

Community Development Corporations

The Search for Sustainability

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TAMARACK

An Institute for Community Engagement



Background

*Everyone
is talking the language of
sustainability without any clear
idea of what they are asking of
themselves, their partners and
their beneficiaries.*



Purpose of Presentation

To share

*some observations and research
findings on the experience of
Community Economic Development
Groups in Canada - focusing on
'urban' Community Development
Corporations - in achieving
sustainability.*



Agenda

(1) Context

(2) Definition

(3) Track Records of Sustainability

(4) Strategies

- Primary
- Complementary

(5) Positioning for Sustainability

- Directions for Governments and Philanthropic Organizations
- Directions for Non-Profits

(6) Questions & Answers



Context

- The number of low income neighborhoods has jumped from a little of 300 to over 500 in a decade
- Despite the lack of a policy framework, neighborhood-based Community Development Corporations are emerging as a key response to neighborhoods in transition or decline
- Neighborhood-based Community Development Corporations can make a difference
 - There are many individual assessments of CDC effectiveness in Canada that show positive changes in the lives of residents and overall community (someone has yet to a comprehensive assessment across multi-sites)
 - There are some comprehensive, multi-site assessment of CDCs in the United States, that suggest that CDCs can make a difference in neighborhoods



Defining CDC Sustainability

The ability of an organization to carry out two types of work:

Core Activities

- Networking
- Research & Development
- Planning
- Communications
- Resource Development
- Human Resource Development
- Financial Management

Front Line Activities

- Housing Development
- Business Creation
- Commercial Revitalization
- Job Preparation
- Human Services
- Etc.



Sustainability vs. Self-Sufficiency

- Sustainability is not the same as 'self-sufficiency' - the ability to support the core and front line activities through non-grant funds (e.g. service fees, commercial profits, donations and gifts)
- CDCs focus on a range of issues that the private and public sector have chosen not to address on their own
- In an attempt to achieve self-sufficiency, CDCs may stray from their core mandate - to revitalize communities



Track Record of Sustainability

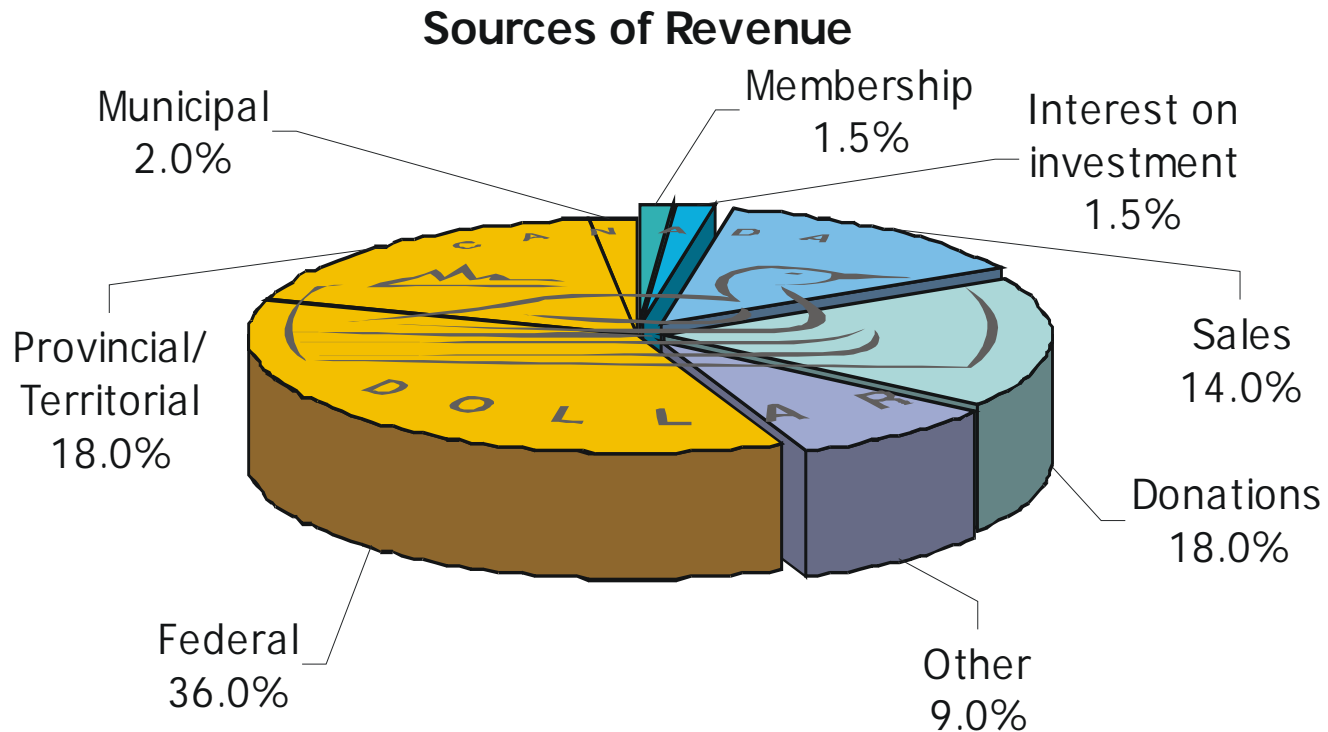
- Age of CDCs
- Revenue Sources of CDCs
- Self-Sufficiency



