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# Neighborhood characteristics, community development corporations and the community development industry system: a case study of the American Deep South

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**ABSTRACT** This article examines the relationship between *neighbourhood characteristics* and *community development corporations (CDC)*. It is hypothesized that housing tenure and race are correlated with CDC emergence. The methodology for this analysis is primarily quantitative. Variables from the US Census are analyzed using logistic regression. Results from this analysis are augmented with ethnographic and archival data. In particular, data from interviews with CDC directors are examined to understand how *neighbourhood characteristics* and the *community development industry system* influence CDC development. This study's findings assist planners in understanding how demographic characteristics of communities and interorganizational networks shape the services CDCs provide.

## Sources of CDC Emergence

The first community development corporations (CDC) were formed in the late 1960's to address poverty and disinvestment in minority communities across the USA. In essence, these organizations were envisioned to have a strong grassroots orientation and address the social and physical development needs of neighborhoods where disenfranchised groups were concentrated. In many respects, CDCs were originally conceived as organizations that would promote alternative development in the United States, and they were designed in a manner that paralleled the structure and function of non-governmental organizations (NGO) in developing nations. In fact, many of

the characteristics originally ascribed to CDCs have also been attributed to NGOs engaged in grassroots activities outside of the United States (Anheier and Seibel 1990; Freidmann 1992; McCarthy, et.al. 1992). However, the institutional context in which CDCs are embedded has changed since their inception. The relationship between these organizations, the public sector, private organizations, and grassroots interests has been in flux for decades. Though CDCs operate in an environment where resources and institutional networks are relatively unstable, there has been a general tendency over time for CDCs to become less autonomous and grassroots in their orientation as larger nonprofit organizations and governmental agencies have increasingly sought to utilize them for policy and program implementation. This trend parallels the experiences of NGOs in developing nations. For instance, Brown and Ashman (1996) identified the conflict between grassroots control and institutional actors in their analysis of NGOs in African and Asian countries. Similarly, Coston (1998) examined the institutional constraints NGOs encounter in her discussion of government-NGO relationships.

In light of these issues, this paper revisits aspects of past research discussing why CDCs emerge and examines the degree to which contemporary organizations are formed in response to structural constraints at the local level and broader institutional pressures. This issue is of interest because past writings in this area remain somewhat equivocal, with most discussions identifying both community activism and institutional intervention as critical in the development of CDCs. For instance, it has been argued that these organizations initially grew out of grassroots movements of the 1960's and 1970's which advocated for greater equity in urban renewal policy, social welfare programs, and civil rights legislation (Perry 1972; Perry 1987; Twelvetrees 1989; O'Connor 1999; Stoutland 1999). Discussions of early CDC emergence focused on a bottom-up approach to building these organizations and their promotion of a more democratic form of community development. This can be distinguished from contemporary accounts of CDC emergence which focus on the expanded role that large institutions from the public, private and nonprofit sectors have in guiding organizational development. In essence, this dialogue identifies a shift toward a greater institutional role in the community development field.

Concern about this shift has fueled several debates related to the role of CDCs in the urban development and policy processes of contemporary America cities. On one side of the issue, scholars have reached an impasse regarding the degree to which CDCs have the capacity to address structural constraints in urban neighborhoods (Bratt 1997; Keating 1997; Stoecker 1997a; Stoecker 1997b). In part, this debate has focused on two issues: the ability of contemporary CDCs to democratize the urban policy process, and the utility of abandoning the current CDC model and adopting an alternative approach to community development that is based on the creation of municipal community development organizations to meet the physical

development needs of aging inner-city neighborhoods. To date, disagreement continues concerning the merits of refining the existing CDC model as opposed to developing an alternative.

A related realm of contemporary dialogue concerning these organizations focuses on the extent to which they have recently become more viable due to the development of new institutional relationships in the community development field. In essence, it is proposed that the CDC model has become more resilient in the contemporary period in response to the growth of institutional networks and support for local community development efforts (Clavel, Pitt and Yin 1997; Gittell and Vidal 1998). The cornerstone of this debate is tied to the concept of an emerging community development industry system which links CDCs to local government, corporate philanthropy, and faith-based organizations (Yin 1998). It is argued that this system creates a broader pool of resources for CDCs, enhancing their capacity to implement social service programs and physical development in urban communities. Despite these apparent gains, questions concerning grassroots participation in the policy formulation process and the extent to which the community development industry system expands decision-making power to disenfranchised groups remain.

