

A report for the Building Opportunities with Business Inner-city Society

A Community Development Corporation for the Inner-City
Real estate development as a tool of inner-city revitalization

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Executive Summary

Building Opportunities with Business Inner-city Society's (BOB) has commissioned an external study to survey, assess and report on the viability of using real estate development as a tool of inner-city revitalization and the role a Community Development Corporation (CDC) might play in Vancouver's Inner-city.

The approach to this study, as determined by BOB, was to interview a number of community members with knowledge or expertise in real estate, planning, the downtown eastside, housing or funding. These interviews were supplemented with background research on models utilized elsewhere – particularly in the United States.

There was general agreement and support for the use of real estate development as a tool for inner-city revitalization, amongst the people interviewed for this report. Though there was one noteworthy exception. There are many cases of revitalization in Canada and the US – some of which result in gentrification, and some ghettoization. In general it was felt that there is an opportunity to create a solution in Vancouver that maintains a mixed low and middle income community in the urban core. Some interviewees suggested Vancouver was uniquely placed to achieve this delicate balance.

Each of the interviewees was provided with a definition of a CDC, which drew on the work of the Building Community Society. This generated discussion about the nature and mandate of the organization. There were three key roles that emerged from those discussions -

Investment model – in this role deal structures and governance model for projects that allows new investment in projects would be created. These structures would 'grow the pie' of possible funding dollars for projects, outside of government sources. This requires a project that will deliver a financial return, or an exit strategy with an upside for the investor. This model could be developed and implemented on a project basis and would be one way to start a CDC. The approach requires limited operational dollars. The CDC may or may not be an investor, rather a facilitator.

CDC as a developer – requires capital for the CDC. In this role the CDC would seek sites within the DTES to pursue development projects. It would use the investment models above, as a means to leverage other funds. It could also offer development expertise to other non profits. The CDC might partner with developers to deliver housing and other amenities to the community.

Community Planning and Consultation – in this role the CDC would have an active role in the creation of a new community plan, as part of the City process. The CDC would become an integral part of the City's planning process by modeling projects that are supported by, and contribute to the community. The CDC might also offer advisory services to other developers focused on community consultation and have a role in community amenity contribution negotiations, representing the interests of the community.

A number of interviewees suggested that a Community Development Corporation might be started incrementally and organically. The notion being that the CDC would

start as an initial project, creating an investment model and constructing deals on a one-off basis. While this idea has a lot of merit and might be facilitated by an existing organization like BOB there were also concerns that it would be challenging to ‘evolve’ to a fuller mandate which would see the CDC playing the role of the developer.

An alternate version of the creation of a CDC emerged through discussions – that it might be initially constituted as a development organization. It was thought that, to be successful, a CDC needs to have some organizational and governance capacity from the beginning, and be a stand alone organization with a robust means of engaging with the communities that live and work in the downtown eastside.

What is BOB’s role in a CDC? Given that BOB’s does not have expertise in real estate it is not advisable for BOB, as it exists now, to undertake development activities. BOB, however, could support the development of various aspects of the CDC, from the investment model to a conceptual framework and governance model for an active development oriented CDC

Objective of the Study

BOB has commissioned an external study to survey, assess and report on the viability of using real estate development as a tool of inner-city revitalization and/or the role a Community Development Corporation (CDC) might play in Vancouver's Inner-city.

BOB's purpose is to support a development model for Vancouver's inner-city that is inclusive of existing residents and businesses. To this end, BOB is building on a number of community economic development initiatives that support "revitalization without displacement" goals in the DTES.

BOB delivers a suite of services that comprise a community economic development model revitalizing Vancouver's inner-city. BOB integrates employment and training programs with business development services. These programs lead to supported employment for inner-city residents, new and existing inner-city businesses that are healthy and contributing to the local community and generally, investment and development in the inner-city neighbourhoods.

