CHAPTER 6

More than Bricks and Sticks

Five components of community development corporation capacity

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INTRODUCTION

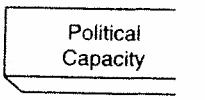
The extent to which CDCs perform their tasks successfully is known as *capacity*. Although CDCs and funders stress the importance of capacity, it remains imprecisely defined. The ambiguity results in confusion over what CDCs "do" and how they do it. Capacity must be delineated more specifically before the term can be useful to CDCs, funders, policy makers, and the general public.

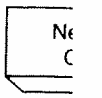
CDCs wrestle with systemic, structural problems in the economies of cities. Quite clearly, most long-term economic trends are beyond the control of neighborhood groups. This makes their jobs especially daunting. Intermediaries have been created as vehicles to help CDCs deal with this array of problems. Several funders have established community development partnerships (CDPs) and collaboratives—intermediaries that operate at the local level. These CDPs bring together the human and financial resources of community-based organizations, national and local foundations, for-profit corporations, and governments to help rebuild low-income neighborhoods. In this chapter, we look at the activities CDCs and CDPs undertake to build the capacity of CDCs. We present a framework that operationalizes notions of capacity into five components. We believe that this more concrete way of thinking about capacity will be particularly useful to practitioners, funders, and policy makers.

DEFINING CAPACITY

The literature on capacity is uneven. The term is often defined narrowly, usually in terms of housing production and economic development. For example, many practitioners hold that a CDC that builds 100 units of housing a year has more capacity than one that builds 20. However, this definition oversimplifies a complex concept and process; the result is an understatement of the capacity of CDCs. New research highlights how capacity extends beyond housing production. An overemphasis on production distracts from the image of community building as a social, not merely a physical, process (Rubin, 1994). In order to be useful, capacity must be defined both more broadly, to take account of the wide array of CDC activities, and more specifically, to include the details of CDCs' work to rebuild poor communities. There is no simple or unified definition of capacity, and we believe working toward one would be an exercise in futility. We have therefore divided the definition of capacity into five major components: resource, organizational, network, programmatic, and political. Examining the separate elements makes the concept as a whole more manageable.

The following sections treat the components of capacity separately in order to illustrate what CDCs need and what strategies they implement in order to build capacity. We recognize, however, that this is overly simple: changes that affect one com-





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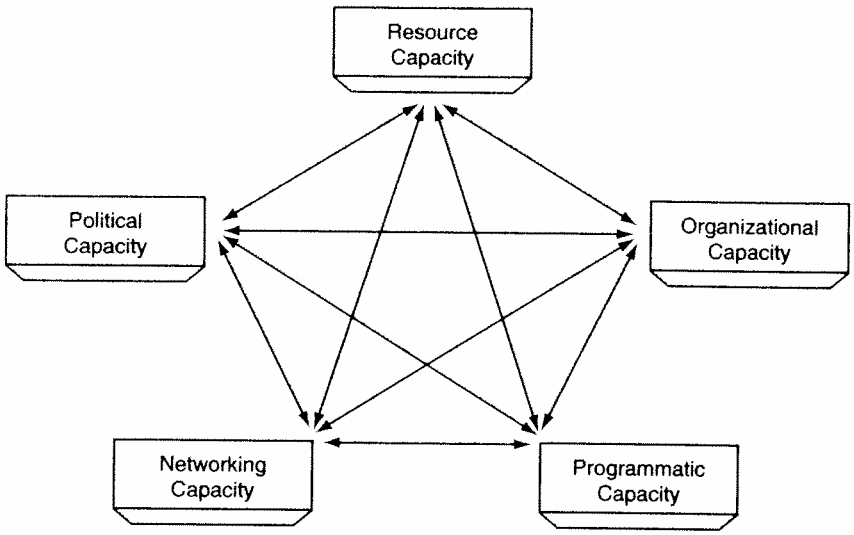

Figure 6.1 Interaction among capacity components

ponent of capacity directly reverberate to the other components. For example, a funder's decision to stop supporting a CDC affects its resource capacity directly, but it also may indirectly diminish the CDC's programmatic and organizational capacity. Figure 6.1 illustrates these interaction effects as a pentagon of forces at work. The specific ways in which changes in one component of capacity affect the other components vary from one CDC to another, depending on the particular context in which each operates.

One other critical aspect of capacity cuts across all five components—flexibility. Flexibility has two sides: responsiveness and resiliency. Responsiveness refers to a CDC's ability to change focus and direction in response to shifts in the environment in which it works. Resilience refers to a CDC's ability to rebound from setbacks and continue the pursuit of its mission even when the environment in which it works is uncooperative. A resilient CDC has staying power.