In light of this ongoing dialogue, this article attempts to explore the degree to which the neighbourhood conditions that promote CDC emergence are subsequently imprinted upon the organizational relationships manifested in the community development industry system. This research is based on a critical case study of organizational development in one city, Jackson, Mississippi. This city was selected as the focus of this study because each of its seven CDCs emerged during the 1990s, a time period corresponding to the rise of the community development industry system. Fortuitously, the timing of CDC emergence in this city also corresponded with the collection of the decennial US Census, allowing for an analysis of the relationship between neighborhood characteristics and subsequent organizational development. This analysis was done in conjunction with ethnographic field research that examined the internal structure of the CDCs in this city and their ties to other institutions in the community development industry system.

## Methods and data

Quantitative and qualitative methods were used to study the relationship between local context, CDC emergence and organizational development. Independent variables measuring neighborhood characteristic were drawn from the 1990 Census of Population and Housing Summary Tape File 3A (US Department of Commerce 1990). These variable were compared to a dichotomous dependent variable measuring whether a CDC had emerged in a given Census block group after 1990. The dependent variable was created after the boundaries of existing CDCs were identified through

interviews with the organizations' directors. In the dependent variable block groups that were part of CDC neighborhoods ( $n = 27$ ) were coded separately from block groups that were not located in CDC neighborhoods ( $n = 164$ ). In total, 14.14% of the Census block groups in the City of Jackson were found within the boundaries of existing CDCs. Because the dependent variable was dichotomous, logistic regression analysis was used in the analysis. This aspect of the research employed Menard's (1995) methodology for logistic regression analysis.

The results from the quantitative analysis were augmented with ethnographic data from a series of formal interviews with CDC directors in the city. These interviews were conducted during October 1998 and November 1998. During the interviews informants were asked a series of open-ended questions drawn from an interview guide that was prepared in advance. The interview guide consisted of thirteen items and nineteen probes. Given the small population under examination, a number of methodological steps were taken to insure that the entire population of CDCs in Jackson was identified. Two lists of community-based organizations were referenced. One was a list of neighborhood organizations registered with the City of Jackson, and the other was a list of community-based organizations compiled by the Mississippi Urban Research Centre at Jackson State University. In addition, individuals active in Jackson's non-profit community were consulted to ensure that all CDCs were identified. The list of CDCs in the population was also verified by means of snowball sampling (Jorgensen 1989). In total, a population of seven CDCs was identified in Jackson. All of the CDCs were established after 1990 and there was no record of similar organizations existing in the city prior to that date. The director of each CDC was approached for an interview, and all agreed to be interviewed. This was advantageous, since interviewing the entire population of directors reduced several concerns related to reliability that are often associated with data collected from small populations (Glasser and Strauss 1967).

## **The disenfranchised and disinvestment**

Neighborhoods where CDCs emerge are often characterized as being in physical and social decline. These communities are typically thought to have populations with the following characteristics: numerous female headed households, large concentrations of minorities, low levels of educational attainment, low household incomes, and multiple households receiving public assistance. Similarly, the built environment in these communities is thought to be in a state of deterioration with depressed property values, low rates of home ownership, and high rates of property abandonment. On the surface, the neighborhoods within the boundaries of CDCs in Jackson share several of these characteristics. Table 1 compares various dimensions of population and housing characteristics in the City of Jackson and its CDC neighborhoods.

**Table 1.** Descriptive statistics for city of Jackson and CDC neighborhoods

	City of Jackson	CDC Neighborhoods
<b>Total Population:</b>	<b>196,594</b>	<b>27,267</b>
% Female	53.61	54.04
% Black	55.74	94.85
% Age 25 and Above without a High School Diploma	15.09	25.05
<b>Total Households:</b>	<b>79,352</b>	<b>10,535</b>
Median Income – US\$ (1989)	\$23,270	\$11,639
% Receiving Public Assistance (1989)	10.83	24.80
% Receiving Social Security (1989)	26.94	28.49
<b>Total Housing Units:</b>	<b>71,492</b>	<b>8,533</b>
Median Value – US\$	\$53,600	\$34,970
% Owner Occupied	51.89	27.89
% Renter Occupied	38.65	54.95
% Vacant	9.46	17.16

\* Source: U.S. Department of Commerce, Bureau of the Census. (1990) *1990 Census of Population and Housing Summary Tape File 3A*. Washington D.C.: Data User Services Division.

