An Overview of the CDC Field
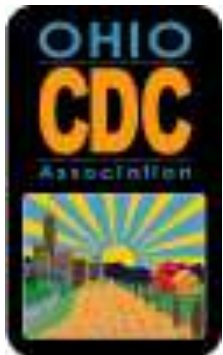
Heritage Ohio
2011 Annual Conference
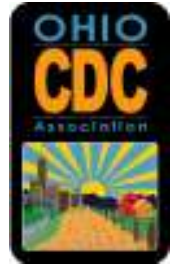
Presented by: Ohio CDC Association

Nate Coffman

April 28, 2011

Ohio CDC Association

Membership Trade Association of
Community Development Organizations

Approximately 200 members and growing!

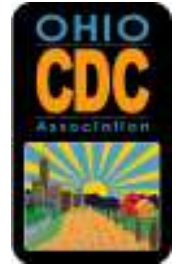# Ohio CDC Association
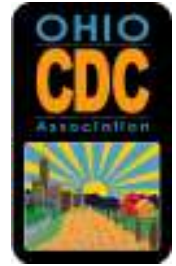
Mission:

> To engage in capacity building, advocacy and public policy development that fosters socially and economically healthy communities.

Vision:

> The creation of a community development environment that comprehensively improves life opportunities for all residents
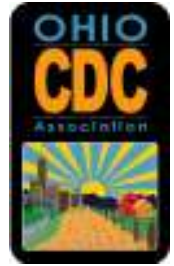
Ohio CDC Association

Primary Activities:

- Advocacy and Public Policy Development

- AmeriCorps*VISTA Program

- Annual Conference

- Individual Development Account (IDA)

- Membership Meetings

- Training and Technical Assistance

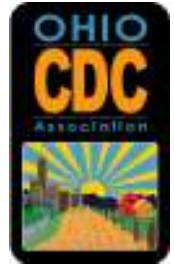# Ohio CDC Association

Agenda:

- What is a Community Development Corporation (CDC)

- CDC History

- CDC Challenges

- Role of a CDC in the Community

- CDC Resource & Funding

- Community Development Trends

- Role of the Board of Directors

What is a Community Development Corporation (CDC)
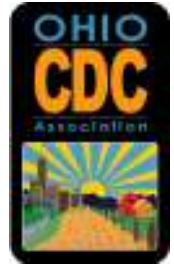
Community Development:

> "Community development is the economic, physical and social revitalization of a community, led by the people who live in that community."

National Alliance of Community Economic Development Associations (NACEDA)

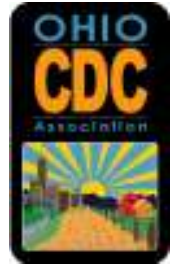# What is a Community Development Corporation (CDC)

Community Development Corporation (CDC):

Community Development Corporation (CDC) is a broad term referring to not-for-profit organizations incorporated to provide programs, offer services and engage in other activities that promote and support a community. CDCs usually serve a geographic location such as a neighborhood or a town. They often focus on serving lower-income residents or struggling neighborhoods. They can be involved in a variety of activities including economic deveopment, education, community organizing and real estate development. These organizations are often associated with the development of affordable housing.

What is a Community Development Corporation (CDC)

Community Economic Development (CED):

A process by which a community and its institutions organize economic activity in ways that benefit the community as a whole, and leads to community and individual empowerment through strategies, which encourage cooperation and interdependence
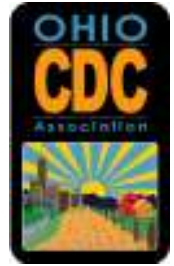
National Alliance of Community Economic Development Associations (NACEDA)

What is a Community Development Corporation (CDC)