RESOURCE CAPACITY

The ability to increase, manage, and sustain funding is central to a CDC's ability to build capacity: it is often the foundation for capacity building in the other components we have identified. Resource capacity includes raising funds, managing them, and deploying them appropriately. Table 6.1 documents these aspects of resource capacity and shows how each relates to the needs and strategies of CDCs.

Long-term Operating Support

Healthy CDCs require a sufficiently stable funding environment to initiate operations and expand them over time. Vidal (1992, 12) found that **"the single most important constraint on the growth of CDC activity is the need for additional capital,"** with one of the three most necessary types of capital being general operating support. There are several strategies that CDCs and partnerships pursue to help raise funds in this area.

One is obtaining multiyear operating support for the CDCs' work. Multiyear support enables CDCs to formulate and implement long-term planning (McGrath 1995; Vidal 1992). Ford- and LISC-sponsored operating support programs (OSPs) are good examples of this. OSPs typically commit to three or more years of technical and financial assistance for CDCs, filling a critical gap in CDC support. Long-term support also frees the CDCs to plan and execute programs without having to worry about meeting monthly payrolls and constantly chasing other funds.

Funding agencies, public and private, often designate the use of funds toward the program side, leaving a much smaller pool of

Table 6.1 Resource capacity

Capacity-building needs	Capacity-building strategies	Effects on CDCs	Potential limits and problems
Long-term operating support	Devote major effort to securing flexible, multiyear support	Capacities in all areas of activity increased	
	Allocate fund-raising efforts between support for operating costs and program costs		
Resources for stabilization and expansion	Attract and maintain multiple funders	Funding diversified	Possible dilution of CDC mission CDC could grow too quickly
	Attract multiyear support	Enhanced ability to leverage additional funds	Patchwork financing difficult to manage
	Allocate sufficient staff hours to researching and pursuing new funding sources	New funding sources identified, solicited, and possibly attracted	
Development capital	Obtain funds from public sector		Funding declining in real terms
	Raise funds through low-income housing tax credits		Technically difficult procedure
	Obtain funds from national foundations	Tap pool of nonprofit funds	
	Charge development and other fees	Able to plow funds back into other programs and reinvest in additional housing	Funds not available until projects are complete
	Develop mixed-income/ mixed-use projects to generate fees		Simultaneous challenge to keep rents low and need for fee income; Convincing public finance entities/ lenders to allow nonprofits to charge development fees comparable to those charged by market developers
Access to funders	Train development staff in grant-writing techniques	Up-to-date knowledge may increase possibility to build resources	
	Advocate to funders regarding the importance of long-run operating support for CDCs	Long-run sustainability established; additional funding/support received	This is often a political exercise as well as a resource capacity issue
	Create and participate in networking opportunities, conferences, social events, etc.	CDCs better able to solicit funding from more sources	
	Obtain joint funding with other CDCs to collaborate on projects	Economies of scale achieved	Poor performance by one partner may adversely affect other partners
	Initiate and participate in matching grant programs		
	Establish arrangements for sharing space, labor, and technical assistance	Provide CDCs with access to expertise, funding, labor, and information	
Balanced portfolio risk	Diversify project types to reduce dependence on single categories of housing production	CDCs less vulnerable to market forces that may adversely affect their portfolios	CDCs tied to low-income communities, making locational diversification difficult to achieve

funds for operating needs. Successful CDCs put sufficient effort into securing these scarcer resources.

Resources for Stabilization and Expansion

As CDCs grow, they require resources for the stabilization and expansion of their activities. This requires broadening and deepening their funding base. The funding environment for CDCs can be erratic, and successful CDCs cannot afford to rely heavily on one or two funders without agreements of long-term support. Reliance on multiple funders can also lessen the effect of changes in the funding environment and increase a CDC's autonomy (Vidal 1992, 56). At the same time, however, multiple backers may also place conflicting demands on CDCs, and patchwork fundraising can be complex and tedious. Inconsistent and multiple reporting requirements by different sources also mean time-draining work for CDCs. In addition, CDCs that pursue support from multiple sources run the risk of spreading themselves too thin. Finally, embryonic CDCs sometimes accept more funds than they can manage; CDCs that grow too quickly may be unable to support that growth over the long term.

Development Capital

Money for projects typically comes from several sources, including the federal government (e.g. CDBG, HOME), intermediaries (for predevelopment), some CDPs, and some state and local programs. For affordable rental housing, CDCs engage in the technically difficult process of structuring low-income housing tax credits (LIHTC), which requires lawyers and financial experts. CDCs often receive development and management fees for their projects and services to help pay for their up-front costs in development projects and for the ongoing management. CDCs also negotiate conventional and special financing arrangements with financial institutions for construction and permanent mortgages.

