The Role of Nonprofits in CED

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Nonprofit institutions play an integral role in community economic development (CED) in the United States. These entities initiate and implement most CED activities, and the CED movement would be significantly weakened without their existence. This chapter briefly explores the historical context of various nonprofit organizations in assisting low- and moderate-income communities across the United States, the ways in which modern-day nonprofit organizations are effecting change in their communities, and the challenges to their effectiveness.

The first section of this chapter discusses community development corporations (CDCs), neighborhood-based organizations that are the primary instruments used to drive and implement revitalization in low- and moderate-income neighborhoods. The second section examines national nonprofit intermediaries, organizations created to support CDCs, such as the Local Initiatives Support Corporation (LISC), Enterprise Community Partners, formerly known as Enterprise Foundation (Enterprise), and the Neighborhood Reinvestment Corporation now doing business as NeighborWorks America. These organizations, which emerged in the CED field in the late 1970s and the early 1980s, have been essential in supporting CDCs and ensuring the success and continued progress of many CED projects. Local and regional nonprofit intermediaries also support the work of CDCs, but an in-depth discussion of these organizations is beyond the scope of this chapter. The third section of this chapter addresses national nonprofit CED organizations and the ways in which they strengthen the CED movement. Finally, the chapter considers current trends and opportunities for nonprofits in CED such as social capital, social enterprises, and for-profit charities.
Community Development Corporations

CDCs are key actors in the modern CED movement. They are community-based organizations that undertake varied activities such as affordable housing development, commercial development, social services such as job training and child care, and community organizing to improve the economic conditions of the low- or moderate-income neighborhoods where they are located. These organizations vary in size, scope, capacity, background, and track record, and they may not refer to themselves as CDCs. Some CDCs are called community-based organizations, community-based development organizations, neighborhood-based organizations, neighborhood development organizations, or economic development corporations. They are located in urban and rural areas in all 50 states. The vast majority of CDCs are organized as nonprofit, Internal Revenue Code (IRC) Section 501(c)(3) tax-exempt organizations, so that they may attract essential foundation, government, corporate, and private funding. Since their arrival in the 1960s, the number of CDCs has increased dramatically from approximately 100 in the 1960s to approximately 4,600 in 2005.1

Although CDCs are extremely diverse, they have a few basic, common characteristics. First, their primary purpose is dedicated to developing a geographically distinct neighborhood with large numbers of low- and moderate-income people.2 For example, one of the first CDCs established after the Special Impact Program was enacted in the 1960s (further described below), was the Bedford-Stuyvesant Restoration Corporation. The organization was created to address the economic and physical decay of Brooklyn, New York's five-mile-square Bedford-Stuyvesant section. Second, the boards of CDCs generally consist of a certain number of residents from the neighborhoods in which they are located.3 Finally, all CDCs undertake some form of economic development or CED activity.4 The distinction between economic development and CED is that economic development employs various efforts—such as housing and small business development, job creation, and individual wealth creation—to improve the financial condition of communities, but these efforts often reflect business leaders' and politicians' interests. Their interests do not necessarily take into account the perspectives and goals of citizens in the communities that are the target of the economic development activities, and their efforts do not empower such citizens to improve their communities.5 CED also utilizes various strategies such as housing and business development, job creation, and community organizing to improve the economic condition of communities. However, CED primarily uses nonprofit nongovernmental organizations that are accountable to specifically defined residential neighborhoods and that often integrate residents' goals to accomplish such activities.6 Certain CED and CDC researchers and organizations that engage in CED activities believe that CED must also empower residents to play a significant role in developing their own revitalization strategies and to speak for themselves when organizing such strategies.7
One of the most prevalent CED activities CDCs engage in is affordable housing development. Although some early CDCs were involved in a number of other CED activities such as housing and business development, social service projects, and community organizing, many of these early organizations had neither the capacity nor the financial support to successfully undertake all of these various activities. Consequently, many of these ventures faltered. After the 1960s, numerous CDCs narrowed their focus to specific programs, and many in the 1970s and 1980s focused on housing development. Over time, some CDCs again expanded their CED activities to incorporate efforts other than housing, including commercial development, business development, community organizing, and workforce development.

In addition to the foregoing characteristics, CDCs established as nonprofit, IRC Section 501(c)(3) tax-exempt organizations must also be formed as nonprofit corporations under state law. They must seek recognition of their exempt status under the Internal Revenue Code, and their membership, if any, must be open to the community where they are located. Before further discussing the role CDCs currently play in CED, it is important to understand the historical context of CDCs and how they emerged.

History of CDCs

Emergence in the 1960s

Although there is a deeper history of community-based organizations that dates back to the origins of the United States, modern CDCs emerged in the 1960s out of the civil rights protest movements, including the Black Power movement, and out of President Lyndon B. Johnson’s “War on Poverty” legislation, the Economic Opportunity Act of 1964. In 1966, after touring the Bedford-Stuyvesant neighborhood in Brooklyn, New York, and hearing the concerns of some of its impoverished citizens, Senator Robert F. Kennedy and his fellow New York senator, Jacob Javits, were inspired to sponsor an amendment to the Economic Opportunity Act to create the “Special Impact Program” for CDCs. This amendment created federal support to assist several dozen local urban and rural organizations, scattered throughout the United States, to create economic and social programs that stimulated economic opportunities in poor communities. Citizens of the geographic area in which the CDC was located were required to hold a majority of the seats on the organization’s governing body. The Special Impact legislation was supplemented by the Federal Community Self-Determination Act in 1969, which also precipitated the creation of many CDCs.

As mentioned above, many of these first-generation CDCs had roots in the civil rights protest movements of the 1960s and had strong community representation, politically activist agendas, and expansive goals for improving their communities. A number of these organizations were protesting against the adverse impacts of the federal urban renewal program in their
neighborhoods. These groups commonly started as community service or community action agencies and later shifted their focus to community economic development. Many of these CDCs were established as a response to the riots or civil disorders of the 1960s. For example, the Watts Labor Community Action Committee was established in the wake of the 1965 Watts riots in Los Angeles with support from the United Auto Workers. The organization created job training programs for youth, new housing developments, various retail stores, and transit services for senior citizens.\(^5\)

Some of these early CDCs based their community organizing tactics on the principles and practices of the Chicago-based community organizer Saul Alinsky. Alinsky rejected the idea of community organizers being involved in electoral politics and rejected some of the explicitly socialist and race-based organizing efforts to achieve community change.\(^6\) He asserted that the only long-term goal of community organizing should be to mobilize people to take power for themselves.\(^7\) Alinsky believed that it would be easier to accomplish community revitalization goals by focusing on local issues and defining such issues in concrete terms. This concept remains a core part of how modern-day CDCs operate.\(^8\)