CED creates community wealth and assets through developing and preserving affordable housing, developing viable neighborhood-serving commercial activities, creating and retaining jobs and businesses, promoting labor force development, and cultivating indigenous leadership
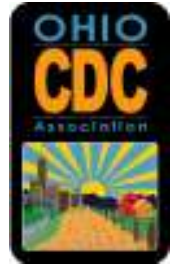
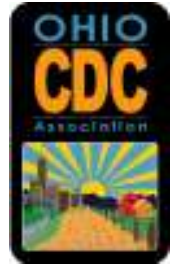National Alliance of Community Economic Development Associations (NACEDA)

What is a Community Development Corporation (CDC)

- CDCs undertake physical development, such as housing and/or commercial/ industrial development

- CDCs start businesses or provide support to private job-creating enterprises, such as through micro-enterprise and small business development
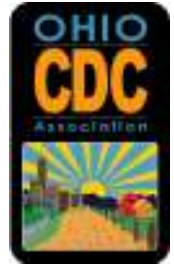
What is a Community Development Corporation (CDC)

- CDCs are guided by boards of directors primarily composed of area residents, and business and community leaders

- CDCs have a holistic vision of their community. <u>Most</u> CDCs complement physical development with "community building" activities and social services.

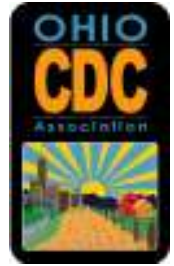# What is a Community Development Corporation (CDC)

Geographic Focus:

- Most CDCs serve a defined geographic area. In some cases they serve a defined target population (such as persons with disabilities or a specific ethnic group)

- Trend for CDCs is to expand their geographic focus and enter into partnerships in areas outside original geographic focus
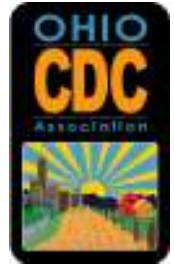
What is a Community Development Corporation (CDC)

- CDCs spark investment in underserved/underdeveloped areas

- Demonstrate that profitable development and investment are possible

- Remove major community eyesores to create better conditions for development

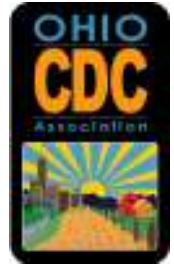# What is a Community Development Corporation (CDC)

In addition to organizations that use "community development corporation" in their name, there are a wide variety of organizations that OCDCA considers to be CDCs in Ohio:

- Community Action Agencies
- Community housing development organizations (CHDOs)
- NeighborWorks Members
- Community-based supportive housing organizations
- Community Land Trusts (CLT)
- Community-based micro-enterprise organizations
- Community-based economic development organizations

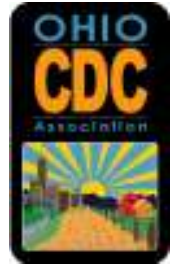# What is a Community Development Corporation (CDC)

In Ohio:

- No specific CDC law in Ohio

- CDC, is a concept, an idea, an understanding, not a legal term

- CDCs incorporate as nonprofit organizations.

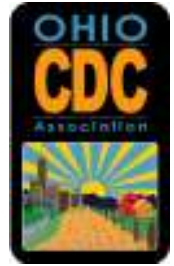# What is a Community Development Corporation (CDC)

CDC Program in the **Ohio Housing Trust Fund** has specific requirements for board make-up

- Nonprofit organizations must have one-third low income (80% of median) board representation

- Two programs within the CDC Program have this requirement

  - Pre-development, economic development grants and linked deposits through The Finance Fund

  - Micro-enterprise Business Development Grant Program through ODOD

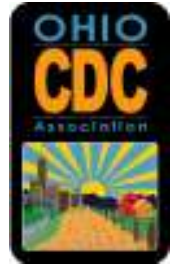# What is a Community Development Corporation (CDC)

Community Development Housing Organization (CHDO)

- Recognized by county, city and/or at the state level by OHFA

- Governing Board Requirement: One-third must be low income (80% of median and below) persons, low income residents of a low-income neighborhood, or elected representatives of organizations of low-income persons

What is a Community Development Corporation (CDC)

National Facts:

