



Bay Area Local Initiatives Support Corporation

2003 Durable CDCs Conference

Monterey, California

April 7- 8, 2003

**Paper Prepared By:
Renee A. Berger
TEAMWORKS**

Bay Area Local Initiatives Support Corporation 2003 Durable CDCs Conference Monterey, California

Executive Summary

This paper reports on the proceedings of the Durable CDCs Conference held on April 7-8, 2003 in Monterey, California, and sponsored by the Bay Area Local Initiatives Support Corporation (LISC).¹ The aim of the conference was to surface ideas and approaches that could help the area's community development corporations (CDCs) become more strategic about their sustainability. Another dimension of the meeting was to provide a setting for the area's diverse groups, place-based and regional, to explore organizational and external issues of common concern. Senior staff from 27 Bay Area CDCs attended. The head of the region's primary advocacy organization, the Nonprofit Housing Association of Northern California (NPH), as well as the director of the main East Bay advocacy group, also participated in the meeting.

To prepare for the conference Bay Area LISC staff assembled a database of 37 of the region's community development organizations. This effort was not exhaustive, but the findings are instructive. LISC found that the area's CDCs (1) are mature – all but six of the groups were established before 1990, (2) produce high levels of affordable housing production – this sample of groups is responsible for 39,800 units of housing, and (3) provide diverse services – while real estate is a principal activity, it is combined with resident services, homebuyer screening and counseling, and community services for seniors, youth and/or special needs populations.

To stimulate conference discussion LISC commissioned case studies of Chinatown Community Development Center (CCDC) and Christian Church Homes of Northern California (CCH). One organization is place-based and the other works in several counties. Both are well established and were selected, in part, to highlight the differing approaches to their work. In addition, Oakland's Unity Council shared its experience developing a sustainability plan. The conference provided a broad canvas on which people could express their thoughts. By the end of the day and a half, the participants had formulated a framework for organizing their thinking and approach to sustainability.

The case studies of CCDC and CCH, combined with the Unity Council's sustainability plan and the dialogue with the conference participants, brought to the surface several key organizational ingredients for sustainability. They include (1) political acumen, (2)

¹ The Bay Area LISC's 2003 conference follows on one that it convened in February, 2000. It is the only local office of LISC that has convened two meetings of this nature. The 2003 conference was limited to Bay Area CDCs. The term community development corporation is used here to encompass both "place-based" and regional groups that share a mission of bettering the lives of lower income people. Their services may include housing and/or economic development, and various community building activities. For a more detailed description refer to the complete conference report.

strong community connections at the grassroots level and beyond, (3) mission clarity, (4) effective leadership, (4) competent staff, (5) efficient internal systems, (6) quality projects/programs/services, (7) diverse income sources, (8) an ability to “tell your story,” and (9) being open to self-examination (as in the case of the Unity Council’s plan and multiple studies that have been commissioned over the years by CCDC to help inform its planning and management). One other factor, left somewhat implicit at the conference but essential to sustainability, has been the capacity ably demonstrated by the older organizations in particular, to adapt to change.² As a result of the conference, participants could envision activities they could pursue on their own such as contingency/catastrophe planning or longer-term sustainability planning.

The discussion of external issues, many of a public policy nature, underscored that organizational sustainability does not occur in a vacuum. Though the participant organizations operate in differing local contexts and are themselves structured in diverse ways, many of the external concerns are so sweeping and system-wide that all find themselves affected. Immediate concerns included fears of reduced funding and rising insurance rates. More ongoing and systemic issues that were raised are (1) gaining a broad base of public support (community and political), (2) dealing with differing regulations across agencies, and (3) working with diverse municipalities and their different requirements. CDCs must cope with a nightmare of paperwork to meet the requirements of federal, different state, and local agencies. They must also routinely make adjustments to differing code and other requirements, much of which could be aided by intergovernmental agreements. Though CDCs are desirous of increasing efficiencies, such goals cannot be met without changes in the external environment.

The conference successfully brought urgency to the need for sustainability planning, clarity regarding its scope, outlined paths for collective policy actions, and presented approaches and a specific tool to carry out such planning within their own organizations. Finally, it provided a setting for the Bay Area’s diverse groups to surface issues of common concern, both within and across localities that are affecting their abilities to fulfill their missions. The brief day and a half conference discussion offered Bay Area LISC vital input to enhance its efforts and work with partner organizations to create a more conducive environment for community development organizations.

The paper notes that the initial mood at the conference was glum, a product of the poor economy and the imminence of draconian state budget cuts. Yet by the end of the conference the pall lifted. Toward the close of the conference participants were asked to rank how they felt about the future from really dire to okay. The sizable majority was upbeat. This may well be a tribute to participants recognizing what they had already overcome, the empowering aspects of sharing information and ideas, and being able to envision possibilities for both individual and collective action. As one attendee summarized, “Don’t lay down ...make noise.”