As reflected in Table 1, the city and the CDC neighborhoods present noticeable contrasts along the lines of race, educational attainment, income, public assistance receivership, housing values, and housing tenure. On the surface, it appears that several variables interacted to promote the development of CDCs in this city. In order to identify which factors were correlated with CDC emergence the relationship between neighborhood characteristics and the dependent variable was tested statistically.

Through such an examination it becomes possible to isolate specific neighborhood conditions that promote CDC emergence and use those results to make inferences about the manner in which they impact subsequent organizational relations. The results of the logistic regression model comparing the relationship between neighborhood characteristics and CDC emergence in Jackson is displayed in Table 2.

The model  $\chi^2$  for this test is statistically significant ( $P \leq 0.001$ ), and the  $R_L^2$  identified in Table 2 indicates that the relationship between neighborhood characteristics and CDC emergence is weak to moderate. As a result, knowledge of neighborhood characteristics only slightly improves the ability to predict where CDCs emerge. Nonetheless, two variables in the model have a statistically significant affect on the dependent variable. First, the model indicates that there is a significant ( $P \leq 0.05$ ) relationship between the percent of a neighborhoods population that is black and the appearance of a CDC. In this relationship, each percentage increase in the population that is black ( $b = 0.0722$ ) increases the odds that a CDC will emerge by 7.49%. Moreover, the model indicates that there is a significant ( $P \leq 0.10$ )

**Table 2.** Logistic regression results for CDC emergence

Independent variables	$\beta$	Standard Error of $\beta$	Odds Ratio
Constant	-4.6504	4.3010	
% of the Population Female	-.0475	.0529	.9536
% of the Population Black	.0722**	.0290	1.0749
% of the Population Age 25 and Above without a High School Diploma	-.0393	.0414	.9615
Median Household Income – US\$ (1989)	-.0001	.0000	.9999
% of Households Receiving Public Assistance	.0056	.0323	1.0056
% of Households Receiving Social Security (1989)	-.0047	.0278	.9953
Median Value of Housing – US\$	.0000	.0000	1.0000
% of Housing Renter Occupied	.0193	.0194	1.0195
% of Housing Vacant	.0730*	.0381	1.0757
-2 Log Likelihood = 85.24			
Degrees Of Freedom = 9			
Model $\chi^2 = 69.78^{***}$			
$R_L^2 = .309$			
$R^2 = .552$			

\*  $P \leq 0.1$ .

\*\*  $P \leq 0.05$ .

\*\*\*  $P \leq 0.001$ .

relationship between the percent of housing units in a neighborhood that are vacant and the emergence of a CDC. In this relationship, each increase in the percentage of vacant housing units ( $b = 0.0730$ ) increases the odds that a CDC will emerge by 7.57%.

Together, the significance of these two variables reveals two important characteristics of neighborhoods where CDCs emerge. These areas have significant numbers of residents who are members of disenfranchised groups and they exhibit significant levels of physical disinvestment. In this specific case, these characteristics are exhibited in terms of a residential population that is 94.85% black and a built environment where 17.16% of the housing units are vacant. Of course, these characteristics may be expressed differently in other settings, but general patterns of disenfranchisement and disinvestment would be expected to be correlated with CDC emergence in other communities. In the same vein, similar community characteristics would be expected to correlate with the appearance of NGOs outside of the United States. Given the significance of these neighborhood features an examination of the degree to which they are incorporated into the organizational structure of CDCs and the community development industry system becomes incumbent.

## Community Development Subcontractors

The CDCs examined in this study were imprinted by the neighborhood conditions. In fact, each of the organizations' directors described how these factors influenced the mission of their CDCs. For example, directors of CDCs described how issues related to substandard housing, commercial abandonment, mortgage redlining, commercial disinvestment, and deteriorating physical infrastructure shaped organizational goals. For instance, while discussing the decision to form a CDC one director stated:

After a period we started looking at, perhaps we should get involved in economic development activities specifically related to housing. And, that is how the board of directors decided that we should form a community development corporation. . . . It fits pretty neatly into our thinking, because all of the socioeconomic conditions that are ripe for housing are also a part of this area.