Age of CDCs

- Respondents to CCEDNet survey (2003) of Canadian CED groups show following ages:
 - 0-4 years - 24%
 - 5-10 years - 32%
 - 11-15 years - 13%
 - 15 + years - 31%

Revenue Sources



Government total: 56%

Nongovernment total: 44%



Revenue Sources

Government (56%)

- Federal - 36%
- Provincial - 18%
- Municipal - 2%

Non-Government (44%)

- Donations - 18%
- Sales - 14%
- Membership - 1.5%
- Interest on Investment - 1.5%
- Other - 9%



Self-Sufficiency

- There are only a handful of urban of CDCs in Canada that hover around self-sufficiency
- The National Congress for CED in the U.S.A reports that approximately 20 out of 3,600 CDCs in the U.S.A are self-sufficient - approximately 6 of these operate in urban areas



Strategies for Sustainability

1. Primary Strategies

- Core Funding
- Commercial Enterprise
- Critical Mass of Grant Funded Programs
- Combined

2. Complementary Strategies

- Donations & Gifts
- Service Fees
- Targeted Grants (e.g. research contract)
- Investment Income
- Membership Fees
- Merger



Primary Strategy: Core Funding

Features

- Secure multi-year funding for core activities from one or more funders and secure additional resources for front line work on a case by case basis.

Case Study - RESO (Montreal, Quebec)

- Neighborhood of 90,000 in old industrial area
- Business Advisory Services, Job Training, Community Organizing
- Budget of approximately \$2 mln (mid 1990s)
 - \$500,000 core budget; \$1.5 mln



Core Funding continued

Advantages

- Addresses a central issue of organizational sustainability - supporting core activities - with possibly the least effort

Disadvantages

- The organization is vulnerable to sudden losses of all of its core funding
- Core funding 'may' result in some CDCs being less ambitious in mounting and carrying out a comprehensive revitalization campaign



Primary Strategy: Commercial Enterprise

Features

- Develop profit generating enterprises that address local needs and priorities AND generate sufficient surpluses to cover core activities

Case Study - New Dawn (Sydney, NS)

- Community of approximately 80,000
- Owns and operates 8-10 ventures, mainly housing and residential treatment) - started 1976
- An asset base of approximately \$20 mln, organizational budget of anywhere from \$3-\$5 mln, with profitability varying from year to year
- Created a foundation to complement their enterprise revenue base



Core Funding continued

Advantages

- Limits accountability for funds to local stakeholders (rather than external funders)
- Offers opportunities for diverse revenue streams

Disadvantages

- Requires critical mass of commercial opportunities to build the scale required to cover core activities
- Requires time to develop a critical mass of commercial ventures
- Few tools to finance CDC driven commercial opportunities
- Some enterprises will fail
- May invite criticism from local businesses



Primary Strategy:

Critical Mass of Program Grants

Features

- Develop a progressively critical mass of grant funded programs and services, using administrative fees and/or seconded staff time, to cover the core activities

Case Study - CODA (Cambridge, Ontario)

- Community of approximately 100,000
- Job training, preparation, micro-enterprise, community organizing, technical assistance - started in 1984
- Budget of \$3 mln (1997)
 - 85% grants, 7% donations/gifts, 3% sales, 5% other



Core Funding continued

Advantages

- Offers opportunities for diverse revenue sources, reducing risk associated with the loss of any 1 source

