and corporate investors quickly embraced the New Markets Tax Credit program.

### **The Maturing of Community Development**

By the early years of the twenty-first century, community development activities and institutions had spread across the United States. The once experimental organization known as the community development corporation had become established in the American landscape. By 2005 the number of CDCs had multiplied to 4,600, and they could be found in large cities and rural areas in each of the country’s major regions.<sup>38</sup>

A large financial and technical infrastructure buttressed community development efforts. At present, the community capital field boasts more than 1,000 CDFIs in cities, rural areas, and Native

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<sup>38</sup> The community development movement, nonetheless, is stronger in some regions—the Northeast, Midwest, and West Coast, especially—than others. National Congress for Community Economic Development, “Reaching New Heights: Trends and Achievements of Community-Based Development Organizations.” (Washington DC: NCCED, 2005); Edward Goetz, “Local Government Support for Nonprofit Housing: a Survey of U.S. Cities,” *Urban Affairs Quarterly* 27 (3) (March 1992): 424.



American reservations. In 2008, the authors of an industry study found that a sample of 495 CDFIs had \$20.4 billion in financing outstanding and originated \$5.53 billion in new community development financing.<sup>39</sup> The Low Income Investment Fund, to name just one example, to date has served more than one million people and through loans and grants has invested its billionth dollar, which leveraged an additional \$6 billion to help pay for tens of thousands of homes, school facilities, and child care spaces in low-income communities.

Since 1980 LISC has invested \$11.1 billion (\$1.1 billion in 2010 alone) in community development, which contributed to \$33.9 billion in total development of 277,000 affordable homes, millions of square feet of retail and community space, not to mention schools, child care facilities, and children's playing fields. Similarly, since 1982 Enterprise Community Partners has collected more than \$11 billion in equity, grants, and loans to help build or preserve nearly 300,000 affordable rental and for-sale homes and provide more than 410,000 jobs nationwide. By 2000, NeighborWorks America and its affiliates had reached an annual direct investment in economically distressed communities of \$1 billion. The network included 235 local nonprofit organizations, which served more than 4,500 neighborhoods. Since the economic downturn, its prodigious home buying and counseling machinery has turned to foreclosure mitigation counseling and

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39 The figure for financing originated in 2008 was based on a smaller sample of 423 respondents and thus understates the totals for all 495 CDFIs. CDFI Fund, "List of Certified Community Development Financial Institution (CDFIs) with Contact Information as of December 31, 2011." (Washington, DC: U.S. Department of Treasury, 2011), in Excel file, "Certified CDFIs and Native CDFIs – Sortable," available at [http://cdfifund.gov/what\\_we\\_do/programs\\_id.asp?programID=9#certified](http://cdfifund.gov/what_we_do/programs_id.asp?programID=9#certified); CDFI Data Project, "Development Financial Institutions: Providing Capital, Building Communities, Creating Impact, 2008." (Washington DC: Opportunity Finance Network, 2008), pp. 2, 9, 10, 11, available at [http://opportunityfinance.net/store/downloads/cdp\\_fy2008.pdf](http://opportunityfinance.net/store/downloads/cdp_fy2008.pdf); Low Income Investment Fund, 2011 Annual Report (San Francisco: Low Income Investment Fund, 2011), available at <http://liifund.org/annual-report>.

administering mortgage payment relief to homeowners with falling income stemming from unemployment.<sup>40</sup>

Even as the government, banking, and philanthropic systems of financial support grew strong in the new millennium, community development organizations were forced to confront new and not always pleasant realities. The leaders of the founding generation had aged, and many now retired from the business. Sometimes the new leaders had trouble coping with changed circumstances. In some cities, boosted by the real estate boom, the areas that the CDCs served had indeed revived, raising the question of the necessity of such organizations.

In any case, a lack of vacant lots or decrepit buildings and the high costs of land limited the scope of what local community development organizations were able to do. As opportunities for community development lessened, so too did the need for many nonprofits operating in the same city. Meanwhile, not all the leaders of community development organizations could avoid missteps: in some cases, the search for new projects distracted them from managing the company's real estate assets, which could be financially disastrous. For such reasons, the ranks of community development organizations thinned significantly, dropping from about 8,400 CDCs in 2002 to perhaps half that number in 2010.<sup>41</sup>

The nonprofit field adjusted to the new conditions. CDCs increasingly turned to partnerships with other organizations and institutions as a way of stretching their resources and the scope of their activities. Some CDCs expanded into new service areas, either to

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40 LISC, "Our Mission." (New York: LISC, n.d.), available at <http://lisc.org/section/aboutus/mission>; Enterprise Community Partners, "Mission and Strategic Plan." (New York: Enterprise Community Partners, n.d.), available at <http://enterprisecommunity.com/about/mission-and-strategic-plan>; NeighborWorks America, "History of NeighborWorks America and the NeighborWorks Network," available at <http://nw.org/network/aboutUs/history/default.asp>.

41 von Hoffman, *House by House, Block by Block*, pp. 16, 272n14. For conservative estimates of the number of CDCs, see National Congress for Community Economic Development, "Reaching New Heights," p. 4. The general sentiment of those who work in the community development field is that for several years the ranks of CDCs have been thinning.

take up the slack of groups that had gone out of business or to inaugurate community development in new territories.

Increasingly local groups and governments turned to large specialized nonprofit housing companies for housing development. Regional and national groups such as Mercy Housing, National Church Residences, BRIDGE Housing Corporation, and The Community Builders operated with the kind of business acumen—including asset management officers—and the size of real estate portfolios that compared well with for-profit real estate companies. With such skilled and yet socially committed organizations, it did not seem necessary for as many small groups to develop housing on their own.

