

**COMMUNITY ECONOMIC DEVELOPMENT:
AN UNDERUTILIZED OPTION
IN YOUNGSTOWN'S REVITALIZATION
EFFORTS**

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This report is a part of a series of economic development, human resources, and local government studies conducted by the Center for Urban Studies at Youngstown State University. It is our intention that this report will provide broader understanding of community economic development and will be utilized as a basis for stimulating local action.

The Center for Urban Studies was created by the Youngstown State University Board of Trustees to provide research and technical assistance for local government and other non-profit organizations. There are currently three areas of emphases within the Center for Urban Studies: urban poverty, economic development, and local government assistance.

The urban poverty program is committed to identifying the causes of urban poverty and to determining ways to alleviate poverty. A number of low income housing studies and low income health care studies have been developed under this program.

The economic development program includes a series of activities that are monitoring the regional economy. Other efforts include elements of economic development plans, industrial targeting, and market and feasibility studies.

The local government assistance program is designed to provide urban planning studies, issue identification and goal studies, opinion polls, population forecasts, demographic analyses, impact studies, revenue forecasts, and mapping.

The Center for Urban Studies is one of four centers that make up the Public Service Institute. The other centers being the Cushwa Center for Industrial Development, which assists small businesses to get established or expand; the Engineering Services Center, which conducts industrial research and development for local firms; and the Human Services Development Center, which conducts needs assessments, training, and research for health and social services agencies. It is through this family of centers that Youngstown State University is able to respond to the social and economic development needs of the six-county region it serves.

Gil Peterson, Ph.D., AICP
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Introduction

Community economic development (CED) has flourished in cities such as Cleveland and Cincinnati. Other communities, like Youngstown, Ohio, have experienced less of this grassroots approach to community revitalization. This paper begins to explore possible reasons for this difference and offers possible strategies to encourage more CED in those areas which lack this activity. While some data and initial analyses are presented, the main purpose of this paper is to establish a conceptual framework for further research and technical assistance.

The paper will be arranged as follows. First, community economic development will be defined and discussed. Second, data are presented which demonstrate that the level of CED varies geographically; particular focus will be placed on Youngstown and other Ohio cities. Third, possible reasons for this variation will be discussed. Fourth, potential strategies for encouraging CED will be presented. Finally, future research and technical assistance plans will be considered.

Community Economic Development

Community economic development occupies a kind of middle ground between economic development and social service. Like mainstream economic development agencies, organizations involved with CED have as a goal the creation of jobs and economic opportunity. Like traditional social service agencies, CED organizations focus on assisting the poor and disadvantaged. Perhaps the major characteristic which sets CED organizations apart is an emphasis on self-help through grassroots effort.

Mtangulizi Sanyika of the National Center for Economic Development and Law has prepared a detailed statement to describe and define community economic development. The statement begins: "Community Economic Development (CED) is a citizen initiated economic development strategy which seeks to revitalize the economy of low-to-moderate and marginal neighborhoods/communities (both urban and rural) for the

benefit of the most needy residents. It is a systematic and planned self-help intervention intended to reduce dependency and leakage and promote a community's economic self-reliance" (Sanyika, 1988).

Perhaps, the most common and effective CED organization is the Community Development Corporation (CDC). In their nation-wide study of CDC's for the Ford Foundation, Neil Peirce and Carol Steinbach acknowledge the difficulty in defining the CDC, stating: "CDC's vary dramatically in their origins, their track records, their styles, their wealth, the types of urban and rural communities they serve." Peirce and Steinbach go on to state, however, that there are three characteristics present in all CDC's: community control, economic development, and targeting (of low income communities) (Peirce, 1987, pp. 1-12). The Committee for Economic Opportunity describe CDC's in the following way: "CDC's are originated and controlled by persons living in poor areas: their purpose is the planning, promoting, financing, and wherever possible, operating and owning of businesses that generate income, employment, and economic opportunity (Committee for Economic Development, 1987, p. 58).

In addition to economic development goals, CDC's also seek to generally improve the neighborhoods in which they operate. Partly for this reason, housing rehabilitation has been a primary focus for many CDC's. A wide range of other activities including weatherization, and provision of services, such as day care, are part of the CDC agenda.