² *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact*, by Christine Letts, et al (New York: John Wiley and Sons), 1999. Letts and her co-authors explain that “adaptive capacity” is essential to an organization delivering on its mission. They state, “For an organization to be more than the sum of its programs, it needs the ability to ask, listen, reflect, and adapt.” (p.21)

What would you like your tombstone to say? It would be that we want to leave the community stronger than when we started. We want to leave the residents and volunteer community stronger. We want to leave the physical assets better able to sustain themselves, too.

Conference Participant

2003 Durable CDCs Conference

The United States is well recognized for its entrepreneurial climate. New science and engineering technologies spawned in the past few decades have grown entirely new industries to accelerate our understandings of human development. Another, socially driven technology, fusing fields as diverse as sociology and economics emerged in the same period to address the growing challenges faced by our nation's low income and most fragile populations. Known as community development, its first corporations were created in the early 1960s. Though a comparatively young industry, community development corporations (CDCs)³ have accomplished much. They bring life to impoverished areas, playing a role in making them safer and more attractive. A key instrument of CDCs to revitalize communities is their capacity to produce affordable housing, one visible manifestation of their vital work.

For their capital, these corporations, which are nonprofit, rely principally upon the commitment of political leaders and government support and the good will of private and community foundations. With many legitimate claimants on these limited resources, CDC managers must steer their organizations through constantly changing revenue streams that challenge their very survival. A census of CDCs in 1988 found 2,000 organizations; just one decade later the census was 3,600.⁴ There is no reliable count of CDCs that have closed their doors either through failure or merger. However, increase provides compelling evidence of the growing strength of the field. CDCs can now be found in inner cities, suburbs, and rural areas through the nation. They are filling in the landscape from the South Bronx down to the Mississippi Delta, and across the nation to California's Central Valley.

³ The term community development corporation is used here to encompass both "place-based" and regional groups that share a mission of bettering the lives of lower income people. Central to the work of many is producing affordable housing. Other key aspects of their work may include economic development and community building (e.g. programs for youth/elderly, crime watch). Place-based groups tend to have strong ties to specific geographic areas (e.g., a neighborhood); regional organizations operate in several localities.

⁴ *Coming of Age: Trends and Achievements of Community-Based Development Organizations* (Washington, DC: National Congress for Community Economic Development), 1999.

During the early years of CDC formation it was thought that groups with powerful production capacity would grow strong organizational capacity. Years of hindsight now make that belief seem naïve. Organizations chased developer fees and grew burgeoning portfolios of housing, but found themselves ill equipped to manage the properties.⁵ In the late 1980s the Local Initiatives Support Corporation began implementing capacity-building programs to bring the tools of organizational assessment and strategic planning to CDCs. This greatly increased LISC's focus on financial management, property management, asset management, and the technology infrastructure of CDCs. Attention to building awareness and systems of support for organizational development has paid off. Recent research findings conclude that "The overall improvements in capacity-building systems seen in the 1990s could not have taken place without the strong role of the national intermediaries."⁶

Through its Organizational Development Initiative, LISC's national office is continuously searching out practices and developing tools customized for CDCs to grow their capacity and durability. While busy with searching out and surfacing the lessons of success, LISC also sought a way to constructively discuss the problems and challenges in the field. In the late 1990s, LISC began convening what are now known as "Durability Conferences." These are small, retreat-styled meetings that use peer learning techniques for CDC staff to talk in a forthright manner about the tough issues they face.

Durability Conferences: Advancing the Field through Self-Study

This paper reports on the proceedings of the Durable CDCs Conference held on April 7-8, 2003 in Monterey, California, and sponsored by the Bay Area LISC. The aim of the conference was to surface ideas and approaches that could help the area's CDCs become more strategic about their sustainability. Another dimension of the meeting was to provide a setting for the area's diverse groups, place-based and regional, to explore organizational and external issues of common concern. It is one of a handful of sessions that grew out of a retreat convened by national LISC in 1998 to encourage deep examination of CDC organizational management by using case studies.

During the 1990s, CDCs were experiencing extraordinary growth with their production levels for affordable housing soaring. In the midst of mainly good news stories, several well regarded CDCs that had played impressive roles in their communities' revitalization experienced crises that threatened to close their doors. The first retreat's findings explain that these groups were "overextended, financially and programmatically, in ways that their funders and stakeholders failed to recognize in time."⁷ But equal to the importance of the findings from the meeting was the recognition that case studies of the ups and downs of CDCs' organizational development can be profoundly helpful. Case-driven

⁵ *Confronting the Management Challenge: Affordable Housing in the Nonprofit Sector* by Rachel Bratt, et al (New York City: Community Development Research Center, Graduate School of Management and Urban Policy, New School for Social Research), 1994.

⁶ *Community Development Corporations and their Changing Support Systems*, by Christopher Walker (Washington, DC: Urban Institute) 2002, page 42.