Many CDCs also had, and continue to have, roots in religious communities. For example, the Philadelphia Opportunities Industrial Center (POIC) was organized in the 1960s by Philadelphia pastor Reverend Leon Sullivan, and several hundred other ministers, to provide job training skills to African-American youth. The job training program spread to more than 100 cities in the United States and was even established abroad. POIC eventually expanded its programs to include development of a major shopping center, affordable housing, and an electronics plant.\(^9\)

Early CDC projects were as wide-ranging as developing housing projects, commercial ventures, social service programs, and financing programs—as illustrated by the Watts Labor Community Action Committee and POIC.\(^10\) Many of these early CDCs received a large percentage of their funding from the federal government. They were funded initially by the federal Office of Economic Opportunity and, after that office was eliminated in the mid-1970s, by the Community Services Administration, later renamed the Office of Community Services within the Department of Health and Human Services. Many early CDCs also received federal funding from the Model Cities Program, another Johnson administration antipoverty initiative, and foundation support from the Ford Foundation.

Although first-generation CDCs made some impressive gains in creating economic opportunities in low-income neighborhoods, by 1970 there were fewer than 100 CDCs.\(^21\) Some CDC projects did not succeed, such as POIC's electronic plant, and some organizations faltered due to mismanagement. The early CDCs had financial resources to operate their organizations, but many lacked technical assistance to execute the varied projects they undertook and did not have the organizational leadership and staff to develop realistic and sustainable goals.\(^22\) Despite the lack of sophistication of some of these early CDCs, these types of organizations became firmly established as a tool for community economic development.
History of CDCs

Changes in the 1970s

During the 1970s, hundreds of new CDCs were formed to take on the multitude of issues facing low-income neighborhoods. But many of these organizations' agendas had fewer and more focused local priorities rather than national priorities. Much of the public sector funding for CDCs formed in the 1970s came from single-purpose programs such as the U.S. Department of Housing and Urban Development's (HUD) Section 8 New Construction and Moderate Rehabilitation Programs. These funding sources were created to address specific neighborhood issues and influenced CDCs to develop more focused priorities. Some CDCs were formed during the 1970s to avail themselves of federal low-income housing funding, and some grew out of the social service organizations and community action agencies established by the War on Poverty legislation in the 1960s. A number of the CDCs formed in the 1970s were created to combat urban renewal and other physical displacement projects, as well as bank redlining.

For instance, in the 1970s the residents of Jamaica Plain, an overwhelmingly African-American Boston neighborhood, banded together to stop a freeway from being built through the neighborhood. The residents stopped the freeway project but also recognized there was a broader need to attract commercial development, jobs, and housing to the area. In 1977, the Neighborhood Development Corporation of Jamaica Plain began operations. The organization took on several focused projects that included (1) rehabilitating a historic brewery to serve as commercial space for small businesses and one large tenant, (2) converting a high school to mixed-income housing, and (3) transforming a vacant nursing home to elderly housing. 23

During the 1970s, CDCs continued to receive most of their funds from the federal government and foundations. CDCs received millions of dollars annually from the Community Services Administration, which was established in 1974 as a successor to the Office of Economic Opportunity. In 1978, HUD's Office of Neighborhood Development was created and began funding CDC activities. 24 By 1980, there were over a dozen federal programs supporting CDC staff and projects. The federal government spent more than $500 million on CDCs between 1966 and 1980. 25 By 1980, more than 1,000 CDCs existed in rural and urban areas across the country. CDCs had become more sophisticated in their organizational capacity, in their ability to leverage public and private resources, and in the types of projects they developed.

Dramatic Growth in 1980s Despite Cutbacks in Federal Funding

During the Reagan era, the federal government scaled back or eliminated many of the federal programs that supported CDCs. For example, the Comprehensive Employment and Training Act, which supported many CDC staff and organizers through its contracts and publicly funded job slots, was replaced by the Jobs Training Partnership Act, which supported only training. The federal Community Services Administration, a major financing
source for CDCs, and HUD's Office of Neighborhood Development were dismantled.

One result of reduced or eliminated federal funding and the conservative Reagan era philosophy is that more cities began establishing public-private partnerships to support community development. During this era, a number of cities and municipalities withdrew from directly providing social services and developing affordable housing for low-income communities. The number of CDCs continued to grow at a furious pace by developing relationships with local and state governments to provide the social services and affordable housing projects traditionally provided by local and state municipalities. Furthermore, they began to seek out a variety of funding sources from financial institutions, private foundations, and corporations. Between 1981 and 1986, the number of CDCs doubled. CDCs focused more on developing affordable housing and other project-oriented activities to satisfy the funding criteria and demand for measurable outcomes required by many funding sources.

The elimination of many federally funded programs and the emergence of new private funding sources required that CDCs become more entrepreneurial, bottom-line driven, and professional than their predecessors. CDCs were dealing with a number of "patchwork" financing sources to develop projects rather than single financing sources, and they were forced to develop enhanced financial management capacities. Their survival and success now depended on these characteristics. CDCs created more focused objectives and displayed business acumen in making decisions. Many CDCs moved away from their confrontational approach to solving problems in their communities to a more cooperative style of community development. To survive, CDCs became less political and less focused on challenging notions of who held power; rather, they became more focused on free market principles and more driven by economic development goals.

The increased sophistication, organizational capacity, and technical understanding of CDCs in the 1980s corresponded with the birth of national intermediaries such as LISC (established in 1979), Enterprise (1982), and the Neighborhood Reinvestment Corporation (1978). These organizations provide technical assistance and professional training to CDCs. They either directly finance or connect CDCs with new sources of funding that strengthens the organizational structure of many CDCs and helps propel them to a new level of sophistication. LISC, Enterprise, and the Neighborhood Reinvestment Corporation are discussed in greater detail later in this chapter.

1990s: Continued Growth in Capacity

The 1990s ushered in a new age of federal funding for CDCs. Federal funding came in the form of the Community Development Block Grant Program discussed in Chapter 4, "HOME and Tax Credit Programs." All of these funds were to be used for real estate development activities. This federal funding enabled an increased amount of CDC development activity. Along with the
federal funding, CDCs received significant philanthropic and corporate funding. Between 1970 and 1990, foundations, corporations, and individuals donated almost $2 billion in support to community economic development initiatives.30

In the late 1980s and early 1990s, many national, regional, and community foundations began investing in comprehensive community initiatives (CCIs) which supported community-building and community development activities. Influential national foundations—such as the Annie E. Casey, Ford, Rockefeller, and Edna McConnell Clark foundations—contributed to CCIs.31 Many foundations and intermediaries involved in the community development movement realized that to effect far-reaching change in low- and moderate-income communities, community development activities needed to encompass broader community-building strategies and not concentrate primarily on real estate development, which was the main focus of many CDCs during the 1980s. CCIs seek to achieve neighborhood transformation by engaging in a variety of social service and human capital development activities (such as job training, youth development, and improved schools). A primary feature of CCIs is the significance they attach to community building, an approach that prepares neighborhood residents to play a central role in changing their communities and supports their ability to successfully engage in this role.32 Some of the CCIs included economic development activities, and some gave financial or technical assistance to or even started new CDCs.