Disadvantages

- Organizations may feel pushed to secure grants for programs and services that do not fully 'fit' local needs and priorities
- Requires critical mass of program and services to build the scale required to cover core activities - resources may not exist and/or may end up in intense competition from other community-based groups
- Requires time to develop a critical mass of programs and services



Primary Strategy: Combined

Features

- Use some modest level of core funding to leverage additional resources required to do front line work

Case Study - Quint Development Corp. (Saskatoon, SK)

- Approximately 19,000 people living in 5 'core' neighborhoods
- Housing development, business renewal, commercial revitalization, human services
- Budget of approximately \$1 mln (2003):
 - multiyear core funding (\$150,000)
 - some modest donations/gifts (\$50,000)
 - majority of grant funding (\$900,000)
 - housing assets (\$2 mln) intended to generate income in the future



Core Funding continued

Advantages

- Offers opportunities for diverse revenue sources, reducing risk associated with the loss of any 1 source
- Strengthens capacity of organization to employ different revitalization tools

Disadvantages

- Is a relatively complex strategy to undertake and manage
- Still requires an organization to build up a critical mass of grant funded programs and commercial ventures - this takes time and there may not be a critical mass of grant resources and commercial opportunities to support this



Complementary Strategy: Donations & Gifts

Features

- Raising funds, through a variety of fundraising techniques, general purpose (at times, project specific) funds

Advantages

- Accountability measures are usually less onerous than for conventional government funders
- Encourages groups to clarify their 'value' to the community

Disadvantages

- There are limited 'donation' dollars and increasing competition
- Requires significant skills and investment of time, energy and funds



Complementary Strategy: Investment Income

Features

- Deliberate investment of resources into different financial instruments (e.g. GICs, stocks, mutual funds)

Advantages

- Accountability measures are usually less onerous than for conventional government funders

Disadvantages

- Except in exceptional circumstances, can generate only modest funds
- Still requires organization to accumulate substantial resources from some source to create the asset base to generate investment income (i.e. donations, commercial enterprise, etc.)



Complementary Strategy: Service Fees

Features

- Ask users or beneficiaries of a service to pay, out-of-pocket, to access (e.g. micro-lending, job training, promotions)

Advantages

- An untapped strategy that, depending on the service, might generate important top up funds

Disadvantages

- Can assist with cost recovery, but often not enough to contribute to core activities; stakeholders are often uncomfortable with a 'fee-for-service' strategy



Complementary Strategy: Targeted Grants

Features

- Access one time grants to fund specific 'core' activities (e.g. fundraising, research, planning, community organizing, communications)

Advantages

- Directly and full supports core activities
- Periodic grants can be substantial

Disadvantages

- Limited funds available, growing competition.
- May be difficult to find grants that support core activities, rather than front line work



Complementary Strategy: Membership Fees

Features

- Neighborhood residents pay an annual fee for participation in the organization and/or a 'levy' in the neighborhood

Advantages

- If done well, can deepen commitment and ownership of CDC among residents
- A possibly steady and consistent revenue stream (if levy)

Disadvantages

- There 'may' be a cultural resistance to membership fees or neighborhood levies of meaningful amounts



Complementary Strategy: Merger

Features

- The organization partners-merges with another organization in order to a) share overhead costs, b) ensure front line 'synergies', c) diversify revenue sources, d) create scale of commercial and/or program ventures