⁷ Building Durable CDCs, A summary of proceedings of a conference organized by the Local Initiatives Support Corporation, September 27-29, 1998 in Glen Cove, Long Island.

sessions of similar intensity soon followed, in Minneapolis and in South Florida that focused on identifying what factors could contribute to making CDCs more durable.⁸

The Bay Area LISC's 2003 conference follows on one that it convened in February, 2000, which was also located in Monterey. It is the only local office of LISC that has convened two meetings of this nature. The earlier meeting attracted 75 people, nearly all senior staff of California's CDCs. It used three case studies to spark discussion that ultimately centered on a set of human resource issues and the ever present challenge of stabilizing income streams. Directors and other staff described their being overstretched and their inability to attract and maintain talent – the latter aggravated at that time because of the state's then low unemployment. Among the recommendations from this session was that LISC plan for similar case-based meetings to promote deep exchange among peers.⁹

The 2003 conference was limited to Bay Area CDCs. In addition to San Francisco and the East Bay, CDC staff came from San Jose, Stockton, Santa Rosa, Gilroy and the Napa Valley. In total 46 people attended, including senior staff from 27 Bay Area CDCs, and the head of the region's primary advocacy organization, the Nonprofit Housing Association of Northern California (NPH). The meeting was co-facilitated by the director of LISC's Organizational Development Initiative, Maria Gutierrez, and a former senior LISC staff member, Rick Cohen, who is also a prolific writer in the field of community development. The meeting was focused on factors that contribute to sustainability.

The Bay Area and its CDCs

The region's CDCs range from those whose work is almost exclusively place-based, focusing on one or two neighborhoods, to those that span an entire county or more. Bay Area LISC staff assembled a database of 37 of the region's organizations, 27 of which were represented at the conference. While not meant to be exhaustive, it is an excellent starting point for exploring the regional community development infrastructure. This study was shared with the conference participants, and helped to provide a context for the breadth and scale of their collective work. Some of the highlights are

- **Organizations are maturing.** Over 52 percent of the organizations were created in the period 1970-1985. All but six of the groups were established before 1990. The two youngest in the sample will celebrate their 10th anniversaries this year.
- **Affordable housing is a key product.** Together, these 37 CDCs are responsible for 39,800 units of housing, including for both renters and homeowners. The individual scale of development is also impressive. Ten organizations have produced between 1,000-2,000 units; five have produced more than 4,000 units each.

⁸ Durable CDCs and Operating Support: A summary of the proceedings of a conference organized by the Local Initiatives Support Corporation, May 3-5, 1999 in Minneapolis. And, Durable CDC Conference Report, March 16-17, 2001 in South Florida.

⁹ CDC Durability – Issues Challenging California CDCs: Conference Paper, February 28 – March 1, 2000. Monterey, California.

- **Sizable numbers are managing their own property.** Within this sample, 21 organizations were managing their own properties. The smallest portfolio is 240 units, with many organizations managing in excess of 1,000 units.
- **Diversity of services.** While real estate development is a principal activity of the CDCs, this is combined with resident services, homebuyer screening and counseling, and community services for seniors, youth and/or special needs populations. Thirteen organizations have staff in addition to the executive director dedicated to community planning and advocacy. The Bay Area CDCs exemplify the breadth of these activities. Neighborhood-based organizations often provide a broad range of services while regional groups typically focus on housing.

The Bay Area region is astonishingly diverse. Low income areas and new immigrants are largely synonymous in California, and working with these diverse populations is part of the daily rhythm of the area's CDCs. Neighborhoods that were once wholly identified with African-Americans in Oakland and East Palo Alto now have substantial Latino populations, plus are home to growing numbers of Southeast Asian immigrants. CDCs often have to be able to effectively communicate in a handful or more languages.

The Bay Area is home to three major cities, San Francisco, Oakland, and San Jose, and encompasses hundreds of other municipalities. One city might have a receptive environment for CDCs, while its neighboring jurisdiction may not. San Francisco, for example, has provided critically needed operating support for CDCs, a factor known to provide stability and enhanced capacity. No other Bay Area locality has a comparable program, which forces CDCs to chase development opportunities that produce fees.

When Bay Area LISC's 2000 conference was convened the unemployment rates were rock bottom, hovering around 2 percent. Just three years later, the rates are more than three to four times that level. Despite the steep rise in unemployment, housing prices have continued to rise, which makes it impossible for the vast majority of people to buy a home. Rents have remained level, or decreased, but many people are scrambling for jobs. As a result, the pressure for affordable housing is continuing. A recent Housing California report explains "In San Francisco, San Mateo and Marin counties, the housing wage (a wage that enables a worker to spend no more than 30 percent of their gross income on a Section 8-standard two-bedroom housing unit, i.e. the federal definition of affordability) is the highest in the nation, at \$37.31 per hour – an annual salary of \$77,000. A worker earning the California minimum wage of \$6.75 an hour would have to work for over 200 hours a week to afford a basic two bedroom apartment, and a week contains only 168 hours."¹⁰

¹⁰ *Why We Need Affordable Housing: Unmet Needs in the California Housing Market*, by Alex Marthews, Housing California, 2002.