Similar sentiment was echoed by the other directors. Yet, the physical characteristics of the neighborhoods were not the only factors influencing CDC emergence. These organizations also developed in response to the social structure of the community. In part, this was reflected in some of the CDC's programs dealing with poverty and unemployment. However, it was most clearly illustrated in decisions related to staffing and the appointment of members to the boards of directors of the CDCs. For example, all of the directors expressed the desire to maintain strong black representation in their organizations. As a result, all of the directors and staff members in these organizations were black, and each formed a governing board that was majority black. In essence, actual representation of community members was incorporated into the CDC model.

Despite the incorporation of neighborhood residents and their interests into the goals and structure of the CDCs, the priorities of outside institutions weighed heavily on decision-making. As CDCs planned their development, consideration was given to the relationship between local context and the scope of funding opportunities available through the community development industry system. For example, all of the CDC directors identified external organizations that sponsored their projects and programs. These organizations included a variety of government agencies, nonprofit organizations, private foundations, and private corporations. Although the CDCs were well grounded in the local community, their primary resources came from external organizations. Subsequently, the CDCs had to design their projects and programs in response to the community development goals of these larger external institutions. Moreover, members of the community development industry system were able to imprint on CDCs as they were created, since many of these larger organizations supplied them with funds and played a role in chartering them. For instance, one director described how the parameters of existing funding sources and the power of local government to grant CDC status to an

organization influenced decisions surrounding organizational development:

We have a good sense of what kind of money comes into the city for Community Development Block Grant Dollars. We know that there's a specific set aside for CHD dollars, Community Housing Development dollars, if you are able to get that status. So, we know that the EC community has specific pots of monies for specific kinds of things. We know what those are and the dollars that are allocated to them. Those were considerations, because the agency has to be funded, and it has to be funded yearly.

Another CDC director described similar factors influencing organizational development. This CDC depended on a sizeable grant from the United States Department of Housing and Urban Development (HUD) which entailed a number of requirements that governed the organization's design and mission. In accordance with this grant, the CDC was formed to address conditions in neighborhoods surrounding historically black colleges and university (HBCU). As a result, the HUD grant set parameters for activities the CDC pursued and it predetermined the neighborhood in which the CDC would operate. In effect, the scope of organizational activities was determined by HUD guidelines, and additional requirements to collaborate with a local HBCU further constrained the parameters of the organization's community building efforts. In light of these institutional interests, neighborhood participation became more marginalized within the CDC.

In essence, the structure of institutional relationships create a very specific functional role for CDCs in the broader community development industry system. These organizations primarily exist to implement projects and programs for larger institutions. Furthermore, the subordinate position of CDCs makes them susceptible to co-optation and places them in a situation where moderating grassroots activism can result in short-term benefits. Within the context of their position in the community development industry system, CDCs are able to create opportunities for member of disenfranchised groups to become involved in administrative functions at the neighborhood level, and they assist in efforts to redistribute resources in distressed communities. Nevertheless, these roles do not reorganize the distribution of power as it relates to the design of community development policy. In effect, CDCs act as subcontractors in the broader community development industry system. In this capacity they relieve larger public, private and nonprofit organizations of many of the risks associated with neighborhood revitalization efforts and supply these organizations with a flexible environment in which to operate. Consequently, CDCs and the people who work in them are at the bottom of the community development industry system. The irony of this situation is that many of the structural inequalities that CDCs were created to address are rearticulated within the framework of the industry system in which they are embedded.