- 4,600 CDCs across the country
- One quarter of CDCs are faith-based
- Over 1.25 M housing units by CDCs
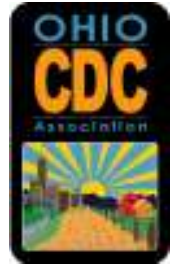- 126 M sq. ft. commercial/industrial space
- 774,000 jobs created

National Alliance of Community Economic Development Associations (NACEDA), 2005
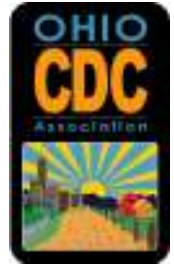
CDC History

- The affordable housing mission of CDCs dates back to the <u>U.S. Housing Act of 1937</u>

- Federal government should "remedy the unsafe and unsanitary housing conditions and the acute shortage of decent, safe and sanitary dwellings for families of lower income"
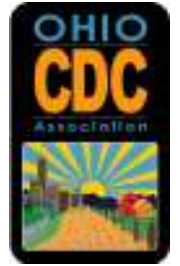
CDC History

- The growing power of the 1950s/1960s <u>Civil Rights Movement</u> led to greater decision making by local communities rather than the federal government

- The "Economic Opportunity Act of 1964 created Community Action Agencies (CAA's or CAP's), the precursors of CDCs
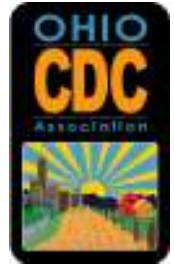
CDC History

- In 1966, a new program was created called the Special Impact Program (SIP).

- The SIP added the corporate sector in partnerships and focused on urban areas with extreme poverty.
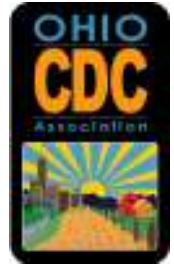
CDC History

- Two CDCs were initially funded - Hough Area Development Corporation in Cleveland and Bedford-Stuyvesant Restoration Corporation in Brooklyn, N.Y

- Between 1970 and 1980, the Office of Economic Opportunity funded 40 CDCs across the nation with almost $1 million per year per CDC
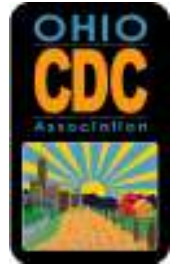
CDC History

- In 1980s, CDCs came to be seen as alternatives to government

- Ohio Housing Finance Agency was created in the early 1980's

- In 1989, the Ohio Capital Corporation for Housing (OCCH) was created by the Ohio Housing Finance Agency
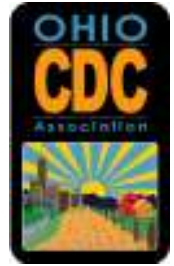
CDC History

1990's, Major Expansion Field – Beyond Housing

- 1991: National Affordable Housing Act created the HOME Program

- 1991: Ohio Housing Trust Fund was also created

- New funding sources created:
  - CDFI Program
  - New Markets Tax Credits Program
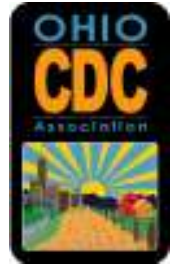 - Assets for Independence Act (IDAs)

CDC Challenges

- Foreclosures

- Vacant Properties - Demolition

- Job Losses

- Declining Population

- Cutbacks in Government Funding

- Financial Institutions Tightening Credit, Cutting Back On Charitable Contributions

- Housing Market at Lowest Point in Many Years
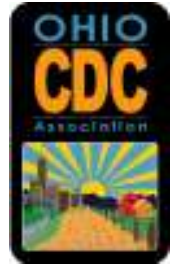
Role of a CDC in the Community

Potential Activities – BROAD

A CDC can take on many functions within it's mission:

- Residential Real Estate Development
    - Affordable and Market-rate
    - Rental and For-Sale
    - Special Needs, Preservation, Supportive Housing
    - New or Rehabilitation