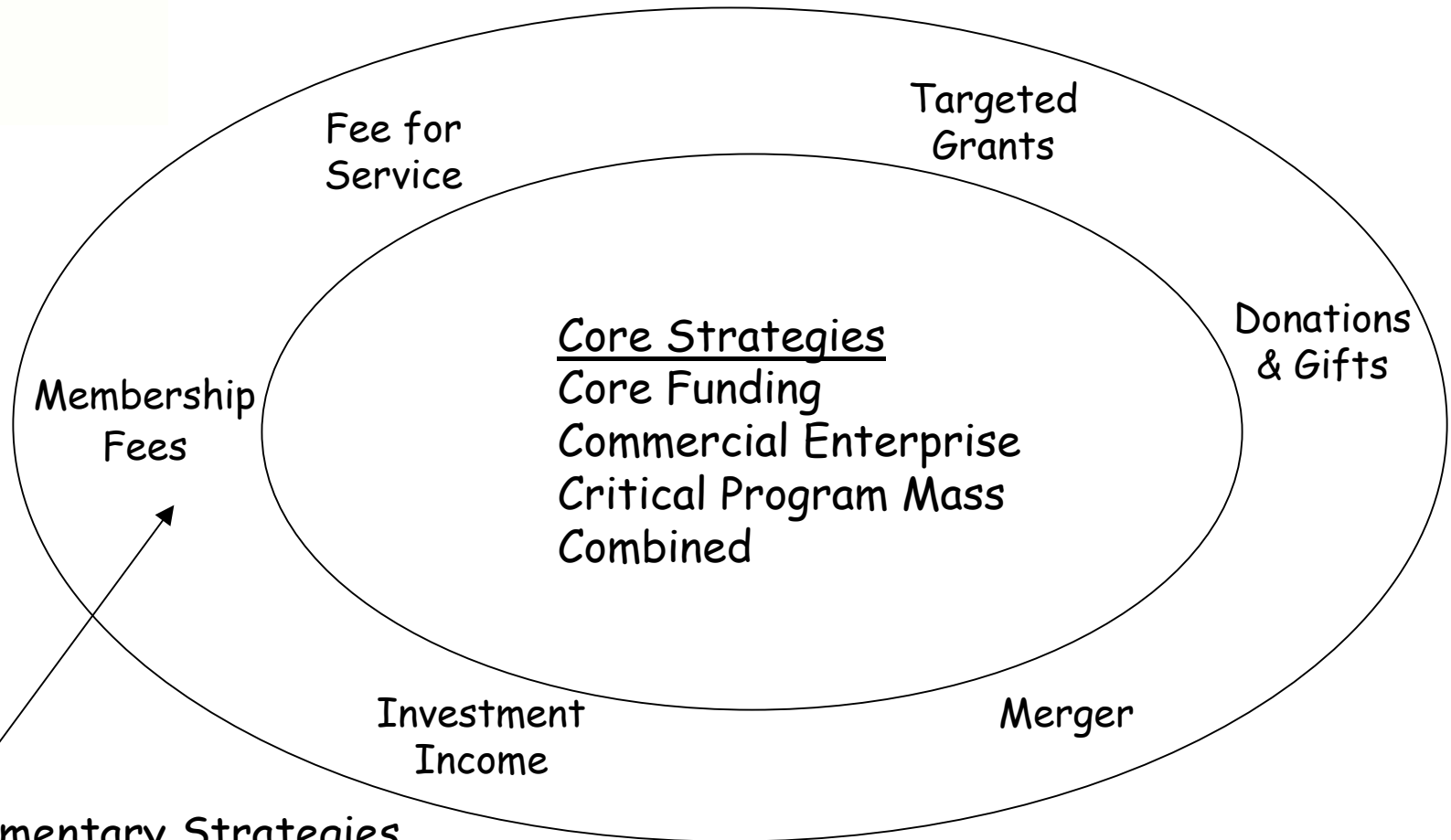
Advantages

- See above

Disadvantages

- A complex and time consuming strategy
- May not be welcome be neighborhood residents due to perceived loss of influence on the organization

Strategies in Summary



Complementary Strategies



Directions for Government and Philanthropic Groups

Approach to CDC Investments

1. Develop core and programmatic funding opportunities
2. Embrace multiyear funding timelines
3. Create innovative financing tools (e.g. debt, equity, service fees) that support revitalization efforts and sustainability.
4. Encourage and support joint funding arrangements (e.g. between levels of government) and across issues (e.g. housing, employment)

Other

1. Establish a legal regime that encourage non-profit creation and ownership of commercial enterprise
2. Adopt a flexible approach to group's efforts to strengthen sustainability



Directions for CDCs

1. Ensure organizational relevance
2. Build a constituency
3. Have a results orientation
4. Be deliberate about thinking, planning and moving towards sustainability
5. Diversify revenue sources
6. Participate actively in creating an 'enabling environment'
7. Develop a culture self-reliance
8. Embrace the tension between the need for sustainability and the organization's mission.



Research

Research information we could use:

- An easy to read, well packaged information package and presentation describing sustainability for practitioners and funders
- A dedicated description of each of the primary and complementary sustainability strategies, how they 'fit' different types of communities (e.g. neighborhoods, rural towns), and practical lessons learned about employing each strategy
- An inventory and description of government & philanthropic policies and practices that support CDC sustainability across Canada (build on the CCEDNet inventory)



Questions & Answers

Discussion

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