During this period, CDCs also received a significant amount of funding and technical assistance from LISC, Enterprise, and the Neighborhood Reinvestment Corporation. In 1991, a group of private foundations, financial services corporations, and HUD launched the National Community Development Initiative (NCDI), now known as Living Cities: The National Community Development Initiative. The NCDI collaboration initially pooled $254 million in financial resources from corporations, foundations, and HUD to invest in CDCs and local supporting institutions through LISC and Enterprise. (NCDI is further discussed later in this chapter.) The increased funding, technical assistance, and professional development assistance to CDCs strengthened many of these organizations and influenced their professionalism, sophistication, and proliferation.

**CDCs and Housing Development**

Many contemporary CDCs focus their activities on producing and rehabilitating affordable housing because of the significant need for affordable housing in low- and moderate-income inner-city neighborhoods, and the various public and private sector funding and tax incentives for developing affordable housing projects.33 As discussed earlier in this chapter, the decrease in federal funding and the departure of many local governments from providing affordable housing and other social services in the 1980s prompted the dramatic growth of CDCs engaged in affordable housing development.
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These organizations were created to address the continuing need for affordable housing and other social services in low- and moderate-income communities not being met by the public sector.34

Federal support for subsidized housing decreased by more than 70 percent from 1981 to 1989, and federal support to produce new and rehabilitated dwellings decreased even more dramatically. Even so, CDCs continued to grow in the 1980s and up to the present day and successfully engaged in affordable housing development. CDCs continued to grow during this period because they modified their practices in a number of ways.35 Some CDCs began to work with national intermediaries such as LISC, Enterprise, and the Neighborhood Reinvestment Corporation to increase their capacity as developers and to receive funds directly from the intermediaries or from other sources due to the intermediaries' connections with private or public financing sources.36 Some CDCs lowered the number of offered housing programs, and some changed the type or income mix of housing they produced.37 The next section addresses some of the funding sources available to CDCs for affordable housing development; these sources have prompted many CDCs to concentrate their activities on housing development.

By the end of the 1980s, many local governments began to gradually increase spending on affordable housing projects and became involved in public-private partnerships to rehabilitate affordable housing.38 Modern-day CDCs continue to receive funding from local and state governments to fund affordable housing projects. Many states, counties, and cities receive millions of dollars each year through the Community Development Block Grant (CDBG) program. CDBG program funds must be used in a variety of community development activities that support economic development, community revitalization, and enhanced community resources. Local and state governments can choose how they want to best use CDBG program funds. Some governments choose to use the funds to support affordable housing development activities by giving CDCs funds for activities such as property acquisition, construction financing, and permanent financing.39

A certain type of CDC, called a community housing development organization (CHDO), receives funding for affordable housing development through the HOME Investment Partnerships program. The HOME program is funded through HUD. A CHDO is a nonprofit organization whose purposes must include providing decent housing affordable to low- and moderate-income people in a specifically defined geographic area. State and local governments receive HOME program funds to address local housing goals that increase affordable housing and homeownership opportunities for low- and very low-income residents. Congress created the HOME program as part of the National Affordable Housing Act of 1990 (NAHA). HOME program funds may be used in a variety of ways to assist with affordable housing development; these include loans, grants, interest rate subsidies, and rental assistance.40 NAHA requires every jurisdiction that receives HOME funds to set aside at least 15 percent of its HOME allocations to be used by
CHDOs. A CHDO is accountable to low-income community residents—and, to the extent feasible, low-income beneficiaries—by requiring a substantial number of low-income residents to hold board positions and participate in decisions regarding the design, siting, development, and management of affordable housing. CHDOs must also show a capacity to execute HOME-approved activities and a history of delivering services to the neighborhoods where HOME projects will be located. HOME also gives CHDOs access to important technical assistance to strengthen their capacity and be effective participants in the HOME program.

Other sources of financing from state and local governments include CDBG loan guarantees; appropriated funds, general obligation bonds, and/or repayment of prior loans; bond financing; tax-exempt bond financing; redevelopment bonds; and 501(c)(3) bonds. CDCs also use a myriad of other funding sources: from federal agencies such as HUD, which offers capital advances; from private for-profit sources such as commercial banks, which offer construction and permanent loans; and from private nonprofit entities such as Enterprise and LISC, which secure grants and loans for affordable housing projects.

One of the primary tax incentives CDCs use to obtain financing for affordable housing development is the Low-Income Housing Tax Credit (LIHTC), created by Congress in 1986. LIHTC helps nonprofit developers raise the equity needed to buy, construct, or rehabilitate affordable housing units. Developers sell the tax credits to corporate investors, who in turn become limited partners in the projects; the investors then provide capital contributions to the projects. The tax credits give investors the right to reduce their federal tax liability by one dollar for every dollar of available tax credits. The federal government allows the states to allocate the tax credits, although the credits reduce federal and not state taxes. Congress requires each state to allocate at least 10 percent of its credits to projects that have "material participation" by nonprofit organizations to enable more nonprofit developers to take advantage of these tax credits.

Although affordable housing development is the dominant CED activity of CDCs, many modern CDCs understand the importance of engaging in a broad range of activities to effectively revitalize low- and moderate-income communities. These activities include commercial development, business development, social services provision such as health-care clinics and child-care centers, community organizing, and workforce development.

**Contemporary CDCs**

Upon examining the evolution of CDCs, it is clear they have made some impressive contributions to the CED movement. CDCs have become more sophisticated, better led, and managed more entrepreneurially. CDCs have created over 1 million affordable housing units since the 1960s. Furthermore, CDCs have developed more than 126 million square feet in commercial/
industrial space and created over 774,000 jobs. Some CDC experts point to the statistics on the number of housing units and jobs created and the amount of commercial space developed as indicators of CDC success. Indeed, many CDCs have succeeded in certain economic development activities because of their ability to correct market failures in the neighborhoods by convincing potential investors of investment opportunities in disadvantaged neighborhoods, stimulating socially conscious investing, and changing social and legal restrictions on zoning laws.