This report focuses on Community Development Corporations as a means of community development, including a review of structures, program streams, parameters and limitations. It also identifies possible funders, and partners and provide a high level outline of the operational resources, staffing and infrastructure required, as well as risks and opportunities for a CDC. In particular it focuses on the opportunities for a CDC with the downtown eastside.

In particular this report explores whether BOB should expand its current portfolio to include real estate development or, if not a BOB program, whether it might facilitate the development and growth of a stand alone CDC. To this end the report provides recommendations and key operational factors required for success.

Research approach and sources

There have been discussions about a CDC in the downtown eastside for some time, led in part by the Building Community Society, formerly The Downtown Land Use Principles Project or DECLUP. These conversations involved a number of key stakeholders who were also interviewed as part of the research for this brief. These interviews provide local context that help to shape thinking for an appropriate model for the downtown eastside community.

Interviews or consultation included – Michael Clague, Janice Abbott, Michael Flannigan, Michael Geller, Kira Gerwing, Derek Gent, Jennifer Johnstone, Larry Beasley, John Richardson, Joel Solomon, Tim Pringle, Wendy Pederson, Jean Swanson and Robert Brown.

The interviews were supplemented with web research on CDCs currently operating in Canada and the US, as well as interviews with people actively engaged in selected CDCs.

Definition for a CDC

Before proceeding with interviews a working definition for a CDC was developed, drawing heavily on the work of Building Community Society. This definition was presented to interviewees and revised based on their reflections. It is as follows –

A non-profit, community-based organization that can facilitate, direct, expedite, and implement development. A CDC would provide local leadership to coordinate housing and land-use within the DTES. It would engage and liaise with other organizations with regard to social, cultural, economic and environmental planning and decision-making and create projects that sustain the economic well being of the community.

Its mandate -

- Be an active agent in low income housing
- Engage in land use planning and development within a specified area (the area currently defined by the City as the DTES).
- Be a community owned organization and asset. Able to take an equity position in housing and to make strategic interventions in property acquisition and development on behalf of the community
- Bring public, market and non-market investors and developers together to develop proposals, orchestrate deals
- Offer Property Development Technical Assistance to Non-profits
- Establish specific community benefits in proposals, coordinate with community economic and social development
- Acts as a hub between business and community and between community and City Hall
- Advocate for necessary policy change (tax law etc).

In discussions with Vancouver stakeholders about the definition and role of a CDC three key components became clear. They are as follows: 1) an investment model that allows public, and private investors to work together, 2) a CDC as an active developer of real estate projects, and 3) a role in community planning including possibly community consultation.

Investment model – in this role deal structures and governance model for projects that allows new investment in projects would be created. These structures would ‘grow the pie’ of possible funding dollars for projects, outside of government sources. This requires a project that will deliver a financial return, or an exit strategy with an upside for the investor. This model could be developed and implemented on a project basis and would be one way to start a CDC. The approach requires limited operational dollars. The CDC may or may not be an investor, rather a facilitator.

CDC as a developer – requires capital for the CDC. In this role the CDC would seek sites within the DTES, to pursue development projects. It would use the investment models above as a means to leverage other funds. It could also offer development expertise to other non profits. The CDC might also partner with developers to deliver housing and other amenities to the community.

Community Planning and Consultation – in this role the CDC would have an active role in the creation of a new community plan, as part of the City process. The CDC would become an integral part of the City’s planning process by modeling projects that are supported by, and contribute to the community. The CDC might also offer advisory services to other developers focused on community consultation and have a role in community amenity contribution negotiations, representing the interests of the community.

CDC History, Overview and Models

CDCs have been around in the US since the 1960s, and are seen as very successful vehicles for community economic development. A 2006 study indicated that there were 4,600 CDCs in the US developing over 86,000 units of affordable housing and 8.75 million square feet of commercial and industrial space a year.