It is generally more difficult for CDCs to obtain capital for economic development than for housing. CDBG funds are more limited, but other federal grants from the Office of Community Services (OCS) or intermediaries may provide predevelopment funding.

Access to Funders

One way for CDCs to obtain resources is to train development staff in effective grant-writing techniques. In addition, partnerships and CDCs may initiate matching grant programs with other funders. Matching grant programs can greatly expand a CDC's funding base. Also, some partnerships encourage the CDCs they work with to collaborate on projects. **Collaboration has become increasingly necessary as funding decreases and resources are spread thin. Linking up with other CDCs both expands what community groups can accomplish and broadens the range of funders to which a CDC has access.** However, turf issues remain thorny and a poor performance by one partner can adversely affect other partners.

CDCs have the most difficulty getting unrestricted risk capital that allows them to act quickly on development opportunities. Some CDCs have positive fund balances, and have been able to fund initial investment in new projects without needing to apply to external sources for risk financing. The majority of CDCs, however, are too lean to support a cushion.

Balanced Portfolio Risk

CDCs try to balance their portfolio risk by diversifying by project and type to reduce dependence on a single market. However, CDCs are limited geographically in their ability to diversify because of the neighborhoods they target.

Interaction Among the Components

Resource capacity is clearly connected to the other components in critical ways. Sufficient resources, for example, enable a CDC to build organizational capacity by hiring staff with necessary skills, compensating them appropriately and continuing to train them. Resource capacity also abets programmatic capacity by giving CDCs the freedom to run programs that meet community members' needs. Finally, a CDC with resources can command political power.

CDCs in the worst areas have the least connection to capital

ORGANIZATIONAL CAPACITY

Organizational capacity comprises the depth, skills, and experience of board and staff members (Table 6.2). **Without the ability to coordinate and work through problems strategically, CDCs work inefficiently, while increased organizational capacity allows a CDC to get more from its resources.** Scarce resources and extensive needs mandate that CDCs strive continuously to perform at maximum efficiency. Ongoing skill development is therefore essential. Because funding is increasingly based on performance, good organization is critical.

Effective Executive Director

Leadership by the executive director is central to organizational capacity (Kelly 1977; McGrath 1995). CDC leadership requires vision and a blend of interdisciplinary skills that include entrepreneurship, talent in negotiations, and aptitudes for communication, development, finance, public relations, and management. Executive ability at the top of the organization is crucial to success and succession of leadership is difficult. Because of low salaries and benefits, CDCs are extremely vulnerable to sudden losses of key people, but continuity of leadership is closely linked to a CDC's goal attainment. To bolster this leadership and maximize the organization's efficiency, CDCs try to create clearly defined objectives and to divide responsibility among the board, executive director, and staff.

Competent and Stable Staff

In addition to a competent executive director, the rest of the staff must be of appropriate size, talent, and structure. To build a competent organization requires staff training and, sometimes, the employment of outside consultants. However, CDCs face large barriers to gaining access to adequate training, including lack of funds and time for it.

Long hours, low pay, and inadequate fringe benefits contribute to a high burnout and turnover among CDC staff. The effort to continually recruit, orient, and train new people takes away from a CDC's ability to meet its goals and maintain a stable organization. CDCs try to compensate employees with competitive salaries, benefits, and pensions, but small budgets make it difficult for many CDCs to hire and retain staff (Vidal 1992). A lack of appropriately skilled applicants may also hinder CDCs. Many CDCs, therefore, hire consultants for specialized functions in lieu of permanent staff. Although this gives CDCs more flexibility, outsiders seldom have the knowledge of the community or the organization that permanent employees have.

Effective Fiscal Management

While sound fiscal management is important in any kind of organization, it is particularly important for nonprofit organizations that often run on shoestring budgets (Nye and Glickman 1996). In order to deploy their dollars most effectively, CDCs allocate sufficient staff hours to accounting and budget management. Emergent CDCs may fill this need with non-specialists and part-time consultants. CDCs and CDPs increasingly recognize the value of management information systems (MIS) and are building capacity in this area.