The role of CDC's has changed over the years. Peirce and Steinbach state: "During the 1960's and 1970's, CDC's focused largely on trying to start their own businesses. Many failed. Few ever became very profitable or produced the hoped-for level of jobs. Today's CDC's, by contrast, are more likely to supply equity capital, loans, incubator space, and technical assistance in support of homegrown private entrepreneurs and businesses in their midst" (Peirce, 1987, p. 31).

Community economic development is not without its problems. By its nature, CED deals in the margins of which is economically viable. For this reason, the deals are typically tougher and take longer than those in the private market.

The "drop in the bucket" argument is often used against the CED concept. Detractors (and to a lesser extent, perhaps, supporters) site the enormity of the problems faced by distressed neighborhoods and suggest that CED, with its painstaking project-by-project methods, can only address a relatively small portion of the need.

Other major issues confronting advocates of CED reflect the tension which exists between philosophy and pragmatism. The successful CDC must cope with several contradictory positions: it must seek self-sufficiency while responding to community needs; it must obtain outside funding while maintaining independence; and it must make safe investments while giving frustrated entrepreneurs a chance (Mico, 1981, pp. 18-19). These contradictory positions are heightened in an age of tight governmental budgets which force CDC's and other CED organizations to create increasingly complex partnerships and to strike increasingly complex deals with the private sector. While this trend has had some healthy spin-off effects, like encouraging entrepreneurship within CED organizations, it has also created an environment in which keeping sight of original "community" goals is sometimes difficult.

As a result of these divergent pressures, CDC's often involve less grassroots involvement than they ideally would like. Many CDC's have a narrow membership base and are influenced more by their staff and board than by residents of the community (Keating, 1988, p. 9).

Despite these difficulties, CED is not without accomplishments. Several studies designed to evaluate the success and potential of CDC's have presented generally positive findings (Keating, 1988, p. 9). Officials in Boston estimate that nearly 80 percent of new low-income housing in the last two years (as of 1987) is CDC built (Peirce, 1987, p. 39). CDC's have successfully developed large-scale projects including a 183-unit complex of moderate-income townhouses in Cleveland (Keating, 1988, p. 13) and a commercial plaza in Kansas City which employs 275 people, most of whom reside in the CDC's target area (Peirce, 1987, pp. 38-39). While not a panacea, CED has a role to play in a community's revitalization efforts.

Levels of Community Economic Development: A Comparison

Some communities are home to more CED activity than are other communities. In an effort to measure the level of CED activity in various cities in Ohio, two sources of data were used. A membership roster of the Ohio CDC Association was analyzed and CDBG allocations from several cities were examined.

Analyzing the Ohio CDC Association roster (Fall, 1988) provides a crude measure of how CED activity varies across the state. The roster includes CDC's (CDC members) as well as other organizations or institutions interested in or involved with CED (associate members). The analysis was limited to counting the number of members in various cities and adjusting for city size by calculating the number of members per 100,000 population. This measure is admittedly imprecise because (1) all CDC's and like organizations are not members of the Association, and (2) the number of organizations is not a precise measure of activity level or accomplishment. However, given that the purpose is to compare cities in a general way, not to make absolute measures of CED activity, the per capita index provides some insights.

As indicated in Figure 1, the major Ohio cities can be clustered into three general levels of CED activity as measured by the Ohio CDC Association roster. Cincinnati and Cleveland have the highest level of activity with at least four association members for every 100,000 in population. A second cluster includes Dayton, Toledo, and Youngstown with approximately two members for every 100,000 people. Akron, Canton, and Columbus have the lowest level of activity with approximately one member per 100,000 people.

Comparing the amount of CDBG funds allocated for CED activities provides another approximate measure of the level of CED activities and how this varies among Ohio cities. More precisely, this comparison measures the level of public or local government support for CED.