Typically non-profit organizations, though with no established legal definition, they are characterized by community based leadership and a focus on housing. Some CDCs expand their mandate into job creation through through small business lending, or micro credit and commercial development projects. Other CDCs also provide a variety of social services within their target area. These often start as an offshoot to the housing programs.

CDCs are generally formed by residents, small business owners, congregations and other local stakeholders. Usually, CDCs are defined by a specific geography such as a neighborhood or a town, with a focus on struggling neighborhoods with large concentrations of lower-income residents.

Findings

Most groups in Canada that call themselves CDCs focus on economic development – currently the role of BOB, and do not engage in planning, housing or real estate activities as suggested in the working definition. There are a few exceptions, a notable one in Saskatoon, the Quint Development Corporation, provides housing, home ownership and employment programs for a local neighbourhood. ¹ In the United States, however, housing is often a core activity for the CDC. Most are formed with a housing mandate and later expand to include economic development, early childhood development, job training etc.²

Role

Some of the interviewees spoke of the critical role of the CDC in mitigating market forces that will play out the DTES. Without an organization that has the community interests in mind, there is a real risk of gentrification of the community and a displacement of low income residents. As we saw before the recent economic downturn there was tremendous development pressure on the DTES. The role of the CDC would be to counter that pressure, and ensure the delicate balance of income mix be maintained, and the low income community be served by new development. The CDC would do this by playing an active role in shaping new development.

One vision that was articulated was that of a bridging organization –a vehicle for collaboration for the various players working and living in the DTES. The organization would be able to form business partnerships, and facilitate public and private investments. It might act in a private sector manner, but serve the community interests.

Key operational factors for success (from models and interviewees)

The CDC needs to be connected to the community and have representation from the stakeholders that make up the community. There are, however, different opinions on what constitutes the community. Carnegie Action Projects's definition focuses on the residents – and seeks a representation by income mix and tenure, similar to the newly formed Downtown Eastside Neighbourhood Council. Other interviewees spoke of a broader stakeholder group that includes businesses, local institutions, service providers, government (all levels) and funders.

CDCs in the US grew when new funding was made available for housing beyond conventional capital grants from government. The mechanism that drove their growth was the development of tax credits, where agencies can receive an allocation of state or federal credits, which it can then sell to corporations, typically through a third party. This provided new funding to build housing, beyond government grants. This change gave community organizations access to new funding to develop housing. There are also a number of intermediaries that support financial institutions to lend to CDCs.

¹ <http://www.quintsaskatoon.ca/>

² A good example is Newark New Jersey's New Community CDC. It is one of the oldest and most established in the US with extensive services in addition to its housing offerings. <http://www.newcommunity.org/>

Likewise, a Vancouver **CDC is an opportunity to broaden the funding and funder options**, to grow the pie beyond government dollars. This speaks to the creation of a new investment model that would allow new funders to become ‘shareholders’ in a project. This funding may take a number of different forms but could include philanthropic, private investors and/or community bonds holders.

Governance will be a critical issue. As identified above defining community involvement will be crucial. One of the interviewees stressed the initial work of the CDC would be to create and define its vision and to create a functional board. This investment they believed would be quite critical, as the work to be done in the downtown eastside has to be seen as long term, so building a solid structure and investing energy in governance at an early stage was particularly important. There was also an acknowledgement of the complexities of the downtown eastside and the need for the board to have an understanding of these, and sensitivity to the needs of people living in the community.

Many respondents indicated a need for a **depth of real estate experience** at the staff and board level.

Involvement of the City. Many interviewees indicated a strong need for City involvement in the CDC. The level of engagement ranged from having the City involved in the governance, with a board seat, to the CDC being a civic corporation. A few interviewees spoke of the need engage the City, particularly to seek funds from the Property Endowment Fund to fund CDC land acquisitions.