- Commercial Real Estate Development
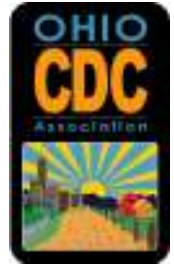   - New or Rehabilitation

Potential Activities – continued

- Property Management

- Community Organizing
  - Resident and/or Commercial

- Financial Education
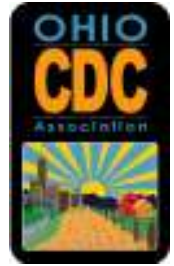 - Homeownership Counseling
  - Credit Counseling

Potential Activities – continued

- Asset Development for Low to Mod Income Households
  - IDAs
  - Microenterprise

- Safety and Security

- Education
  - Workforce Training
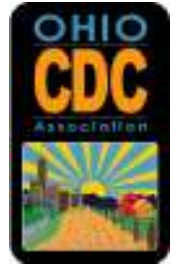 - Early Childhood

Potential Activities – continued

- Youth and Leadership Development

- Advocacy

- Economic Development

- Community Planning/Land Use Planning
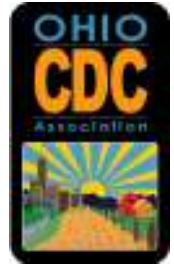 - Land Reutilization Through Community Gardens

Role of a CDC in the Community

Mission Importance:

- Important to focus your mission at first.

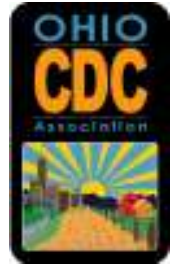- What do you want to be?

CDC Resource & Funding

Federal Resources

- Average CDC receives more than $50,000 in federal grants, investments or loans

- Community Development Block Grant (CDBG) – City/County

- HOME from Participating Jurisdiction (PJ) – City, County, State

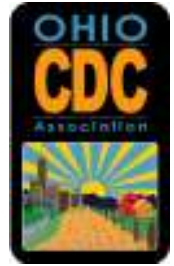- NSP (Neighborhood Stabilization Program) – City, County, State

CDC Resource & Funding

- <u>Community Reinvestment Act of 1977</u>: "regulated financial institutions are required by law to demonstrate that their deposit facilities serve the convenience and needs of the communities in which they are chartered to do business"
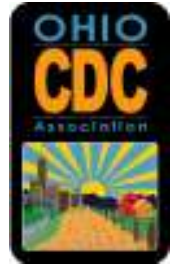
CDC Resource & Funding

National Intermediaries:

- NeighborWorks America
  - Cincinnati
- LISC (Local Initiatives Support Coalition)
  - Cincinnati
  - Toledo
- Enterprise Community Partners
  - Columbus
  - Cleveland
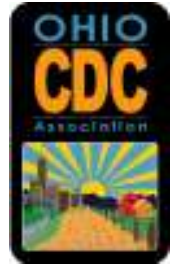
CDC Resource & Funding

State Resources:

- ODOD (Ohio Department of Development)
- OHFA (Ohio Housing Finance Agency)
- The Finance Fund
- Ohio CDC Association
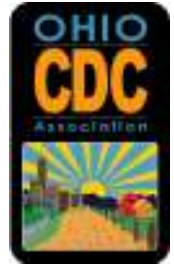- Governor's Office of Faith Based Initiatives

CDC Resource & Funding

Local Resources:

- Private Foundations

- Corporate Sponsorships

- Resident Giving

- Event Fundraising

CDC Resource & Funding

Other Resources:

- Entrepreneurial
  - ❑ Property Management
  - ❑ Development Fees
- In-Kind Donations
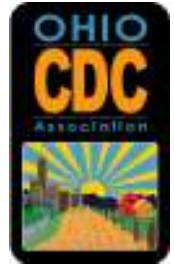- Estate or Planned Giving

Trends in Community Development

- Strategic Focus
- Collaboration and Regionalism
- Funding
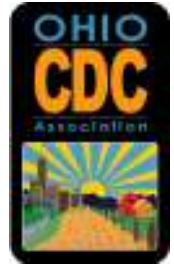- Accountability and Transparency

Role of the Board of Directors

"One part governance, two parts patience, three parts caring and one part knowledge."