Board Development and Leadership

Leadership is important on a CDC's board, as the board carries the CDC's long-range vision for the neighborhood and provides the continuity for the organization. Board members are chosen for a variety of reasons: They are recognized community leaders and live in the neighborhood; they have specialized talents (architects, lawyers, bankers, etc.); or they have good contacts with funders and businesses. An effective board helps create a clear vision of the CDC's future, aids the CDC's strategic planning, and participates in determining how the nonprofit is managed. There is sometimes tension, however, between board members and CDC staff. Staffers may feel that board members interfere with their duties to run the organization on a day-to-day basis, or board members may feel that they are being ignored by staff and are not given room to play their fiduciary roles.

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Table 6.2 Organizational capacity

Capacity-building needs	Capacity-building strategies	Effects on CDCs	Potential limits and problems
Effective executive director (ED)	Hire person with range of skills necessary to lead internally and advocate on behalf of organization externally		
	Ensure that ED maintains good relations with board, community, and political figures		
Competent and stable staff	Ensure that ED hires competent staff to support all aspects of the organization	Managed growth	
	Train key employees		
	Employ technical consultants when necessary		Technicians may lack a personal history in community work
	Compensate (salaries, benefits, and pensions) employees commensurate with skills, experience, and commitment to CDC	Employee turnover lowered	Higher salaries are perceived as contrary to the mission of serving very low income people
Effective fiscal management	Allocate staff hours to accounting, budget management, and fiscal planning		
	Train relevant staff using up-to-date fiscal management skills		
	Employ management information systems and train CDCs to use them	Increased efficiency and effectiveness	
Board development and leadership	Select board with diverse talents and connections		
	Recruit board members with expertise and external contacts	Increased resources and skills	
	Create vision with clearly articulated objectives	Shared vision obtained	
Managed growth	Review organizational performance regularly		
	Assess operational needs, sometimes change programs		
Project management	Monitor time and cost efficiencies of construction		
	Use management information systems to control costs and ensure quality and affordability of projects		
	Contract out to professional property managers		
	Plan strategically	Reflexive thinking encouraged	
Evaluation	Build evaluation into funding requests		
	Participate in funder's evaluation design	Ensure that data gathered are appropriate	

Managed Growth
Strategic planning encourages CDCs to think reflectively and plan for the long term. The role of local partnerships in this process is often critical because CDCs rarely have the time or resources to set aside for strategic planning, and so CDPs often build it into their relationships with CDCs. Partnerships also use the goals set by the strategic plans to judge the progress of CDCs.

The uncertain funding environment coupled with the changing nature of community needs makes managing growth a difficult task for CDCs. Embryonic CDCs face a steep learning curve with respect to organizational capacity. Emerging CDCs are better able to manage growth and create a structure that allows for more specialization of staff, and this stage may involve shifting to a more hierarchical structure, a difficult step for organizations built on a consensual foundation. Mature CDCs find ways to introduce change and allow for reflection on their work.

Project Management
Effective project management is another important aspect of organizational capacity. To manage projects effectively, CDCs must try to continuously monitor time and cost efficiencies of construction. By keeping track of these elements, a CDC tries to control costs to ensure the quality and affordability of its projects. CDCs sometimes contract out to professional property managers when appropriate and when funding permits. Most CDCs, especially newer organizations, usually have to make do with in-house expertise because they cannot afford consultants.

Evaluation
In order to plan for the future, CDCs draw on the knowledge of what they have—and have not—done well in the past. CDCs therefore try to build evaluation into their funding requests. To avoid conflicts, CDCs and partnerships need to work together in evaluation design. Evaluations designed solely by the funder may fail to capture CDCs' accomplishments, and miss not easily measured outcomes. There is also a widespread feeling in the field, though rarely discussed in print, that CDCs often exaggerate their successes in evaluations that have consequences for their funding.

Interaction Among the Components
Increasing organizational capacity helps CDCs build capacity among the other components as well. It enables CDCs to devote sufficient time to fund-raising, which pays off in the form of increased resource capacity. Also, a CDC that is managed and staffed well will be better able to programmatically offer the services that the community requires. Finally, a CDC with sufficient organizational capacity will help build political capacity because it will likely be better connected to the local political system, and more effectively create linkages with other organizations.

PROGRAMMATIC CAPACITY

CDCs engage in a wide variety of programs, including building and managing housing, economic development, family services, crime fighting, and job training. The typical CDC is active in three program areas: (1) housing; (2) either commercial real estate development or business enterprise development; and (3) one noneconomic development program area, typically some type of social service or advocacy work. Capacity building in these diverse fields requires great organizational dexterity, and successful CDCs take on new programs only after extensive strategic planning and careful deliberation.