The Conference

Among the conference participants were executive directors who could recall when their organizations first began over 25 years ago. They and perhaps one other staff person might have constituted the group's entire organizing, real estate development, and construction capacity. They did the hammering, put up the dry wall, and did the painting. People with more than 25 years of experience and whose activism initially took shape in the 1960s mixed with a new generation of directors. One of the facilitators asked a series of questions designed to paint a picture of the group's overall composition. Only one group was formed since 1997. Nearly all attendees had been formed in the 70s and 80s, and one was established in 1961. Remarkably, about one-third serve three or more counties, half focus their work within one county, and the remainder in two. About 70 percent are involved in advocacy. The group's composition was ideal for LISC's desire to create a forum for knowledge-sharing and mutual understanding.

It would be disingenuous to fail to acknowledge the dark mood at the beginning of the conference. Participants were absorbed with military events underway in Iraq, and more locally with California's \$38 billion deficit. All anticipated draconian cuts. Many had tenants facing reductions in their social services. With all dependent on a mix of state and local funding to match limited federal support, optimism for project financing in this grim climate was understandably in short supply. Misery had found company.

The conference, like its predecessors, used case studies to spark discussion. Given the focus on "sustainability," Bay Area LISC staff extended invitations to richly experienced organizations, asking if they would be willing to be profiled and to also conduct a presentation at the conference. The organizations that were profiled are Chinatown Community Development Center (CCDC) and Christian Church Homes of Northern California (CCH). In addition to these two cases, Oakland's Unity Council shared its experience developing a sustainability plan. The cases were presented by the organization's directors. Each was formally followed by observations made by a commentator who had been assigned the task of eliciting the case's most salient points.

Before summarizing the presentations and the discussion that followed, it is important to recognize that the three groups, in addition to sharing the breadth of experience valuable to a conversation about sustainability, also have longstanding directors for whom the topic of succession is vital to their organization's future as is how to institutionalize the work of their organizations.

The executive directors of two of the featured organizations, CCDC and the Unity Council, are also their founders. Together they share upwards of fifty years of experience working to advance their organizations and the cause of community development, locally and nationally. Though not a founder, the director of CCH joined the organization in 1987 after many years working in the field of affordable housing. The head of the Unity Council has announced her retirement, which served as an accelerant for the organization's long-term sustainability planning. CCDC reports that it is developing both an emergency, "if the director is hit by a bus" management plan, as well as a longer term

one for the eventual retirement of its longstanding head. While there is understandable concern about the potential for forgetting its history, the case study of CCDC points out that the organization routinely opens itself to outside analysts, and has a library of reports about the organization reaching back to its inception. The organization has fostered a culture that supports reflection and learning, key ingredients to sustaining its mission and its operations.

A Case Study: Chinatown Community Development Center

Chinatown Community Development Center (CCDC) is a nationally recognized organization that was founded in 1977. CCDC was formed by five Chinatown grassroots organizations working in the areas of affordable housing, transportation, open space, public housing, and community facilities. Though twenty-five years have passed, CCDC's roots in Chinatown remain strong. CCDC maintains strong links to its five founding organizations. With their backing it defines priorities and gains a broad and deep community base.

During the period 1977-2002 CCDC grew from a staff of four to current staffing of over 100 people. It has an annual budget that exceeds \$4 million. The organization's asset base of \$32 million encompasses sixteen affordable housing developments providing 929 units of shelter to over 1,200 people. By the end of 2004, this asset base will grow further to nineteen developments and 1,323 housing units serving over 2,200 people. These assets include 26 retail storefronts operated by neighborhood businesses that provide 150 jobs.¹¹

The executive director of CCDC noted that the following tenets have guided the organization's evolution: (1) it would be place-based, (2) there would be a strong volunteer base, and (3) the core programs would be planning and organizing. For CCDC place and constituency are inseparable and the choice of whether to focus in a target area or on a target population was not necessary. Chinatown and working with the Chinese population was synonymous. It was clear from CCDC's beginnings that development would be part of its work, but its director explained that "We knew that we were not going to stop the housing problem. We knew we had to do something larger. We knew you can build a 100 unit project, but lose 500 units in the four years it takes to do that." Over time, CCDC expanded its development activity to other San Francisco neighborhoods, including Japantown, the Tenderloin, and North Beach. But the center of its circles of activity remains Chinatown.

CCDC's board and staff are ready to cite the city's passage of Chinatown's rezoning as the organization's single greatest and most enduring achievement. The organization joined with Asian Neighborhood Design and the Chinese Chamber of Commerce to sponsor a "community plan" to sustain the character of Chinatown. The threesome's skillful technical work combined with grassroots activism and political acumen led to the city council's unanimous approval of Chinatown's rezoning in 1987. Without this protective envelope—a testament to recognizing that community development is about

¹¹ Data is from CCDC's Strategic Plan 2001-2004, dated September 2001.

land use and doing your knitting in the community—Chinatown would have gone the way of Manilatown, displaced and destroyed.