Healthy desire to advance the mission of an organization is the foundation of which good Board members are built.

# Role of the Board of Directors

Successful Board:

Is a group of directors, who view themselves only as a unit and acts only as a unit, support the mission and the Staff, feels ownership of the organizational development and strategic plans, understands its tasks as components of the whole, enjoys sitting as a Board and can articulate and embrace the goals and objectives of the organization.
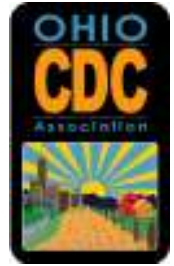
Role of the Board of Directors
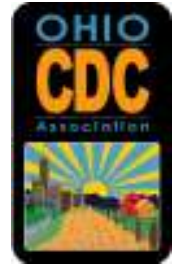
- Determine Mission and Vision, and Ensure Effective Planning
  - Ensure Quality of Programs and Services

- Establish and Strengthen Community Relations

- Develop Funding Resources
  - Make an Annual Financial Contribution
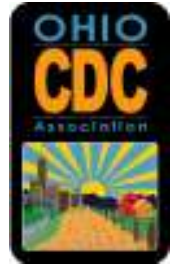 - Participate in Fund Development Activities

Role of the Board of Directors

- Select and Support the Chief Executive

- Provide Financial Oversight

- Develop the Board

- Ensure Legal and Ethical Integrity
  - Duties Of Care, Loyalty and Obedience
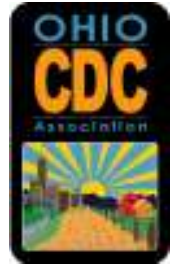
Role of the Board of Directors

Duty of Care, Loyalty, and Obedience

- <u>Duty of Care</u> is a standard that requires a board member to exercise the same care that an ordinary, prudent person would exercise in a like position or under similar circumstances. It means that board members should attend board meetings and be informed about the activities of the organization in order to be able to make informed
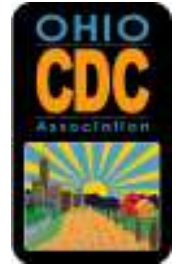
Role of the Board of Directors

Duty of Care, Loyalty, and Obedience

- <u>Duty of Loyalty</u> is a standard that requires a board member to act in good faith, be faithful to the organization and pursue the organization's best interests. It means that board members must be dedicated to the organization's mission and put the interests of the organization above self-interest.

  - A breach of this standard would be considered self-dealing. To eliminate the risk of self-dealing, directors should provide full disclosure of any issues that could cause a potential conflict of interest. If potential conflicts of interest occur, the affected board members should not attempt to unduly influence the rest of the board and should recuse themselves from discussing and voting on the matter.

Role of the Board of Directors

Duty of Care, Loyalty, and Obedience

Duty of Obedience requires the board to act in accordance with the organization's rules and policies, and in furtherance of its goals as stated in the mission statement, articles of incorporation and bylaws. In addition, the board must comply with state and federal laws. The duty of obedience forbids acts outside the scope of corporate powers.