Types of programmatic capacity building differ for CDCs at different stages of development. For instance, embryonic CDCs usually focus on a single activity—often housing—so as not to become stretched too thin too quickly. Often the initial activity is tied closely to the availability of funds—a link that continues throughout the life of the CDC. New CDCs try to obtain training in all areas of their chosen activity and begin to network with other organizations and institutions that can help them become established. Emerging CDCs often begin to expand to new program areas as new needs arise—and as funding becomes available.

Mature CDCs try to recognize and attend to new community needs. The first part of this section focuses on skills related to specific program areas: housing, commercial development, economic development, and organizing. The second part deals with aspects of programmatic capacity that apply to all CDCs regardless of their programmatic agenda (Table 6.3).

Skills Related to Housing

Housing continues to be the dominant focus of CDCs. In order to build housing efficiently, most CDCs work to develop skills and engage in training, in such diverse areas as predevelopment planning, site selection and feasibility analysis, market analysis, housing finance, marketing, construction management, permitting and zoning, property management, and government program regulations—in addition to training construction workers. As CDCs acquire larger portfolios of housing, they seek training in asset management for the long-term needs of their projects.

Skills Related to Commercial Development

Commercial development consists of building and rehabilitating structures for nonresidential use. Many of the skills required for building and managing housing are transferable to commercial development, making it a logical step for CDCs wishing to expand. However, commercial development entails substantially greater risks. Close attention to market analysis and feasibility, and businesses' needs for facilities, is critical. On the positive side, most of the activities associated with commercial real estate development "have relatively low start-up costs and are reasonably inexpensive ways to provide visible benefits to residents" (Vidal 1992, 71). CDCs also engage in commercial development because it indirectly helps to fulfill economic development goals, such as providing jobs, needed goods and services, and luring resources into target neighborhoods.

Skills Related to Economic Development

CDCs, whose missions include economic development, connect their constituents to the local and regional economies. They do this in several ways. First, CDCs help match people with jobs by providing them with, or referring them to, appropriate training programs. Second, CDCs make linkages to local businesses and negotiate employment agreements to ensure that residents will have access to jobs in the community and regionally. Third, community organizations educate constituents about the forces driving unemployment and low wages, which can give residents the motivation they need to organize and fight those forces.

CDCs also foster the creation, stabilization, and expansion of small businesses within the community (Bendick and Eagan 1991) by providing training and technical assistance for business development. This strategy has the potential for job creation and for keeping money circulating in target communities (Servon 1998). To this end, some CDCs have begun to experiment with microenterprise and alternative financial institutions. Although these strategies operate on a much smaller scale than traditional economic development strategies, they provide participants with critical skills ranging from economic literacy to effective time management (Servon 1997).

Skills Related to Organizing

Many CDCs carry out community organizing, and organizing is a natural adjunct to CDCs' primary activities because it builds support for them. Organizing, however, requires its own set of skills and resources. Some CDCs become affiliated with local organizers, such as the Industrial Areas Foundation; others hire an organizer to do this work in their community. One potential downside to community organizing, however, is that CDCs may have difficulty balancing the multiple interests that surface as a result. For example, organized tenants may demand better housing conditions than the CDC is able to afford with the available housing funding. In addition, CDPs sometimes hesitate to dedicate resources to it because of concern that organizing is too "political" and the results are difficult to measure. Finally, organizing can alienate potential partners in city hall and elsewhere. On the other hand, effective organizing can

Table 6.3 Programmatic capacity

Type of capacity	Capacity-building needs	Capacity-building strategies	Effects on CDCs	Potential limits and problems
Skills related to specific program areas	Skills related to housing	Provide training and technical assistance in all skill areas	Increased production skills	
		Do predevelopment planning	Better understanding of the production process; costs kept down	
		Do site selection, market and feasibility analysis		
		Gain better understanding of housing finance, marketing, and program regulation		
		Strengthen property management skills		
	Skills related to commercial development	Develop same construction and management skills for housing		
		Develop retail or office properties	Fulfill other community needs	
	Skills related to economic development	Provide training and technical assistance for entrepreneurial and business development		
		Participate in public and private economic development projects	Private funds leveraged, expertise from for-profit firms gained	
		Conduct employment training and or referrals	Increased skills of community residents, higher wages in neighborhood	
		Promote education of residents to reduce unemployment and increase wages		
		Encourage development of community-based financial institutions and greater responsiveness of private banks		
		Target job and employment programs that keep money in the community		
		Engage in or promote microlending activities and other investment in small, local businesses	Neighborhood economy strengthened	
	Skills related to organizing	Learn different methods of organizing		
		Become affiliated with a local organizer or hire a professional organizer to do this work		Funding is difficult to obtain
Skills that apply to all CDCs	Responsiveness to changing community concerns	Continually reassess community needs and incorporate into CDC mission		
		Hire staff with knowledge of, and a strong commitment to, the community		
		Hire residents	Ensures critical connections to the community	