Interestingly the City of Toronto has just started a development company called Build Toronto that has the mandate to develop lots currently owned by the city or partner with developers to do so. It has many mandates – one of which is to make a return for the city but others are around neighbourhood revitalization.³

Governance

There were clear indications from all interviewees that the community needs to be represented on the board. As discussed, there was not consensus on what community involvement would entail. Typically in American CDCs the board is comprised of one third community residents.

One model that was proposed as a possible example was the Woodward’s community consultation and stakeholder process that had, in some (but not all!) people’s opinions, strong representation from the community – and included all of the stakeholders in the project (community, low income housing providers, institutions, arts community, the developer, the city) which brought many voices to the table.

The role of the city in a CDC needs to make clear – as this will affect governance. There is a strong case to be made that the City should be the initiator of the CDC,

³ <http://www.nationalpost.com/story.html?id=3020930>

particularly if it is to begin its life in a development role. This will require the creation of a board and an initial investment of capital. Should the city be an initiator and investor, it will have a strong hand in shaping the board and the selection process for board members.

Funding and Financial Partners

There is a need for new resources to develop housing and other local serving amenities. The following potential funders were identified through the interviews.

- Social Purpose Real Estate Group – There is a group comprised of the City, Foundations (Real Estate, Vancouver, Law, Vancity Community, Central City and other funders) that is currently in a developmental and exploratory phase. The purpose of the group is to investigate shared opportunities for investment in real estate that would have a social benefit. While this group is early in its development, it may be a future source of capital dollars for building projects, and possibly for organizational capacity building.
- Members of the SPRE group may be willing to fund development of some of the elements of a CDC– such as a contract that results in a deal structure or development of a governance model for a project. There will be greater interest if these elements can be replicated in other projects.
- Street to Home is a potential source of funds for capital projects that relate to its mission.
- City of Vancouver – The City might provide some funding, either through capital budgets, which are currently limited, or through the Property Endowment Fund. It should be noted that the PEF is currently being reviewed by KPMG – and this may be a time when there may be some changes to the nature of investments made by the fund.
- Provincial government – would be a funder for housing projects through BC Housing, and possibly other ministries including health. It is assumed that projects would continue to require some form of government funding.
- Federal housing programs are also available.
- Taxation – A tax, similar to the one that funds BIAs, could be implemented in the area. This could provide some operating dollars for a CDC.
- Special development levy on new developments. This was suggested in the Building Community Society work that there be a special development fee assessed for new developments in the DTES. That fund, not unlike the Surrey Housing fund, could be used to fund development or community amenities. This fund could provide some capital to a CDC that was active in development.
- A long term funding source, which would require significant policy change is a move towards tax credits. This is one of the largest sources of funding for new housing in the US.

Organizational and operational requirements

The organizational and operational requirements will vary depending on the role of the CDC. Should the CDC focus initially on developing an investment model the principal need will be to facilitate the creation of the models (legal and financial) with the partners. BOB could play the role of securing funding and leading this process, with expertise drawn from consultants. This would likely require one part-time staff person to lead/champion this initiative and some external funding for consultants and/or the services of professionals (lawyers, accountants and governance specialists).

The relationship of shareholders/investors, and the decision making structure would be another key component of this phase and BOB could facilitate the process to determine the best model. This may require some support from a consultant. The model and intellectual property developed through this process could then be used in new projects as opportunities arise.

Should the CDC be constituted as a developer, the resource requirement would be significantly increased. Initially the project would require a leader (CEO/ED) and at least one support staff person. (These initial roles might be part-time.) The team could grow as required as projects are brought on board. Initially many back of house services might be outsourced to keep the operation streamline.

Risks

Ensuing Value Add. There were many questions about the role and the ‘value-add’ of the organization. The CDC needs to be performing a function that is beyond that of current housing providers in the DTES. The CDC may be seen as a competitor with successful housing organizations in the community, and therefore may not be supported by some community members. Should the CDC create an investment structure that brings in new funding, and shared that with other housing providers, that might address this issue. The provision of development services, or partnership arrangements with smaller non profits would also be valuable.