However, some CDC experts argue that CDCs have failed to achieve far-reaching revitalization in low-income neighborhoods. For example, many CDC analysts rarely discuss how CDCs accomplish various indicators of community development, such as "quality of life, community stability, resident health and happiness, and personal empowerment." Some also assert that CDCs "fail to achieve the broader goals of "political and economic independence and self-sufficiency." It is important to examine the overall impact of CDCs on eliminating poverty and improving the conditions of economically and physically blighted communities. Although CDCs have made certain strides in improving conditions in these communities, they have not attained the broader goal of poverty elimination. They have not met this goal due to numerous factors, including the lack of secure and continuous funding to CDCs. Accordingly, CDCs necessarily focus on fundraising and achieving funders' goals (even if they are inconsistent with community goals). Unfortunately, they do not have the time to address larger concerns such as the incoherent and fragmented nature of the community development system and the structural economic reasons for poverty in America. CDCs could more profoundly reduce poverty in underserved communities by having access to more stable funding sources. If CDCs could more easily engage in social enterprises (discussed later in this chapter) without challenging their tax-exempt status or having to set up complex legal structures, they could use the funds they earn from their entrepreneurial activities or from investors to increase their financial resources.

Public-Private Partnerships and Best Practice

Because of decreased federal funding to CDCs beginning in the 1980s, CDCs have been forced to forge relationships with the public and private sectors. CDCs now must look to various sources of financial and political support to complete their activities. For example, CDCs that formerly relied primarily on one federal funding source, such as the Section 8 Moderate Rehabilitation Program to complete affordable housing projects, are turning to a variety of sources such as private equity investments, financial institution loans, and foundation grants.

CDCs now must be more sophisticated and better operated to manage these increased and more complex financing structures and to cultivate partnerships with the public and private sectors. National intermediaries such
Many Cleveland CDCs have successfully expanded their community development activities to commercial real estate development, business development, and community organizing. They are finding new ways to obtain financing, technical assistance, and training; effectively access property, land use, and development regulatory mechanisms; and establish relationships through which information, obligations, and values are exchanged.53

Cleveland CDCs have been particularly successful in two areas of commercial real estate: neighborhood retail development and in-town shopping centers. Cleveland CDCs worked with the city of Cleveland and Neighborhood Progress, Inc. (NPI), a local intermediary, to obtain financing to acquire and rehabilitate neighborhood commercial buildings. As a result of the city's and NPI's involvement, other banks provided financing for these projects.54

Cleveland CDCs also used a local Main Street program (a program of the National Trust for Historic Preservation to revitalize older, traditional business districts) called Re-Store to assemble neighborhood store owners and allow them to enhance their commercial districts. Shopping center developers must have capacity and expertise that many Cleveland CDCs did not possess. To confront this issue, NPI and significant city-level funders created the New Village Corporation subsidiary. Through this structure, NPI funds the retail development and the New Village Corporation works as a joint venture partner. NPI typically partners with a CDC in the development project, and the CDC partner takes on as much responsibility as its internal organizational structure will allow. The CDC partner shares in the development fees according to its partnership responsibilities.

Cleveland's success in commercial development is due largely to the support of local and national intermediaries as well as essential financial and programming assistance from the City of Cleveland, banks, foundations, and corporations.

as LISC, Enterprise, and the Neighborhood Reinvestment Corporation help CDCs obtain financing from numerous sources to complete projects. They also help CDCs establish more professional infrastructures to better manage their projects and cultivate necessary relationships with local governments, private foundations, financing institutions, and corporations. This section discusses how the community development system in Cleveland, Ohio, used relationships with local and national intermediaries and the public and private sectors and employed other innovative methods to establish successful community development strategies beyond affordable housing.

National Intermediaries

National intermediaries are nonprofit organizations that were created to strengthen the community development movement and the work of CDCs and other community-based organizations to revitalize low- and moderate-income underserved communities. Intermediaries connect those with resources in the private and public sector to CDCs and other community-based organizations in need of resources, as well as with technical assistance, financing, and connections with local and state government, foundations, financial institutions, and corporations. The section discusses the principal
national intermediaries, which include LISC, Enterprise, and the Neighborhood Reinvestment Corporation.

**Local Initiatives Support Corporation (LISC)**

LISC was established in 1979 by the Ford Foundation and other private foundations and institutions. It is the largest community development support corporation in the United States. This national organization is a tax-exempt, nonprofit corporation whose mission is to help “community residents transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity—good places to work, do business and raise children.” LISC has over 30 offices in urban and rural areas in 37 states and has served more than 2,800 CDCs in their efforts to improve underserved communities. The program staff in local LISC offices work with area CDCs and neighborhood-based organizations to provide technical and financial support and develop neighborhood revitalization strategies geared toward the specific issues affecting such areas. LISC galvanizes support from governments, foundations, and corporations to assist CDCs in the following ways: (1) loans, grants, and equity investments; (2) technical and management assistance; and (3) local, statewide and national policy support.

LISC offers loans, lines of credit, grants, and equity investments to assist CDCs and their partners with technical assistance and development projects that include for-sale and rental housing projects, community facilities (including child-care centers and health-care facilities), and commercial development projects such as industrial and retail buildings. LISC helps CDCs successfully establish rental and for-sale affordable housing projects by offering a number of financing options. For example, LISC created the National Equity Fund, Inc. (NEF, Inc.), a nonprofit syndicator of LIHTC, to raise money from investors for a variety of rental housing projects such as single and multifamily projects and public housing revitalization. Nonprofit syndicators pair affordable housing projects seeking equity with investors seeking tax credits. NEF, Inc. has worked with banks, insurance companies, and corporations to raise funds for affordable rental housing projects. Other LISC affiliates that provide equity to affordable housing and other community development projects include the New Markets Support Company and the Community Development Trust.

LISC offers technical assistance to help CDCs engage in a myriad of CED activities. Some of the technical assistance LISC provides includes CDC staff training and skill building, CDC strategic planning, preparation and appropriation of housing and community development, public funding and tax credits, and an online resource library and experts webcast. LISC local program offices offer grant funds to CDCs so they can take advantage of various LISC technical assistance programs.

LISC also engages in research assessments to determine the effectiveness of CED efforts. In addition, the organization is actively involved in public policy issues on the federal, state, and local levels. The national
LISC policy office works with other national organizations on a broad array of community development matters and helps local LISC program offices develop advocacy processes.

Beginning in 2006, LISC began implementing a new strategic plan, entitled “Building Sustainable Communities,” designed to achieve the following five goals: (1) expanding investment in housing and other real estate, (2) increasing family income and wealth, (3) stimulating economic development, (4) improving access to quality education, and (5) supporting healthy environments and lifestyles. This strategic plan enables LISC to recognize and utilize a wide range of strategies to revitalize underserved low- and moderate-income communities. One project LISC has undertaken, under the goal of the strategic plan pertaining to “expanding investment in housing and other real estate,” is the Vacant Properties Initiative. Under this initiative, LISC partners with several other national organizations to develop a national vacant properties campaign that provides an information resource center, experts who advocate for property reclamation, and other resources and strategies to restore abandoned and vacant properties to productive uses.