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Responsiveness to Changing Community Concerns

Successful CDCs continually reassess whether their resources and activities are appropriately focused on current community needs. As these needs grow and change, CDCs try to incorporate them into the CDC mission and phase out those activities that are no longer a priority. A changing program mix generally signifies responsiveness, but some CDCs claim that funders pressure them to shift to new activities that, although they may be currently "hot" or trendy, may not be best for the community. Wide-ranging community participation in strategic planning can help ensure that a CDC continues to serve its constituents in a way that responds to changes in the community without compromising the stability of the organization. Effective CDCs hire staff with knowledge of and a strong commitment to the community. Hiring residents is a particularly good way to ensure that critical connections to the community are maintained.

Mutually Supportive Programs

Successful CDCs also tend to structure and operate their programs in ways that make them mutually supportive. A CDC that already engages in building housing, for instance, is more likely to expand into a related area, such as housing management or housing advocacy, than to enter into a completely new area, such as business development. Because all CDCs work in an environment of limited resources, it is critically important that they recognize and capitalize on ways that they can make existing resources and skills do double duty.

Interaction Among the Components

Programmatic capacity helps build resource capacity because a CDC that delivers successful programs will attract funders more easily. Programmatic capacity and organizational capacity are also tightly linked—one is hardly possible without the other. Programmatic capacity is connected to political capacity in that a CDC that is managing successful programs is in a strong position to command attention from political actors and to obtain participation from community residents.

NETWORKING CAPACITY

The ability to build networks with other organizations is an important aspect of capacity building among CDCs. CDPs often play important roles in helping CDCs to create these networks—partnerships, by definition, are linking mechanisms. Keyes *et al.* (1996) argue that **"capacity is shaped not just by the competency of each individual nonprofit group, but by the strength of the nonprofit's institutional network"** (Keyes *et al.* 1996, 203). Networking serves a number of purposes: it connects institutions (CDCs to private firms, nonprofits, etc.); it also helps bring individuals closer to each other and to institutions both inside and outside the community. These networks involve financial, political, and economic relationships and help community organizations achieve their goals more quickly and efficiently. The elements of this dimension of capacity are: building stronger relationships with other organizations, moving organizations' agendas forward, creating mutually supportive programs, and increasing political leverage (Table 6.4).

Relationships with Other Organizations and Institutions

CDCs often work most effectively by developing networks and partnerships with others to bring new stakeholders to the neighborhood. **CDCs develop coalitions, thus brokering relationships with other institutions, and decision-makers from the private and philanthropic sectors.** Also, when a CDC recognizes a new need in its community, it can fill this need by partnering with another organization rather than filling it itself. Relationships of this kind boost CDC efficiency by allowing them to specialize. Partnerships also serve as intermediaries between CDCs and various "downtown" actors—especially local governments and corporations. Central here is the education of

Table 6.4 Networking capacity

Capacity-building needs	Capacity-building strategies	Effects on CDCs	Potential limits and problems
Strong relationships with other organizations and institutions	Broker relationships between CDCs that complement each other	Makes them more efficient by allowing specialization	Opportunity cost in time spent outside CDC's specific mission
	Partner with other CDCs to fulfill unmet community needs		
	Pressure other organizations to make activities complement CDCs and agenda		
	Support/work in coalitions	Relationships with other relevant actors built	
	Partner with public and private groups to carry out housing, real estate development, and economic development projects	CDCs gain expertise and partners learn about the community	
Promotion of CDCs' agendas externally	Broker relationships among CDCs that complement each other		
	Partner with other CDCs to fulfill community needs		
	Pressure other organizations to make activities complement CDCs' efforts		
Access to non-financial resources	Create and participate in networking opportunities, conferences, and social events	CDCs showcase their accomplishments and connect with each other to share information	
	Disseminate regular updates of CDC activity to existing and potential funders	Improved relations between CDCs and funders; Increased awareness among parties	
	Create links to other CDCs, job training, and other service providers in area		
Mutually supportive programs	Choose new program areas that draw upon existing skills		
	Establish partnerships with other programs to extend CDCs' reach		

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people and organizations outside the CDC community about the abilities and importance of CDCs. Finally, there are networking opportunities such as conferences and community and cultural events. These events allow CDCs to promote their accomplishments, and connect with each other and share valuable information about funding sources.