At the conclusion of his remarks, the session's commentator offered the following to summarize the chief factors that contributed to CCDC's sustainability: (1) it is mission focused, i.e. on land use and community organizing, using its development capacity to advance those causes, (2) it has demonstrated the ability to sustain political clout, negotiating its relationships successfully through six mayors, innumerable changes of supervisors, and directors of the city's housing department, (3) despite being a small organization, it has been able to maximize its power several fold by maintaining its sizable volunteer base (who number in the thousands) that can be called upon to advocate for community concerns, (4) it has made impressive adjustments to its organizational structure, including a merger of two of its arms, to increase efficiency and to ensure that it has the systems to support growth, and (5) it is strategic about how to diversify its sources of income.

The question and answer that followed drew out nuances to these key points. Among the most significant items was how it has stayed mission driven and focused in Chinatown while expanding its development portfolio to other neighborhoods. Several factors shaped CCDC's creation and continue to affect it today. They are its ongoing connection to its founding groups and a founding staff of planners focused on land use and the power of community action. Chinatown itself has a small footprint and limited development opportunity. When it moved beyond its immediate boundaries in an effort to generate development income, it avoided turf battles either working with existing CDCs or in areas where there were none. CCDC chose areas and populations that they thought would be familiar, and despite a few bumps along the way, the strategy has been successful. While CCDC's organizing staff channels its energies to Chinatown, the issues it addresses were described by another San Francisco executive director as "Pan-San Francisco," i.e. they affect the rest of the city.

The session's facilitator pointed out that the ability of the organization to maintain its mission clarity, a critical ingredient of its sustainability, is aided by its self-reflective behavior. One key concern is an imminent change in the city's political leadership, which will again test the organization's acumen.

A Case Study: Christian Church Homes

Christian Church Homes (CCH) is a faith-based group devoted to providing affordable, quality housing for low income seniors. Established in 1961, CCH has received numerous awards for its service-rich programs enjoyed at its Department of Housing and Urban Development (HUD) sponsored projects for seniors. CCH's history and its operations are quite different from those of CCDC, and reflect the big tent that houses community development corporations. CCH's tradition is rooted in the long track record of churches and synagogues active in building housing for their elderly faithful. Initially structured in the early 1960s to formally maintain a bond with the National Benevolent Association and its network of Christian Churches, in 1981 CCH became a totally independent legal entity. Its board members are largely drawn from the Christian

Churches, and its mission states that the organization is an expression of the Christian faith. It does not, however, consider religion as a criterion for employment or residency.

CCH grew from humble roots and its one 48-unit development in Santa Cruz, to one of the Bay Area's largest nonprofit affordable housing developers and managers. It owns/co-owns 17 facilities and has management contracts in another 23. There are over 4,000 people (90 percent seniors) enjoying the security of living in one of CCH's 3,810 units. From one staff person in 1968 it grew to its current size of 359 staff. As of July, 2002, the organization's corporate budget was \$2.4 million. In its four decades as a developer, owner, and co-owner, CCH has never sold or defaulted on any of its properties.

Unlike many community development groups, CCH's work is not place-based. Its work is driven by its mission of providing affordable quality housing for seniors. Location is a factor if it affects the security of the prospective residents or the marketability of its units. Geography is not an important variable in its decision making. CCH's housing ranges as far north as Redding and south to Visalia. Its corporate offices are in Oakland.

Like CCDC, a sharp focus on mission is critical to CCH's steady evolution. Staff refer to a three-legged stool that it uses to guide decision making. Projects must meet at least two of three criteria: is it for the elderly? is it affordable? is it a nonprofit partner? True to its mission, 95 percent of its facilities exclusively serve lower income seniors. Twenty-four of its projects are HUD Section 202s (1678 units), another seven are HUD Section 236s (996 units), and five other projects add another 480 units (HUD Section 221(d) 4: LIHTC).

Another feature of CCH's success has been its excellence in property management. CCH has been managing property since its beginnings in the 1960s. Property management is the primary source of the organization's income (85 percent) and constitutes 85 percent of its staffing. Though property management contracts on non-owned properties have helped subsidize the work of CCH's development activities, they increase CCH's dependence on other owners. Over half (24) of all of CCH's projects are HUD Section 202s; another seven are HUD preservation projects. While the HUD 202 program has grown costlier to develop and is layered with more regulations, CCH calculates that 202 properties generate roughly 20 to 30 percent more operating income per unit/annum than a typical property financed by Low Income Housing Tax Credits.¹²

The person assigned to comment on CCH's path toward its sustainability noted that other organizations had a "wild ride...a bucking bronco," but CCH was likened to a "Tennessee walker." CCH does virtually no fundraising. Its early start with HUD 202 projects and its continued laser-like focus on serving the elderly has given CCH unusual financial stability. Elderly tenants present a special set of challenges, but the deeper

¹² CCH strives to produce a per unit/annum of \$4,700 to \$5,000, to fund both operating expenses and resident services. While it is CCH's goal to offer the same quality of services across all of its facilities, the razor thin operating margins of CCH's tax credit properties, roughly \$3,700 per unit/annum, make it particularly challenging to achieve that goal.

operating margins of the HUD-financed projects have allowed CCH to provide needed services. Also, unlike family housing, there is less wear and tear on property. In summary, the close alignment of CCH's mission and that of HUD (specifically its 202 program) enables the organization to pursue its goals relatively less challenged by the kinds of political, financial, and social constraints experienced by other community developers.