Enterprise Community Partners, Inc. (Enterprise)

Enterprise Community Partners, Inc., formerly known as The Enterprise Foundation, was founded in 1982 by developer Jim Rouse and his wife Patty. Enterprise is a nonprofit, tax-exempt corporation whose mission is to “create opportunity for low- and moderate-income people through fit, affordable housing and diverse, thriving communities.” The organization has partnered with community-based organizations and state and local governments in over 16 communities across the United States to facilitate a variety of community development activities. These include affordable housing development, technical assistance and grants to affordable housing developers, provision of services and benefits to affordable rental housing residents to enable them to cultivate job skills and find better jobs, improvement of local schools, and development of supportive housing for homeless Americans. As with LISC, each Enterprise local program office works with local community-based organizations to provide such organizations with technical and financial support and connections with local and state government, financial institutions, foundations, and corporations to support specific neighborhood development goals.

Enterprise has invested more than $10 billion and helped develop over 250,000 affordable homes in communities across the United States. The organization has a substantial network of relationships with financial institutions, foundations, corporations, and government and is able to leverage those relationships to create partnerships with community-based organizations to establish community development activities.

Enterprise has provided a much-needed link to financing sources for community-based organizations. Enterprise helped write the LIHTC legislation; and through its subsidiary, Enterprise Community Investment, it is
The Faith-Based Development Initiative is an interesting example of Enterprise's affordable housing development activity in the Washington, D.C., area. The Initiative was formed in 2006 and is a collaboration of Enterprise, East of the River Clergy-Police-Community Partnership, and Georgetown University. The purpose of the Initiative is to support the faith-based community in the D.C. area in creating affordable housing by providing that community with (1) training on the development process; (2) grants, loans, and tax credits; (3) technical assistance, such as a basic feasibility analysis and connections with development experts; and (4) pro bono legal services through a partnership with the DC Bar Pro Bono Program and the Maryland Volunteer Lawyers Service. The Initiative has provided more than $12 million in grants, loans, and equity to more than 20 partners of the Initiative. The Initiative's goal is to build 500 new units, 200 preservation units, 100 special needs units, and seven community facility projects and develop 30 group partners by December 2009. At the end of 2009, the Initiative will evaluate its progress and new goals going forward.

one of the foremost LIHTC syndicators providing equity to create affordable rental housing developments. The organization also finances community development activities through the Enterprise Community Loan Fund, which provides early-stage financing for property acquisition and predevelopment activities; and the Multifamily Mortgage Finance, a Fannie Mae-approved lender that provides first-mortgage financing products for permanent development financing needs.

The organization recognizes that many community-based organizations need technical assistance to successfully undertake community development efforts. Therefore, Enterprise provides training in areas including property and asset management, financial management, organizational development, resident services, and housing preservation. Enterprise also engages in testimony and public comment to the U.S. Congress to support public policies that help improve the lives and communities of low-income people.

**Neighborhood Reinvestment Corporation (NeighborWorks America)**

In 1978, Congress established the Neighborhood Reinvestment Corporation, a national nonprofit corporation with the goal of providing financial support, technical assistance, and training to uplift underserved communities. The organization began doing business as NeighborWorks America in April 2005. NeighborWorks America has a national network of over 230 community-based organizations, in more than 4,400 communities, working to revitalize low-income communities in all 50 states. To become a member of the NeighborWorks Network, an organization must be a nonprofit, community-based organization that focuses on community revitalization and produces affordable housing for people with lower income. If an organization is selected to become a member of the NeighborWorks network, the organization has
access to NeighborWorks America benefits including financial and technical assistance, training, and other resources.  

NeighborWorks America provides financial assistance to NeighborWorks organizations while NeighborWorks Capital provides early-stage financing to NeighborWorks members involved in developing a variety of residential and commercial real estate projects. NeighborWorks America offers a number of technical assistance programs, including its National Homeownership Programs, that provide residents of affordable housing with training on various subjects to ensure they have the necessary information to maintain their homeownership. In addition, the organization has a community building and organizing initiative to enable organizations in the NeighborWorks network to train community members to become more active and engaged participants in community building and revitalization efforts. Finally, with respect to training programs, NeighborWorks provides capacity building and skills training to community-based organizations and training to individuals and organizations that offer foreclosure counseling to consumers.

NeighborWorks America also has established national partnerships with an array of organizations, including financial institutions, foundations, government agencies, and law firms as well as foundations that provide services, investments, products, and contributions to NeighborWorks America and members of the NeighborWorks network.  

LISC, Enterprise, and NeighborWorks America have played a crucial role in strengthening CDCs and other community-based organizations. These national intermediaries have helped professionalize CDCs and community-based organizations by increasing these organizations' skills, capacity, and ability to leverage resources to revitalize low-income communities. At the same time, they have made significant linkages between CDCs and community-based organizations and financing sources and private and public sector institutions. These linkages have helped legitimize CDCs and other community-based organizations while fostering community development activities.

National Nonprofit CED Organizations

A number of national nonprofit organizations support CED activities and the community development field. These organizations offer financial and technical assistance to community-based organizations; provide financial support to national intermediaries that in turn give financial support to community-based organizations; link community-based groups with national and local intermediaries, state and local governments, foundations, financial institutions, and corporations; and provide other resources to community-based development organizations. The next section discusses some of these organizations and their work to support community development goals.
Living Cities: The National Community Development Initiative

Living Cities: The National Community Development Initiative was formerly known solely as the National Community Development Initiative (NCDI). NCDI is an innovative partnership that supports CDCs and other community-based development organizations. NCDI was formed in 1991 by a group of private foundations including the Ford Foundation and the John D. and Catherine T. MacArthur Foundation, financial services organizations such as the Prudential Life Insurance Company of America, HUD, and a group of other funders. NCDI was originally formed to strengthen CDCs and their work to revitalize low- and moderate-income neighborhoods, especially their work in affordable housing development. Under NCDI's original funding model, the organization received funds from the foregoing group of funders and channeled those funds to the national LISC and Enterprise offices, which managed the funds and channeled them to local LISC and Enterprise offices in 23 cities. The local LISC and Enterprise offices then provided the funds to local CDCs. Living Cities chose to give the funds to LISC and Enterprise, due in part to their successful track record as national intermediaries.

Living Cities is now expanding its community development activities beyond housing into other areas such as education, health, workforce development, and the environment; it no longer channels its funds solely through LISC and Enterprise. Living Cities is still developing its approach to improving conditions in low- and moderate-income communities and refining its funding model.