Promotion of CDCs' Agendas
CDCs try to bring external actors into community development activities. They educate banks, local governments, and employers about neighborhood concerns, and provide powerful stakeholders with a better understanding of the community development process. CDCs also look for opportunities to partner with public and private groups to carry out housing, real estate, and economic development projects.

Access to Non-financial Resources
The parts of CDC agendas that require non-financial resources can also be supported by networking. To this end, CDCs create links to networks of other CDCs, job-training programs, workforce development specialists, and other service providers in the area (Harrison and Weiss 1998). Neighboring CDCs can establish arrangements for sharing space, labor, and technical assistance and for cooperating on program activity. These relationships provide CDCs with access to expertise and information. We are cautious about drwing firm conclusions regarding the relationship between the number of partnerships and CDC capacity—we do not believe that more partnerships necessarily translate into greater capacity. CDCs must be strategic about the specific organizations with which they partner and about the kinds of arrangements into which they enter.

Interaction Among the Components
Networking helps embed CDCs in the life of the city and region in which they operate. It can help with resource capacity building by putting community organizations in front of funders. Network capacity also builds programmatic capacity, because it enables CDCs to do more and to extend their reach beyond what they could do on their own. Network capacity is the external analog to organizational capacity; it defines the ways the organization can do business as it faces outward to the rest of its community. Finally, it affects the political capacity of the CDC through the creation of relationships with political actors at all levels.

POLITICAL CAPACITY

Although political capacity manifests itself in many ways—community participation, political leverage, educated constituents, and conflict management—this component of capacity primarily refers to two elements (Table 6.5): **CDC's influence with government officials at all levels; and CDC's legitimacy within the community it serves.** Both types of political capacity help a CDC build other types of capacity.

Building political capacity is not easy. In many ways, it is the trickiest kind of capacity building that CDCs negotiate. Although CDCs, by and large, agree that political capacity is important, some collaboratives are uneasy about trying to build the political capacity of CDCs. Although the CDCs need their local governments' help for tax abatement, letters of support, and so forth, funders tend to shy away from supporting direct political action because it seems too much like lobbying to them.

Community Participation
Without a strong and active constituent base, CDCs face difficulty arguing their cause outside the community. Newer CDCs must gain trust and a common vision for change in their communities, and maintaining these remains an important task throughout the life of the CDC. Mature CDCs, with their greater experience and visibility, position themselves as political players to support their efforts. To maximize community participation, CDCs try to hold community meetings at convenient times and places, and often provide transportation and child care. CDCs also engage in community planning exercises, share development plans, and seek out community residents for CDC committees and

Table 6.5 Political capacity

Capacity-building needs	Capacity-building strategies	Effects on CDCs	Potential limits and problems
Community participation	Hold community meetings at convenient times, places		
	Include community representatives in setting agenda		
	Encourage community organizing and support		
	Ensure that board and staff are representative of the community	Community needs effectively addressed	Conflict among multiple interests Process may become bogged down because of factionalism
	Encourage community input in CDC activities	CDC perceived as part of community	
	Employ an internal democratic structure	CDCs become more accountable to the community	
	Establish clear lines of accountability between CDC and community	CDC respected and trusted within community	
Political leverage	Advocate with, and educate public and private officials about, community needs	Increased citywide visibility	Some funders neither approve of nor fund advocacy, run risk of violating 503(k)3 rules
	Broker relationships between local public officials and community	CDC legitimacy increased	Change in political administration may hurt CDC
	Undertake outreach to downtown business and other community groups		
	Facilitate voting in community elections	Community development policy influenced	
		Possible backlash from government if change in administrations	
	Create opportunities for constituents to take on positions of responsibility citywide		
	Train staff in negotiation/conflict resolution	Arbitration skills developed	
Educated constituents and partners	Disseminate information on government policy, activities, and economic forces that affect residents	Residents made more aware of issues that affect them	
	Develop leadership within the community		
	Make information about CDCs' activities readily available to community	Increased awareness of activities and strategies of CDC	
	Educate banks, local governments, and local employers about their customers and potential employees	Greater understanding of community on the part of critical actors	
	Partner with public and private groups to carry out housing, real estate development, and economic development projects	CDCs gain expertise and partners learn about the community	
Conflict management	Heighten sensitivity to the multiple interests of the community, businesses, and governments		
	Mediate conflicting interests from within and without community		
	Maintain strong and regular communication with all stakeholders		

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neighborhood events. Many community organizations involve key community leaders in their decision-making and agenda-setting processes. Sharing real power with community members increases participation because the larger community is more likely to believe that its interests are being represented. Organizing also builds participation because it turns community members into stakeholders.