Nature of Interactions and feedback

Direct —————  
 Indirect ··········

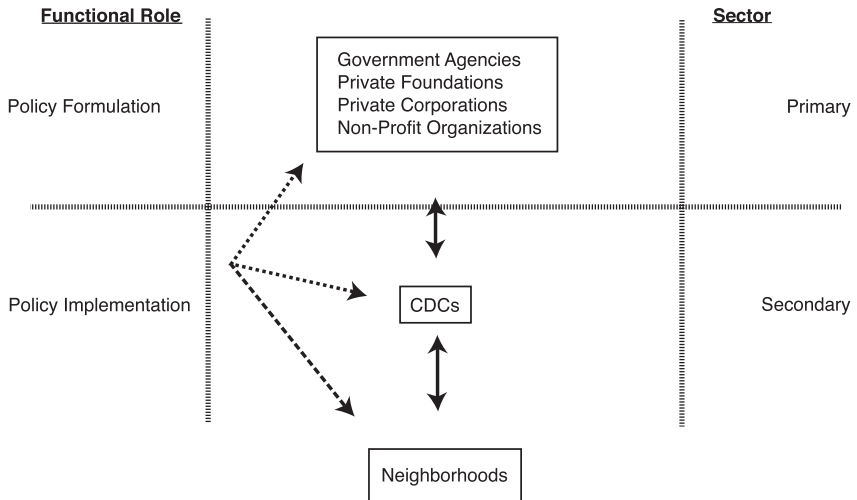


Fig. 1 Community Development Industry System

In Figure 1, key relationships and functions of the community development industry system are outlined. In addition to outlining the direction and intensity of relationships discussed in this article, this figure distinguishes between functional roles and the sectoral position of organizations in the community development industry system.

The importance of these distinctions is that they illustrate the degree to which the community development industry system is segmented. For instance, in terms of the function role of organizations, the system is divided among policy making organizations and those that focus on implementation. Although there is exchange and feedback between different organizations in the community development industry system, the functional roles that organizations assume create institutional barriers to CDC and neighborhood interests in the policy formulation process. This disadvantage is compounded by inequalities between sectors in the community development industry system. For instance, the organizations in Figure 1 identified as primary sector organizations tend to have greater policy-making power, reliable sources of capital, budget allocation authority, and internally developed administrative and technical expertise. In contrast, CDCs, which are identified as secondary sector organizations, tend to have limited access to the policy-making process, unstable sources of capital, limited budget authority, and a dearth of administrative and technical expertise. Hence, CDCs are embedded in an interorganizational environment which maintains their

dependence on the subcontracting of neighborhood revitalization projects and social service programs.

Inherent in the structure of the community development industry system is a 'middleman' role for CDCs. These organizations are positioned between neighborhoods and the primary sector institutions that recruit them as subcontractors. This is a precarious position because of the impact of disenfranchisement and disinvestment in CDC neighborhoods, the limited access that residents and CDCs have to the policy making process, and the resource constraints that CDCs face. Nevertheless, CDCs provide considerable benefits to the community development industry system. Of utmost importance, they buffer primary sector organizations in the community development industry system from criticism when urban policy fails to address structural disadvantages faced by poor communities, while simultaneously serving as model organizations that legitimize the devolution of public sector activity in the area of urban redevelopment.

## Conclusion

Unquestionably, the role of CDCs in the community development industry system is different than grassroots activists would have predicted several decades ago. The current community development industry system substantially confines CDC and neighborhood interests to the policy implementation arena while allowing grassroots organizations limited voice in the policy formulation process. In a real sense, the CDC model has been unable to promote meaningful participation in the policy formulation process among disenfranchised groups and communities affected by disinvestment. Instead, these groups have received representation by proxy through primary sector organizations in the community development industry system. In exchange, CDCs have been incorporated into this inter-organizational network and transformed into subcontractors of public sector services to distressed communities.

The findings from this study mirror the patterns of CDC development identified in the United States as a whole. For instance, Gittell and Vidal (1998), and Rubin (2000) have commented on the growing role of governmental agencies and private foundations in the community development process. However, the findings from this study are distinct, since they suggest that the emerging community development industry system entails more clearly articulated roles for actors within the field of community development. In particular, the redefinition of CDCs as subcontractors within the community development industry system articulates a functional dichotomy between community-based organizations and larger institutions in the public and private sectors. This dichotomy parallels Coston's (1998) discussion of the use of NGO's as independent contractors by governmental and international actors. The implications of this orientation are far reaching. For instance, Petras (1999) points out that the 'sub-contracting' role

many NGOs fill results in the moderation of their emphasis on grassroots activism and a reduction in advocacy for the redistribution of wealth and power in society. In essence, NGOs end up serving a similar buffering function for their governmental and international sponsors as CDCs do for primary sector institutions in the American context. Given this potential, more emphasis need to be placed on expanding the level of access that grassroots organizations have to policy formulation at both the national and international levels.

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