Timing. Starting a CDC in the current economic climate will be a challenge – given that funding is limited from almost every source. It may be good timing to focus on developing a board, and creating a clear and compelling vision for the organization.

Expertise. There were concerns about the current level of real estate expertise within Board and Staff, if BOB were to consider reinventing itself as a CDC. If it were to do so there would need to be a transformation at the board and staff levels to introduce real estate expertise. Many felt it would be better for another organization to be created, and BOB might have a role incubating or supporting the creation of this new organization.

Opportunities

There are two possible opportunities. One is to start a CDC on a project basis. This is the new approach of Building Community Society. Rather than trying to create an entirely new organization with a mission to effect change at the community scale, the

work could be begin incrementally and grow organically. With this approach BOB would work with partners involved in a development— like First United, or the Pantages Theatre project to create a deal structure that allow new funders, and equity partners to invest in the project. (This is the idea that Pivot Legal had, with the development of their building.) This approach allows the CDC to add value through the deal structuring, by bringing together the funding to create the legal and financial structure for the project.

The possible downside of this approach is that it may never achieve the larger scale and holistic community benefits. It might never grow beyond a series of incremental projects, and is not a CDC per se.

The other opportunity is to incubate a full-scale development corporation. This would require the development of an organizational framework and clear definition of the role and mandate of the organization. Given that there is little knowledge of CDCs locally, there will need to be efforts made in education of public and local shareholders.

This new organization would then begin to undertake development, utilizing the legal and financial structures discussed above, and creating the necessary organizational and governance structures. In this case the CDC acts as the developer, acquiring the property and negotiating with the City for the development rights. The CDC would seek funds and financing for the project.

The CDC could take a holistic look at the community, and determine key sites and opportunities that will shape the future development of the neighbourhood. The CDC could then pursue the purchase of those sites, to deliver new housing and community serving amenities.

Role of BOB

There were concerns expressed about BOB taking on the role of a CDC. This stemmed from the complexities of real estate and development, which is the focus of the CDC. In order to do be a successful CDC there would need to be a wholesale transformation of BOB –including bringing real estate expertise on at the staff and board levels.

It was felt that BOB could play a role in facilitating the development of a CDC. One particular role would be in developing a conceptual model and framework for a CDC for the DTES, should the full scale development corporation approach be seen as desirable. This model could then be shared with the City and other key players with the aim of finding political champion to move the project forward. This work might include a more fulsome study of CDCs across the United States, to understand the best practices of those organizations.

If the decision was made to support the development of an investment model, BOB could seek project partners for a first project and work with the partner to source funding for a legal and financial framework for that project.

Recommendations for moving forward

There are two clear ways to move the idea of a CDC towards reality.

1. **Facilitating the development of new tools and models for investment**

BOB could reach out to non profit groups developing projects in the DTES to work with those groups to create investment models and the development of legal/governance structure that would enable new investments in the projects. This outreach could be led by a staff person with the support of consultants who would work to investigate and develop the legal and financial frameworks for the projects.

BOB would seek the funding – through organizations like the Law Foundation and the Real Estate Foundation to hire consultants to complete this work on behalf of the project. This intellectual property would then be accessible to other non profits and agencies – and would be a contribution to the larger community.

2. **Incubating an innovative new organization**

BOB could do the groundwork to develop more completely the conceptual model and framework for a CDC. If, instead of starting incrementally, a new organization is to be formed there needs to be a more complete articulation of what that organization might be, and how it might be structured. A group needs to champion the idea and bring forward a solid concept for discussion.

In order to start that process BOB could develop a working paper that outlines the objectives of the organization, possible structural and governance models. This paper would outline the business case for a CDC including the benefits that could be delivered to the community – in housing as well as other areas (health, job creation etc). This work would be shared with government (City, Province and Federal) and other key stakeholders to develop political support for the project. The aim of this objective would be to find a political champion that could then move this project forward and provide resources for the initiative.