Living Cities has invested over $543 million for community-building goals since its inception in 1991. These funds have been used to develop affordable housing, create retail and commercial development, build schools and day-care centers, provide social services, and establish other community resources.

The Living Cities model has achieved tangible results in supporting underserved communities due to its national program support, development, and execution of development strategies at the local level; its ability to respond flexibly to various community needs; its varied forms of assistance;

The U-SNAP-BAC CDC in Detroit, Michigan, is a CDC that benefited from Living Cities resources. U-SNAP-BAC stands for United Streets Networking and Planning: Building A Community. The organization works in the Morningside neighborhood on the east side of Detroit, an area severely affected by urban blight and decay. Since 1987, the organization has made home repairs to 500 homes and rehabilitated and sold 17 vacant homes. The organization has also constructed new, affordable, single-family homes; offers a first-time homebuyer program and a community leadership training program; assists with revitalization of a local commercial district; and has revitalized a park and a children's playground.
and its emphasis on CDC capacity building.\textsuperscript{69} Living Cities hopes to expand its impact on underserved communities by broadening its community development strategies beyond housing and developing a new investment model and partnership structure that extends beyond working solely with LISC and Enterprise.

\textit{The Insight Center for Community Economic Development}

The Insight Center for Community Economic Development (Insight Center) is a national research, consulting, and legal organization that helps "people and communities become, and remain, economically secure" by using a variety of CED strategies.\textsuperscript{70} Founded in 1969 as the National Housing and Economic Development Law Project, the Insight Center was formed to provide legal advice and project development expertise to CDCs and developed the first comprehensive legal treatise on business and real estate development by charitable corporations.\textsuperscript{71}

The Insight Center’s work has evolved since its inception to help strengthen the entire CED movement by providing program and policy expertise in a broad range of CED activities, including industry-specific workforce development, determining the economic impact of early care and education, and promoting economic security policies and programs, savings, and asset building as well as continuing to provide legal services.\textsuperscript{72}

Through its industry-specific workforce development program, the Insight Center identifies high-wage, good-benefit jobs in local and regional communities and works to change employment training and hiring practices that have kept low-income people from attaining such jobs. The Insight Center was the first and is the most prominent advocate of child care as an economic development tool in the local and regional economy. It has helped to document the child-care industry as a source of economic development that creates jobs in child-care facilities, encourages small business owners to establish home-based child-care centers, and creates jobs in related industries such as food services.

The Insight Center promotes a new economic security measurement tool to replace the federal poverty standard and uses this tool to focus attention on the need to help families achieve real economic security, not just escape a minimal measure of poverty. Through its savings- and asset-building program, the Insight Center works to ensure the competitiveness of women- and minority-owned businesses and close the gap in assets between white America and the rest of the country. The legal services program provides legal assistance on crucial community-building legal issues, including the formation of legal entities, obtaining tax-exempt status and helping community residents advise on redevelopment plans and negotiate community benefit agreements. The Insight Center's work specifically recognizes the importance of acknowledging race in developing CED strategies and has included a racially conscious perspective in how it implements all of its programs.
Many other national nonprofit organizations provide technical and financial assistance and other resources to community-based organizations and are too numerous to explain in this chapter. Some of these organizations include the Institute for Community Economics, the Low Income Investment Fund, the Opportunity Finance Network, the Development Training Institute, the Center for Community Change, the Neighborhood Housing Services of America, the Housing Assistance Council, the National Community Reinvestment Coalition, and the National Federation of Community Development Credit Unions. These organizations and the many other local, regional, and national nonprofit organizations strengthen underserved communities and those who serve them by providing them with much-needed resources.

Current Trends and Opportunities

The concepts of social capital, social enterprises, and for-profit charities are recent trends in the CED movement that point to ways in which nonprofits can more effectively revitalize low- and moderate-income communities. When the social capital theory is applied to CED, it explains how social networks may be used to stimulate collective action in underserved communities that may then effect positive change. Social enterprises and for-profit charities are alternatives to the traditional nonprofit, tax-exempt public charity. These new entities seek to achieve social justice goals and to make a profit for their owners.

Social Capital

Social capital is an important concept for CED practitioners to consider when developing methods to improve conditions in impoverished communities. CED practitioners work to improve or build social capital in underserved communities through a variety of CED activities designed to create profound changes in underserved communities. Social capital, a concept that addresses how social networks create certain positive outcomes, is derived from the economic concept of “capital,” which is defined as “tangible, solid, often durable things”—buildings, highways, raw materials, etc. Human capital and physical capital are economic terms that illustrate how things can be enhanced to improve productivity such as education (human capital) and a screwdriver (physical capital).

Social capital explains how individuals, entities, neighborhoods, and other associations of people use social contacts to attain positive results. In political scientist and Harvard public policy professor Robert Putnam’s important work on social capital, he describes the concept as “features of social life . . . networks, norms and trust . . . that enable participants to act
together more effectively to pursue shared objectives. Sociologist James Coleman, another proponent of social capital in the United States, asserts that “[s]ocial capital is created when relations among people change in ways that facilitate action.” Thus, social capital is an asset that utilizes resources existing within or accessed through various types of relationships.

Many underserved communities lack sufficient social capital. Inner-city neighborhoods throughout the United States suffer from persistent unemployment, crime and poverty due to racial discrimination, and structural economic shifts from a primarily manufacturing economy relying on low-skilled labor to a technology-based economy requiring more highly educated workers. Many of the positive social institutions and networks that previously existed in these communities no longer exist—partially as a result of the flight of middle-class persons. In those poor communities where social capital exists, many investors undermine or misunderstand the existing social capital because of the investors’ stereotypical perceptions of poor people or people of color; the investors refuse to invest in these communities.

CDCs and other community-based organizations are ideal institutions to build social capital in underserved communities because of these organizations’ unique understanding of these communities’ attributes. These organizations can ensure that those communities cultivate their social capital by working with residents to establish effective community development policies. Furthermore, CDCs and other community-based organizations should create CED strategies that cultivate “binding” and “bridging” social capital. “Binding” social capital creates strong, positive ties between people within neighborhoods, thus facilitating trust, reciprocity, and cohesion between them. Examples of activities that create binding social capital are after-school youth programs that involve parents, community child-care organizations, and neighborhood watch programs. “Bridging” social capital connects citizens in impoverished communities with people outside of the neighborhoods with resources. Examples of bridging social capital include CDCs that work with national and local intermediaries to bring financing sources from outside the community to finance business development projects and workforce development programs.