### **Innovation Lives**

For all the unsettling changes, community development was in many ways stronger than ever. The growing popularity of investing to achieve a social goal, against which specific results could be measured, channeled new funds and new energy into community development. A number of efforts demonstrated the persistent appeal of integrated, if not absolutely comprehensive, approaches to effect social change. As before, the many betterment programs took place in housing developments. At the Edgewood Terrace housing complex in Washington, DC, the Community Preservation and Development Corporation instituted a computer technology programs for the residents, which garnered widespread acclaim.

The most innovative of the new generation of community development projects sprang from areas other than housing. Perhaps the most celebrated has education at its core. Led by Geoffrey Canada, the Harlem Children's Zone in New York City focused a wide range of efforts on a defined area—originally a single block expanded in 1997 to a 24-block area, and in 2007, to a section of central Harlem that extends from 116th to 143rd streets. The group created a 10-year business plan and led the way for nonprofits by carefully evaluating and tracking the results of its programs so its staff could adjust the implementation of

programs that were not achieving their objectives. As its name suggests, the Harlem Children's Zone first concerned itself with helping local schools and in 2004 helped start the Promise Academy, a high-quality public charter school. Its goal is "to create a 'tipping point' in the neighborhood so that children are surrounded by an enriching environment of college-oriented peers and supportive adults, a counterweight to 'the street.'" To do so, Canada and his colleagues expanded their efforts to include parenting workshops, a preschool program, a health program to counter asthma, and an antiobesity program for children.<sup>42</sup>

The Harlem Children's Zone has inspired the Obama administration to institute the Promise Neighborhoods program. Significantly, this community development program resides not at HUD but in the Department of Education. Its purpose is to nurture young people starting from the cradle and ending with a career. To create excellent schools and strong systems of family and community support, the Promise Neighborhoods program takes an approach that would sound familiar to those who invented the Model Cities program 50 years ago: by coordinating and integrating programs across agency boundaries.<sup>43</sup>

Health care is another entering wedge for community development. The best known example is the Codman Square Health Center located in a neighborhood in the Dorchester section of Boston. Although the organization dates from 1979, in 1995 it had grown to the point that it expanded into a multi-million dollar medical facility created out of a former nursing home. Its broadly defined mission is "to serve as a resource for improving the physical, mental and social well-being of the community." From the start, its leader William Walczak believed that health

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42 Harlem Children's Zone, "The HCZ Project: 100 Blocks, One Bright Future," available at <http://hcz.org/about-us/the-hcz-project>; Will Dobbie and Roland G. Fryer, Jr., "Are High-Quality Schools Enough to Increase Achievement Among the Poor? Evidence from the Harlem Children's Zone," Federal Reserve Community Affairs Research Conference, Arlington, Virginia, April 29, 2011, available at <http://frbsf.org/community/conferences/2011ResearchConference/docs/5-dobbie-fryer-paper.pdf>.

43 U.S. Department of Education, "Promise Neighborhoods." (Washington, DOE, Office of Innovation and Improvement, 2012), available at <http://www2.ed.gov/programs/promise-neighborhoods/index.html>.

care could serve as a tool for community development and often partnered with the local CDC located across the street from the health center. Hence, besides an array of medical and health services, the community clinic offers access to adult education, “financial health” classes (such as personal finance workshops), and youth services, and in conjunction with Dorchester House Multi-Service Center (a surviving local Settlement House!), civic engagement activities.<sup>44</sup>

## **CONCLUSION: TOWARD A NEW VISION FOR COMMUNITY DEVELOPMENT**

The field of community development has grown immeasurably since the dark days of top-down policies such as urban renewal. In urban and rural areas, local and regional nonprofit organizations are developing real estate and delivering a range of services to once forgotten communities. Thanks to government programs, an array of philanthropic institutions and financial intermediaries such as CDFIs, the field has developed pipelines of funding. As experience in management and business progressed, so too did the sophistication of measures to gauge the results of community development efforts. If comprehensiveness has continued to prove elusive, the multifaceted approach has succeeded in numerous ways to uplift and enrich economically stressed neighborhoods. Innovative approaches as embodied in the Harlem Children’s Zone and Codman Square Health Center hold bright promise for the future.

At the same time, current conditions pose great obstacles to community development. First and foremost are the effects of the Great Recession. The economic downturn has brought a wave of foreclosures in low-income neighborhoods and modest suburban subdivisions. It also has created, or revealed, a new dimension of poverty in the millions of long-term unemployed. Once again homes are abandoned and communities are in peril. Some cities

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44 Codman Square Health Center, “Mission Statement,” available at <http://www.codman.org/about-us/>; “Community Services,” available at <http://codman.org/community-services>. See also Sandra Braunstein and Risa Lavizzo-Mourey, “How The Health And Community Development Sectors Are Combining Forces to Improve Health and Well-Being,” *Health Affairs*, 30 (11) (November 2011): 2042–2051.

never caught the wave of community development and urban revival. Cities such as Detroit, Baltimore, and New Orleans pose extreme cases of shrinking populations and empty streets. At the same time, the community development field has yet to establish a significant number of organizations in the suburbs, where the poor increasingly live.

As the plight of poor and working-class Americans grows increasingly dire, however, government social policy is in retreat. In response to plummeting tax revenues and gaping budget deficits, federal, state, and local, have cut back funds for a wide variety of social and economic programs. The new austerity directly imperils community development.

Hence, today the community development field stands on the threshold of new synergies, but it also faces challenges as never before. The people in this dynamic industry must apply the knowledge gained through past experiences to new and difficult circumstances. If history is a guide, they will rise to the occasion.

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