Participants asked probing questions about CCH's property management, how it succeeds in managing facilities hundreds of miles from its base and how it makes money. Its director gave considerable credit to its core internal human resource systems, extensive training, and efficient accounting systems. CCH has an impressive record of maintaining its staff. Department heads have 8-24 years of experience; half of the accounting staff and 25 percent of site administrators have worked for CCH for more than ten years. About 40 percent of CCH's staff is 51 years old or more. CCH has been able to go back to HUD to stretch its financing, particularly for its 202 (202-flex subsidy) projects. It has used this financing to address the needs of its older housing stock, some of which is now over 30 years old. One of CCH's other challenges is how to provide the same level of service in buildings that it does not own. Again, the director underscored the importance of having a staff that is committed to its vision and is well trained. Finally, he noted that CCH is not hesitant to use its credibility to advance legislative concerns affecting its income from HUD's programs and to meet tenant needs. For example, CCH was active in the "Aging in Place" movement, including writing some of the authorizing language in the legislation that resulted in the inclusion of social service coordinators in HUD-funded senior projects.

While many in the audience pressed to understand CCH's seemingly magic touch with property management, its director stated that he "does not lose sleep over management." Instead, it is development that worries him. The session's facilitator noted CCH's "demonic focus," a bit of an oxymoron in light of the organization's faith base, but on point to underscore how it has steered its course. A participant noted that "We talk about diversification as a strategy for sustainability. There are reasons of wisdom and luck that worked for CCH...I think it is hard to make a single bet and make it work." Indeed, a new research study found that "organizations with a narrow mission were vulnerable to changes in community needs and funding priorities."¹³ CCH is taking steps diversifying its financial base, expanding its HUD portfolio while aggressively building its management practice for third parties. CCH has already been able to demonstrate its ability to roam, albeit as a Tennessee walker, far from its home base exploring opportunities for more senior housing, a market that continues to grow.

Unity Council: Long-Term Sustainability Planning in Action

In addition to the two case studies, the Oakland-based Unity Council (UC) shared its experience developing a long-term sustainability plan. The Unity Council is in the midst of one of the largest commercial real estate projects being undertaken by a community

¹³ "Evolving Challenges for Community Development Corporations: The Causes and Impacts of Failures, Downsizings, and Mergers," by William Rohe, Rachel Bratt, and Protip Biswas (Chapel Hill: University of North Carolina at Chapel Hill), January 2002, page x.

development corporation. It has enjoyed impressively stable leadership through most of its years, but is facing the retirement of its founding and longstanding chief executive. UC successfully applied for support to undertake a comprehensive planning process, examining both external challenges and internal ones. The Unity Council's presentation was accompanied by a 30 page draft of the plan that provides a comprehensive framework showing how the Council conceptualized and analyzed its sustainability

Though the day had already covered considerable territory, participants paid keen attention to UC's sustainability plan and the process it used to guide its development. Some of the initial pessimism that had marked the beginning of the conference seemed to lift as participants could envision how they might generate a similar tool to plan for their future. Notably little attention had been given earlier in the day to developing a common definition of sustainability. Rather, the group had charged into discussion as though there was one shared definition. While the lack of one had not bogged down the group, the Unity Council's studious work gave participants an opportunity to discuss sustainability in terms far more subtle and complex than just the yardstick of having enough money.

The presentation stressed that the plan's formulation was organic. It required the chief executive giving it priority and a willingness to engage in an interactive process, moving back and forth "talking about fuzzy things, and trying to write concrete things." It took roughly a year to complete the project, which was still receiving some of its finishing touches. The Unity Council document opens with a strong statement that sustainability is not at heart a financial question, that the reason to survive must continuously be found in the impact the organization has in the individuals and the community it serves. With this statement serving as context, the paper then analyzes the Council's financial sustainability, providing a point by point assessment of the organizations current and potential resources. Both this section and the following, finely crafted section on program sustainability, were sufficiently generic for conference participants to gain a foothold to see how they could apply it to their own circumstances.

External sustainability challenges had already been raised at the conference. Some of the most frequently mentioned were the hard hit national and state economy, the precipitous drop and changing priorities of the area's philanthropic givers, the patch quilt of costly regulations, bureaucratic micro-management, and the overall lack of financing for affordable housing. For the Unity Council, proposals before the U.S. Congress are threatening to change how Head Start is funded, which could affect the Council's largest program, as well as the leasing of its child development space at its flagship Fruitvale Village.