Community representation in CDCs is an important aspect of participation. Without it, government officials, funders, and the community at large may be skeptical of the CDC's ability to be effective or to speak for the neighborhood. To obtain community representation, a CDC can try to ensure that its board and staff reflect the makeup of the community (Gittell, Gross, and Newman 1994), and can train active residents for positions of increasing responsibility. Successful CDCs provide education, training, support, and confidence building for leaders within the community.

The CDC's internal structure should be democratic to maintain an adequate level of accountability to the community. An elected board and an involved membership create clear lines of communication between the organization and the neighborhood. However, tension sometimes develops as CDC staffs clash with community activists. CDCs therefore worry about the costs of being "too" democratic—that is, there is a trade-off between maintaining an open process and the need to make a decision and get something done.

Political Leverage

In order to increase their political leverage, many CDCs work on building relationships with, and educating, local officials. CDCs often seek to increase public services to low-income neighborhoods. Cities where local government involvement in community economic development is substantial show higher levels of CDC activity than other cities (Vidal 1992, 14). However, organizations that become too connected to one political administration may fall quickly out of favor when that administration changes. They also run the risk of being co-opted by the administration. An additional problem is that patronage from local elected officials can insulate CDCs from pressures to manage themselves efficiently (Ferguson and Stoutland 1996).

Educated Constituents and Partners

A CDC is enhanced by educated constituents who vote, and articulate and argue for their own needs. CDCs therefore disseminate information on government policy, government activities, and economic forces that affect residents. Educating community members in this way helps them feel more in control of the forces that influence their lives and encourages them to participate politically to effect change. Training community members also helps increase CDCs' political legitimacy.

Conflict Management

Awakening participants' political consciousness can give rise to political schisms. Disagreements with other community actors—over issues such as race and ethnicity, or owner versus renter—can be a drain on time and resources. CDCs must balance the demands of an array of widely divergent actors. CDCs therefore try to understand and communicate with the multiple stakeholders and interests of the community, businesses, and local government. Partnerships can help CDCs manage conflicting interests by acting as a mediating party, and providing training for CDCs in conflict resolution.

Interaction Among the Components

Political capacity builds and is built by the other four components of capacity. A CDC that has political clout is better able to command other kinds of resources. Conversely, organizational capacity and programmatic capacity enable a CDC to obtain greater political attention. And to the extent that political capacity equals legitimacy and participation, organizational and programmatic capacity are enhanced as a result. Probably more than any of the other categories, increases in political capacity are dependent on the success of CDCs in creating networks with other community development players.

CONCLUSION

CDCs selectively use the strategies identified with each component to move their community-building activities forward. No CDC employs all the strategies discussed in this article. But many are trying to work on all five components simultaneously, to the extent possible. Partnerships help them to extend their reach and balance their efforts across the five components; they also try to persuade them to work on areas that have been neglected. In the end, CDCs build capacity by increasing their ability to do the following:

1. Think through strategic plans to help themselves.
2. Raise funds to build and manage housing and economic development projects.
3. Demonstrate effective leadership and vision.
4. Better organize themselves internally by hiring, training, and retaining the best staff possible.
5. Organize members of the community to participate in activities that improve their neighborhood.
6. Develop networks of CDCs and other service providers.

Tensions in the capacity-building process exist because the power relationships between CDCs and funders are uneven. CDCs do not always like the prospect of changing programmatic course when funders' interests change, for example. There has been some tension over the directions that some funders are taking—work force development, regional job strategies, and so on—which some CDCs feel do not build on the capacity that they have developed over time. Other CDCs question whether becoming more comprehensive is necessarily a good thing; some prefer to further develop their capacity in "bricks and sticks."

At the same time, funders argue that some CDCs are inefficient and unwilling to make necessary changes in their operations. CDCs are different from other kinds of nonprofits in that they must maintain their ties to their neighborhoods. This elevates the importance of the capacity relating to the training of local citizens and the participation of residents. A key question remains: Can neighborhood organizations become more financially and technically efficient and retain their ties to the people they represent?

It is also important to better understand the potential comparative "weightings" of the different types of capacity. The categories presented here are of different levels of importance to community organizations. In addition, it is useful to understand the tradeoffs between different kinds of capacity. All efforts involve the cost in lost opportunity of not pursuing some other kind of capacity. We also need more accurate assessments of the role of collaboratives in their communities, and of the CDCs' contributions to neighborhoods. These assessments, in turn, will provide more useful evaluation tools and concepts and lead to better strategic planning by these groups. We expect that CDCs will be able to use the results of this investigation in their ongoing work.

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