To create programs that create social capital in communities, CDCs and other community-based organizations must have access to flexible funding sources that allow them to effectively develop this asset together with other CED programs. Without the same types of networks and associations that moderate- and upper-income communities rely on to obtain jobs, support their businesses, and create safe neighborhoods, community development activities will not create sustained revitalization of underserved communities. Government and private sector policies and funding should support the efforts of these organizations to cultivate and improve social capital in underserved communities because CDCs and other community-based organizations best understand the social capital existing in the communities they serve or they know how to work to develop social capital.
Social Enterprises and For-Profit Charities

Social enterprises may be organized as nonprofit or for-profit entities, engage in entrepreneurial, for-profit activities to achieve social justice and economic goals, and if organized as nonprofit, tax-exempt entities, they use the profits from their for-profit activities to supplement or replace charitable contributions and grants. The Grameen Bank in Bangladesh is an example of a social enterprise. The organization's mission is to reduce poverty in rural Bangladesh by giving small, collateral-free loans to enable impoverished women villagers to start their own businesses. For-profit charities currently do not exist in the United States, but are proposed. For-profit organizations do not enjoy the same tax benefits of tax-exempt, nonprofit entities such as federal income tax exemption and charitable deductions to donors. Social enterprises and for-profit charities challenge the existing legal framework governing tax-exempt entities in the United States. For example, although federal tax-exempt law allows a federal tax-exempt charity to engage in a certain amount of commercial activity, the heavily entrepreneurial philosophy and practice of social enterprises conflicts with the ambiguous and inconsistently applied prohibitions against federal tax-exempt charities engaging in excessive commerciality. The notion of a for-profit charity challenges the idea that a nonprofit organization may not distribute its profits to benefit individuals and is the only type of entity that should receive the benefits of federal tax exemption.

Many CDCs and other neighborhood-based nonprofit, tax-exempt organizations are constantly confronted with challenges to their effectiveness due to decreased federal government funding, competition for private sector and other types of funds, the incessant requirement for fund-raising, and the complexity and uncertainty of federal tax laws that could deny the organization's ability to secure and maintain its tax-exempt status. As discussed earlier in this chapter, CDCs and other community-based nonprofits, tax-exempt organizations are the primary entities used to conduct CED activities within poor communities; these organizations need access to a variety of financial resources and to engage in a broad array of activities to effect far-reaching change in neighborhoods. This is especially true given the decrease in foundation and corporate funding as a result of the decline in the U.S. and global economy. If CDCs and other tax-exempt organizations could engage in more entrepreneurial activities without having to establish complex and expensive legal structures or jeopardizing their tax-exempt status and could operate as social enterprises or for-profit charities, these organizations could acquire much-needed funding from their entrepreneurial activities and investors and could employ innovative community development strategies to combat poverty.

CDCs and other community-based nonprofit, tax-exempt organizations establish themselves as nonprofit entities to take advantage of the benefits of being an Internal Revenue Code (IRC) Section 501(c)(3) tax-exempt entity. Some benefits of being an IRC Section 501(c)(3) tax-exempt entity include: exemption from paying federal taxes on income, attracting donations because donors can deduct donations on their federal income tax returns,
and attracting grant funding from organizations that fund IRC Section 501(c)(3) organizations.

To be recognized as tax exempt under IRC Section 501(c)(3), the organization must be organized and operated exclusively for one or more of the exempt purposes listed in IRC Section 501(c)(3). And the nonprofit must satisfy the organizational and operational test to be recognized as tax exempt. To satisfy the organizational test, the organization must be formed only for IRC Section 501(c)(3) exempt purposes; it must be organized as a nonprofit corporation, unincorporated association, limited liability company, or trust; and its assets must be permanently dedicated to exempt purposes. To satisfy the operational test, the nonprofit must be operated substantially for exempt purposes; it may not engage in private inurement (the transfer of unwarranted income or benefits to insiders to the organization) or private benefit (the transfer of unwarranted income or benefits to third parties); it may not engage in political campaigns; it may not substantially lobby; and upon dissolution, it must dedicate its assets to exempt purposes.

If an organization's activities accomplish one or more tax-exempt purposes, the organization may qualify for tax exemption. Thus an organization may be involved in some profit-making activities and still qualify for tax exemption. However, if an organization is involved in substantial profit-making activities, the IRS or courts may determine that such profit-making activities are the main purposes of the organization. Those activities will not be considered as exempt purposes, and the organization's exempt status may be challenged as not complying with the exempt purpose requirement. If the organization is involved in some commercial activity and meets the exempt purpose requirement, it could still be denied or lose its tax-exempt status if it does not satisfy the commerciality doctrine. The commerciality doctrine was created by the courts and applied to the statutory and regulatory rules of tax-exempt law. Under the commerciality doctrine, the IRS or courts may decide that an organization is not operated exclusively for exempt purposes because it generates profits, is operated similar to a for-profit commercial enterprise, and competes with for-profit organizations. An organization that is established as a social enterprise that generates profits, is operated much like a for-profit entity, and provides goods or services similar to a for-profit entity—although doing so for social justice goals—may be subject to challenge under the current construct of U.S. tax-exempt laws.

Tax-exempt laws should be modified to support and establish social enterprises and for-profit charities. For example, social enterprises should be formally established as distinct entities under state laws and federal tax laws that are taxed at a different rate than nonprofit charities and for-profit entities. Moreover, federal tax laws could be modified to give the tax benefits of income tax exemption and charitable deductions to donors to for-profit entities engaging in substantial charitable activities. Given the limited role of the government in providing financial support to community development activities and the importance of CDCs and other community-based nonprofit, tax-exempt organizations, altering the tax laws would enable such organizations to more easily engage in more entrepreneurial CED activities, to make
a profit to support such activities, attract investors, and to more effectively eliminate poverty in poor communities.

Conclusion

CDCs, other community-based organizations, local and national intermediaries, and national nonprofits play a significant role in revitalizing low- and moderate-income communities. Since their emergence in the 1960s, CDCs have achieved a certain measure of success in reducing poverty by developing affordable housing and providing other services. However, CDCs must move beyond primarily developing affordable housing and incorporate different strategies into their community development activities. Some of these strategies should include cultivating social capital, strengthening educational resources, engaging in community organizing, and ensuring that community members play a central role in developing and implementing these strategies. For CDCs to feasibly extend their services beyond affordable housing development in a meaningful way, CDC funders must begin to change their funding requirements and fund these varied CDC activities. CDCs, funders, national intermediaries and nonprofits, and the public sector must all work together to understand the unique issues challenging underserved neighborhoods and to develop more comprehensive, creative solutions that encompass more than affordable housing.