The Unity Council's internal analysis included a deep assessment of its financial future focusing on its poor prospects for unrestricted revenue. The Council is exploring the possibility of securing its own investment capital that would wholly be devoted to expanding its real estate. A second overarching issue is executive transition. To proactively tackle the organization's need to find a successor to its long term director, the board has agreed to work with CompassPoint Nonprofit Services which will assist them through a transition.

The presenters, both the Unity Council's executive director and the sustainability planning consultant, indicated that the most interesting and complex part of the analysis was of the organization's programs. The analysis was driven by a set of criteria developed to assess the prospects for long-term sustainability of the program itself and the program's contribution to the organization's sustainability. Place-based organizations, such as the Unity Council, it was asserted, are about "possibilities" and cannot afford to have an overly narrow mission. Their message was that key to program sustainability is "having smart, strategic, and experienced people to manage the integration of programs." Credit was given to the organization's "reservoir of good will," noting that one of the key statements of the study (and of the conference discussion) is the durable relationships you build in the community.

The respondent to this presentation thanked the Unity Council for its contribution, and the potential uses of its product for them and other organizations. The discussion after largely focused on the Council's potential move to expand its real estate role, despite its risk. People commented about its market-driven character, where big risks can enjoy big rewards, but also pointed out concerns about the Unity Council's exposure with its commercial development in the current sour economy. The Council's work challenged the fundamental thinking of all present, even pushing the boundaries to potentially explore land banking and market rate development.

Day Two: Brainstorming Specific and Collective Interests

The organizations represented at the conference, though sharing an overarching goal of serving lower income people, conduct their work in different locations and in diverse ways. The policies of local jurisdictions greatly affect their work, with groups in San Francisco historically enjoying a more supportive political environment than their colleagues elsewhere in the region. But San Francisco's neighborhoods are small and the city is built up. Consequently, its CDCs have comparatively fewer development opportunities than their colleagues outside of San Francisco. These factors and whether organizations are place-based or not affect their opportunities and their sustainability.

On the second day of the conference the participants were divided into three groups, those that are based in San Francisco (and are largely place based, focusing their work in specific neighborhoods), regional groups that work in one or more counties and tend to primarily provide housing, and community-based organizations outside of San Francisco. This allowed the groups to drill down into issues discussed the previous day and introduce new ones relevant to where and how they work. Importantly, it provided for caucusing that had not occurred earlier in the conference. Much of the discussion within the groups was about public policies and the political environment of the particular jurisdictions where they work. Some of the needs expressed were narrower, affecting a small subset of groups; others were broad, and form the basis for potential collective actions.

The San Francisco groups zeroed in on the politics of the city's mayoral race. There was considerable concern about the extent to which the announced candidates were

knowledgeable about the role played by the city's CDCs. Participants decided they would work collectively to (1) develop an educational campaign on housing issues to educate the candidates, (2) work with their communities to build a base for support, (3) explore ways to expand financing (e.g., 2004 San Francisco housing bond, state campaign for super-majority v. two-thirds requirement, city's surplus cash policies). The group also introduced the concept of doing contingency planning for a catastrophe, such as a precipitous drop in project funding or fundraising revenues.

The community-based organizations outside of San Francisco talked about the sagging economy and the impact on their markets. They discussed rising vacancies and the need to grow their marketing skills. They expressed concerns about their own human resource needs, recruitment of staff, and also how to further strengthen their internal systems. They are desirous of finding a means of streamlining paperwork. One rising worry is the cost of insurance. Participants suggested that it would be useful to create a committee to examine pooling resources, possibly for self-insuring, and to strategize about gaining support from the highest political levels in the state, e.g. its commissioner for insurance. Members of this group also shared their thoughts about how to better communicate their work. One thought that was advanced is creating an internship for legislative aides, noting that "when we visit legislators, we are generally meeting aides, and we have to educate them." Questions were raised about the roles of the intermediaries (e.g., LISC and Enterprise) and the balance between whether they should be leading a public relations campaign versus spending more on predevelopment.

The regional organizations echoed the concerns about insurance costs, and burdensome paperwork. The larger groups talked about growth management (adding a 1,000 or more units to their portfolios in the next year or so) expressing anxiety over their abilities to develop the systems and find the staff to manage the assets and the properties. In the search for greater efficiencies as one strategy for increasing sustainability, groups suggested reconvening to explore how to "unlock" monies now embedded in projects and in how assets are managed. Other important issues described by these groups were aging buildings now reaching 30 years or more in some portfolios, and tenants aging in facilities that were never designed for their needs. Some pointed out cutbacks in social services were affecting their tenants, and worried about the situation worsening. Groups in the South Bay cited concern with the city of San Jose's resistance to lowering its threshold for affordability. They and others cited their local jurisdiction's micro-managing, e.g. efforts to change deal structures to include moderate income or to pursue risky commercial development, as a source of heightened exasperation.