Role of the Board of Directors
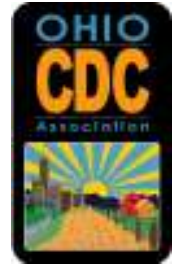
Key Skills and Tasks:

- <u>Preparation</u> – staying current with organizations programs, efforts and concerns

- <u>Utility</u> – pursuit of organizations goals as an individual volunteer at the direction of the executive

- <u>Spokesperson</u> – representation of the Board, especially when they are being quoted on a subject that involved mission of the organization

Role of the Board of Directors
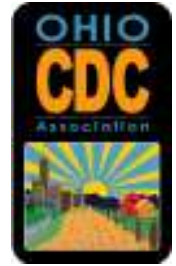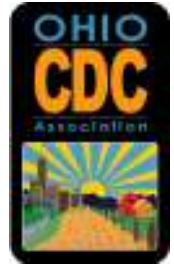
Key Skills and Tasks:

- <u>Fund-raiser</u> – raising funds for the organization

- <u>Advocate</u> – articulate the official positions of the organization

- <u>Friend</u> – caretakers on their Boards, people who will take care of other directors, stakeholders and even Staff
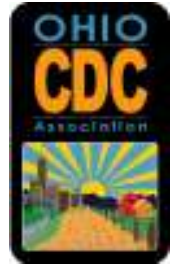
Role of the Board of Directors

Items to Keep in Mind:

- In Newer organizations the board may need to help with operations

- In Mature organizations the board articulates policy, agrees to a budget, and hires and oversees the executive director

- CDCs are mission driven – board members should have a clear understanding of the mission
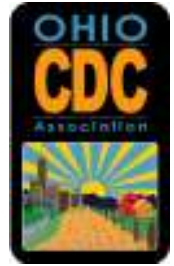
Role of the Board of Directors

Items to Keep in Mind:

- Respect the division of roles and responsibilities between the board and its staff

- Informed of current programs, services, and fiscal situation

- New board member orientation that includes responsibilities and program and administrative information

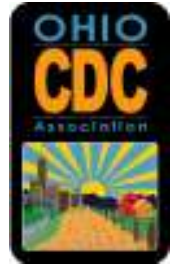# Role of the Board of Directors

Items to Keep in Mind:

- Clear and succinct agendas and supporting written material in timely manner

- Standing Committees to provide guidance and oversight

- Well organized meetings
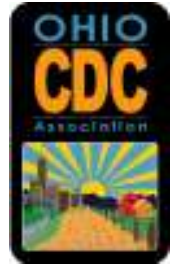
Role of the Board of Directors

Items to Keep in Mind:

- Sufficient range of leadership, expertise, and experience
  - Neighborhood Property Owners
  - Attorneys
  - Private Lenders
  - Realtors
  - Professionals within the Community
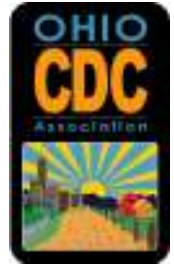
Role of the Board of Directors

Items to Keep in Mind:

- Some Board Members may have interest in properties being considered by the CDC

- Board Members should declare conflict of interest and remove themselves from discussions and abstain from voting on those properties
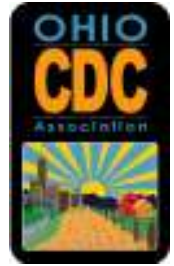
Role of the Board of Directors

Items to Keep in Mind:

- <u>Bottom Line</u> – Better decisions can be made by an informed board, structured and constituted for success, and committed to advancing the organizations mission
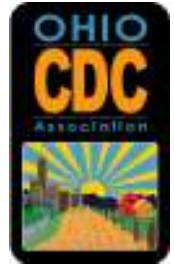
Role of the Board of Directors

Best Practices in Non-Profit Governance:

1. Understand The Role of the Board
2. Identify the Key Issues for the Board to Address
3. Create Dashboard (Measure Progress)
4. Clarify Board Member Expectations and Accountability
5. Determine Ideal Board and Board Committee Structure
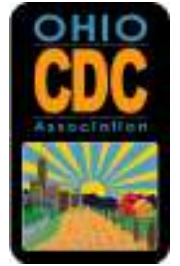
Role of the Board of Directors

Best Practices in Non-Profit Governance:

6. Determine Ideal Board Composition

7. Develop Succession Plans for Board and Chief Executive

8. Ensure Effective Meetings

9. Understand Role of Staff

10. Provide Board Education

Contact Information

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