Furthermore, state laws and federal tax laws must be scrutinized and changed to enable CDCs and other nonprofit organizations to engage in more creative and effective economic revitalization efforts and to earn income to support such efforts. The success of the Grameen Bank in reducing poverty in Bangladesh and in cultivating self-sufficient, successful business enterprises provides a compelling example to those involved in the CED movement in the United States. In addition, the decline of foundation and corporate funding to CDCs and the nonprofit sector due to the decline of the U.S. economy and the global economy further supports the need for CDCs and other nonprofit organizations to engage in entrepreneurial, profit-making activities to support their community development goals. Given the number of challenges that continue to affect underserved communities in the United States and the need to formulate new and creative methods to address these challenges, CDCs and other nonprofit community development organizations, CED funding practices, and state and federal laws must be reformed to support 21st-century strategies to neighborhood revitalization.

Resources

Local Initiatives Support Corporation: http://www.lisc.org
Enterprise Community Partners, Inc.: http://www.enterprisecommunity.org
NeighborWorks America: http://www.nw.org
Living Cities: http://www.livingcities.org
Insight Center for Community Economic Development: http://www.insightcced.org
Institute for Community Economics: http://www.icelt.org
Low Income Investment Fund: http://www.liifund.org
Opportunity Finance Network: http://www.opportunityfinance.net
Development Training Institute: http://www.dtinational.org
The Center for Community Change: http://www.communitychange.org
The Neighborhood Housing Services of America: http://www.nhsonline.org
The Housing Assistance Council: http://www.ruralhome.org
The National Community Reinvestment Coalition: http://www.ncrc.org
The National Federation of Community Development Credit Unions: http://www.cdcu.coop
Main Street: National Trust for Historic Preservation: http://www.preservationnation.org/main-street

Notes

3. See Peirce and Steinbach, supra note 2, at 12; Simon, supra note 2, at 119.
6. See Simon, supra note 2, at 3.
8. See generally Avis Vidal & Langley Keyes, *Beyond Housing: Growing Community Development Systems* (The Urban Institute, Metropolitan Housing and Communities Policy Center 2005).
10. See Peirce & Steinbach, supra note 2, at 20; see also James DeFilippis, *Chapter 3, Community Control and Development: The Long View*, in *The Community Development Reader* 28 (James DeFilippis & Susan Saegert eds., Routledge 2008).
12. See Simon, supra note 2, at 15.
13. See DeFilippis, supra note 10, at 28.
15. See Peirce & Steinbach, supra note 2, at 23.
16. See Simon, supra note 2, at 130; see DeFilippis, supra note 10, at 31. Saul Alinsky founded the Industrial Areas Foundation.
17. See DeFilippis, supra note 10, at 31.
18. See Simon, supra note 2, at 130.
20. Id.
22. See Peirce & Steinbach, supra note 2, at 23.
23. Id. at 25.
24. Id. at 26.
26. See DeFilippis, supra note 10, at 32.
27. See Gittell & Wilder, supra note 21, at 342.
28. See DeFilippis, supra note 10, at 32.
30. See Gittell & Wilder, supra note 21, at 342.
31. See Bill Traynor, Chapter 25, Community Building: Limitations and Promise, in THE COMMUNITY DEVELOPMENT READER, supra note 10, at 217.
33. See Xavier de Souza Briggs & Elizabeth J. Mueller with Mercer Sullivan, FROM NEIGHBORHOOD TO COMMUNITY: EVIDENCE ON THE SOCIAL EFFECTS OF COMMUNITY DEVELOPMENT 103 (Community Development Research Center 1997); see Vidal, supra note 14, at 8.
34. See DeFilippis, supra note 10, at 32.
35. See Vidal, supra note 14, at 57.
36. Id. at 57; see Simon, supra note 2, at 25.
37. See Vidal, supra note 14, at 57.
38. Id. at 18.
40. Id. at 110.
41. Id. at 115.
42. Id. at 115.
43. For more comprehensive information about various state and local funding sources, see id. at § 7.3.
44. For more comprehensive information about funding sources from a variety of entities see id. at ch. 7.
45. Id. at 246.
46. IRC Section 42(h)(3)(C)(ii)–(iv).
47. See Reaching New Heights, supra note 1, at 4.
48. Id. at 4.
49. See Stoecker, supra note 25, at 4.
50. Id.
51. Id.
52. See DeFilippis, supra note 10, at 32.
53. See Vidal & Keyes, supra note 8, at 3.
54. Id. at 14.
56. Id.
60. See http://www.enterprisecommunity.org/about/strategic_plan (last visited June 8, 2009).
61. For more information about the Faith-Based Development Initiative, see http://www.enterprisecommunity.org/local_work/washington_dc/faith_based_development_initiative.asp (last visited June 8, 2009).
63. See http://www.nw.org/network/aboutUS/aboutUs.asp.
64. For more information about NeighborWorks America programs and benefits, see http://www.nw.org/network (last visited June 8, 2009).
65. CHRISTOPHER WALKER, JEREMY GUSTAFSON, & CHRIS SNOW, NATIONAL SUPPORT FOR LOCAL SYSTEM CHANGE: THE EFFECT OF THE NATIONAL COMMUNITY DEVELOPMENT INITIATIVE ON COMMUNITY DEVELOPMENT SYSTEMS 7 (The Urban Institute, Metropolitan Housing and Communities Policy Center 2002); Ellen W. Lazar & Michael S. Levine, Community-Based Housing Development: The Emergence of Nonprofits, Enterprise and LISC, 2 J. AFFORDABLE HOUSING & COMM. DEV. L 6, 7 (Winter 1993).
66. For more information about the 23 cities in which Living Cities works, see http://www.livingcities.org (last visited Sept. 26, 2008).
68. Id. at 16.
69. See Walker et al., supra note 65, at 46-49.
70. See http://www.insightcced.org (last visited Oct. 2, 2008). The Insight Center was originally founded as the National Housing and Economic Development Law Project. Before its recent name change to Insight Center for Community Economic Development, it was known as the National Economic Development and Law Center.
72. Id.
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76. See Brown, supra note 74, at 530.


78. See Brown, supra note 74, at 530.

79. Id. at 530.


82. Id.

83. See Servon, supra note 77.

84. See Brown, supra note 74, at 548; see Servon, supra note 77, at 8.

85. Bruce R. Hopkins, The Law of Tax-Exempt Organizations 124 (9th ed. 2008 Supplement); Rose, supra note 75, at 134. There is an emerging conversation about the use of Beneficial Corporations (B Corporations) and Low Profit Limited Liability Companies (L3C) to operate social enterprises. A few states have proposed legislation or enacted legislation to recognize such entities. Although a discussion of these entities is beyond the scope of this chapter, it is important to be aware of these entities and to seek additional information about their development.


87. See Malani & Posner, supra note 75, at 2064–2067.

88. See Rose, supra note 85, at 135.

89. Internal Revenue Code § 501(c)(3).

90. See Hopkins, supra note 85, at § 4.3.

91. Id. at § 4.5.

92. Id. at § 4.11.

93. Id.