Despite the considerable diversity of the groups at the retreat, there were several areas that rose to the level of a call for collective action, which share an aim of creating a more favorable public policy climate. They are (1) the impact of rising insurance costs on affordable housing; (2) the need to reduce paperwork, potentially by streamlining reporting for regulatory agencies and lenders (e.g., working with the California Housing Finance Agency); and (3) the desire to better educate key groups that hold sway over public policy and the context in which CDCs work, e.g., HUD, the California state Housing and Community Development Department, the California state legislature, local

politicians, staff in housing, community development and redevelopment agencies, journalists) – a task that well fits the roles of LISC, NPH, and other support organizations. Participants talked about the need to better organize their time visiting legislators at the annual Housing California conference, and arranging meeting with the region’s HUD staff to express their concerns about recent deliberations of federal housing programs, such as whether or not Section 8 would change into block grant. Finally, LISC was asked to organize meetings such as this one, ideally on a quarterly basis.

Conclusion

The conference had provided a broad canvas on which people could express their thoughts about sustainability. The participants reviewed and discussed the evolution of two different organizations, one that is place-based and another that is not, and learned about a specific tool they could apply to assess and guide their sustainability. They deliberated how the information might apply to their own organization’s trajectory. By the end of the day and a half, the group had formulated a framework for organizing their thinking and approach to sustainability, both in relation to internal, organizationally-based considerations as well as external system-related ones.

The case studies of CCDC and CCH, combined with the Unity Council’s sustainability plan and the dialogue with the conference participants, brought to the surface several key organizational ingredients for sustainability. They include (1) political acumen, (2) strong community connections at the grassroots level and beyond, (3) mission clarity, (4) effective leadership, (4) competent staff, (5) efficient internal systems, (6) quality projects/programs/services, (7) diverse income sources, (8) an ability to “tell your story,” and (9) being open to self-examination (as in the case of the Unity Council’s plan). One other factor, left somewhat implicit at the conference but essential to sustainability, has been the capacity ably demonstrated by the older organizations in particular, to adapt to change.¹⁴

It is extremely difficult, if not impossible for organizations to undertake effective planning when facing crisis, or simply the experiencing the day-to-day of the types of demands experienced by CDCs. Planning requires the ability to study and reflect, activities that require time and some calm. Resources are needed to support planning, and those resources are scarce. The notion of sustainability planning is only just now emerging as a discrete task, distinct from strategic planning. As a result of the conference, participants could envision activities they could pursue on their own such as contingency/catastrophe planning or longer-term sustainability planning.

The discussion of external issues, many of a public policy nature, underscored that organizational sustainability does not occur in a vacuum. Though the participant organizations operate in differing local contexts and are themselves structured in diverse ways, many of the external concerns are so sweeping and system-wide that all find

¹⁴ *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact*, by Christine Letts, et al (New York: John Wiley and Sons), 1999. Letts and her co-authors explain that “adaptive capacity” is essential to an organization delivering on its mission. They state, “For an organization to be more than the sum of its programs, it needs the ability to ask, listen, reflect, and adapt.” (p.21)

themselves affected. Immediate concerns included fears of reduced funding and rising insurance rates. More ongoing and systemic issues that were raised are (1) gaining a broad base of public support (community and political), (2) dealing with differing regulations across agencies, and (3) working with diverse municipalities and their different requirements.

The Bay Area CDC community, through the work of individual organizations and groups such as Bay Area LISC and NPH, has a solid reputation for its dogged work in the public policy arena. Nevertheless, it is a constant challenge to educate current and emerging political leaders (e.g. candidates for mayor in San Francisco, council members in San Jose), legislative staff in Sacramento, and other state and federal agencies. It is well established that a linchpin of success for community development is a supportive political environment. This directly affects financing but also can impact matters such as whether or not state agencies or even municipalities develop cooperative agreements to simplify regulations. CDCs must cope with a nightmare of paperwork to meet the requirements of federal, different state, and local agencies. They must also routinely make adjustments to differing code and other requirements, much of which could be aided by intergovernmental agreements. Though CDCs are desirous of increasing efficiencies, such goals cannot be met without changes in the external environment.

The conference successfully brought urgency to the need for sustainability planning, clarity regarding its scope, outlined paths for collective policy actions, and presented approaches and a specific tool to carry out such planning within their own organizations. Finally, it provided a setting for the Bay Area's diverse groups to surface issues of common concern, both within and across localities that are affecting their abilities to fulfill their missions. The brief day and a half conference discussion offered Bay Area LISC vital input to enhance its efforts and work with partner organizations to create a more conducive environment for community development organizations.

The pall that had marked the beginning of the conference lifted. Toward the close of the conference participants were asked to rank how they felt about the future from really dire to okay. More than 60 percent said they thought things would be okay, with the remaining group in the middle, though with a few saying the trend was toward dire. This may well be a tribute what the participants had already overcome, the empowering aspects of sharing information and ideas, and being able to envision possibilities for both individual and collective action. As one attendee summarized, "Don't lay down ...make noise."

.....

For more information, please contact:
Stephanie Forbes, Director
Bay Area LISC
369 Pine Street, Suite 350
San Francisco, CA 94104
(415) 397-7322