References

Articles

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- Local Initiatives Support Corporation, The Whole Agenda: The Past and Future of Community Development, 2002
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- Robert Zdenek and Carol Steinbach, "Built to Last." Shelterforce Online: Issue #123. May-June 2002.

Selected websites of American CDCs

<http://www.nkcdc.org/> - New Kensington Community Development Corporation (Philadelphia, PA)

<http://www.mmcdc.com/> - Midwest Minnesota Community Development Corporation (Detroit Lakes, MN)

<http://www.mexicantown.org/> - Mexicantown Community Development Corporation (Detroit, MI)

<http://www.restorationplaza.org/> - Bedford Stuyvesant Restoration Corporation (Brooklyn, NY)

<http://fenwaycdc.org/> - The Fenway Community Development Corporation (Boston, MA)

<http://www.bbcdevelopment.org/> - Burten, Bell, Carr Development, Inc. (Cleveland, OH)

<http://www.oldbrooklyn.com/> - Old Brooklyn Community Development Corp. (Cleveland, OH)

<http://www.adcorp.org/> - Abyssinian Development Corporation (New York, NY)

<http://www.rosecdc.org/> - ROSE Community Development (Portland, OR)

History of CDCs

<http://www.prattcenter.net/cdcoralhistory.php> - CDC Oral History Project, biographical sketches of CDCs around the U.S.

Support Organizations in the United States

[CDC State Associations](#)

www.ncced.org/associations

This web site has links to affordable housing advocacy groups and community development corporation trade associations in all 50 U.S. states.

[The Community Development Network \(CDN\)](#)

www.cdnportland.org

The Community Development Network provides an example of a regional support organization working on affordable housing and community development. Based in Portland, Oregon, the Coalition has had strong successes over the last six years in focusing the attention of the Portland metropolitan region's elected regional government on issues of housing affordability, economic revitalization, and prevention of displacement, as well as strengthening the regional commitment to green space and natural resource protection, creation of a more balanced transportation system, and a compact urban form.

[Enterprise Community Partners](#)

www.enterprisecommunity.org

Enterprise Community Partners (formerly The Enterprise Foundation) is a nonprofit community development and housing organization that works through a national network of more than 1,200 organizations to promote employment and housing for low-income individuals and neighborhoods. To date, Enterprise has raised and invested \$9 billion in equity, grants and loan and is currently investing in communities at a rate of close to \$1 billion a year.

[Living Cities](#)

www.livingcities.org

Living Cities provides financial and technical support to nonprofit CDCs engaged in improving economically distressed inner city neighborhoods. It creates a mechanism through which major corporations, foundations and federal government can invest in the revitalization of urban neighborhoods.

[Local Initiatives Support Corporation](#)

www.liscnet.org

The Local Initiatives Support Coalition works to foster the growth and development of Community Development Corporations (CDCs) with public, private, and non-profit organizations by helping to channel grants and technical support to some of the nation's most distressed areas.

[National Alliance of Community Economic Development Associations](#)

www.naceda.org

Founded in March 2007, NACEDA brings together 15 state associations of community development corporations (CDCs), serving as a new national organization for the CDC movement. Goals of the new association include advocating for public policy to support community economic development at the federal level, providing peer-to-peer support and development for state association staff, and supporting the development of new and emerging state associations.

[National Equity Fund, Inc.](#)

www.nefinc.org

Established by LISC in 1987, the National Equity Fund, in collaboration with some 700 partners, has helped funnel over \$6.4 billion in investor equity into projects in more than 200 urban neighborhoods and rural areas nationwide.

[Neighborhood Reinvestment Corporation](#)

www.nw.org

The Neighborhood Reinvestment Corporation is a nonprofit organization that builds and supports networks of residents and public, private, and nonprofit sector organizations to revitalize declining neighborhoods.