A state-wide study of the impact of federal budget policy on local government provided information on CDBG allocations (Cleveland State University, 1987). As part of this study, the amount of money allocated

Figure 1: Generalized Level of CDC Activity in Major Ohio Cities as Measured by Membership in the Ohio CDC Association*

Level of Activity	City	Number of Members Per 100,000 Population
High	Cincinnati	6.0
	Cleveland	4.0
Moderate	Dayton	2.5
	Toledo	2.3
	Youngstown	1.9
Low	Akron	0.8
	Canton	1.1
	Columbus	1.1

*See text for caveats.

to non-profit organizations was determined; and importantly, allocations to subcategories of non-profits were available. At the finest level of disaggregation, it was possible to determine the amount of CDBG funds allocated to non-profits engaged in physical development at the neighborhood level. This group of non-profits should roughly approximate the universe of organizations involved in CED.*

Figure 2 presents the amount of CDBG funds, and the percentage of total CDBG funds, that major Ohio cities allocated to non-profits (total), to neighborhood-based non-profits, and to neighborhood based non-profits engaged in physical development in 1980 and 1986. These findings are generally consistent with those which resulted from the CDC Association analysis. Cincinnati and Cleveland again emerge as the CED leaders in Ohio. Some CED activity is supported in Youngstown, while little or none is funded through CDBG in Columbus (Akron and Dayton results inconclusive, see footnotes in Figure 2).

Why The Difference?

There are many possible reasons to explain why some cities or communities experience more CED activity than others. Most of these reasons fit within six broad categories: relative need; tradition of activism/ citizen participation/ neighborhood consciousness; availability and quality of leadership; political emphasis/ priorities; disposition of local funding sources; and availability of technical assistance.

Need. The need for community economic development is impacted by many factors which vary geographically. For example, need for low income housing may be influenced by age of the city and its housing

*This assumption is supported, at least for Cleveland, by an independent report of CDBG funding for CDC's which states that the percentage of total CDBG funds allocated to Cleveland CDC's between 1981 and 1987 ranged between 4 to 6 percent (Keating, 1988, p. 12). This mirrors the percentage of funds allocated to neighborhood-based non-profits engaged in physical development.

Figure 2: CDBG Funding For Non-Profit Organizations in Selected Ohio Cities*

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	Total	Neighborhood	Neighborhood Physical Development	Total	Neighborhood	Neighborhood Physical Development
	\$ in 000's %**	\$ in 000's %	\$ in 000's %	\$ in 000's %	\$ in 000's %	\$ in 000's %
Akron ^{***}	675 (7.0)	100 (1.0)	0 (0.0)	455 (6.9)	68 (1.1)	0 (0.0)
Cincinnati	3,000 (15.5)	2,975 (15.4)	2,975 (15.4)	4,462 (35.4)	2,175 (17.2)	1,815 (14.4)
Columbus	224 (2.3)	224 (2.3)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Cleveland	4,243 (10.8)	2,677 (6.8)	1,610 (4.1)	3,499 (14.3)	2,498 (10.2)	1,380 (5.6)
Dayton ^{****}	152 (1.6)	0 (0.0)	0 (0.0)	61 (0.9)	0 (0.0)	0 (0.0)
Youngstown	256 (4.2)	60 (1.0)	0 (0.0)	410 (9.5)	180 (4.1)	25 (0.6)

*Toledo and Canton data not readily available.

**Percentages are of total CDBG funds for city.

***Analysis for Akron appeared to focus on human services; figures may, therefore, understate funding for CED.

****Does not include money to non-profits which may have flowed through Neighborhood Priority Boards.

Source: Cleveland State University, 1987.

stock, by migration patterns and population growth or decline, and by the presence or absence of gentrification and displacement. The need for targeted efforts to stimulate economic opportunity will probably be greater in a declining manufacturing belt city than in a growth center. This need may be relatively high in a city which has long depended on a few large employers who, in the past, hired large numbers of unskilled laborers. There would be less need in a city characterized by a more diversified, entrepreneurial local economy.

Tradition of Activism/ Citizen Participation/ Neighborhood Consciousness. It is likely that communities with a rich tradition of activism, citizen participation and neighborhood consciousness would tend to be the home of more CED activity than cities with little or no such tradition. The presence or lack of neighborhood consciousness could be influenced by many factors ranging from the size and topography of the city to the demographics of its people (Thomas, 1986). The level of citizen participation in a given neighborhood will vary according to how "rooted" the residents feel (Rich, 1983). Grassroots action might be discouraged in cities where the people have traditionally felt powerless or apathetic in the face of a local government perceived to be unresponsive or cliquish.

In many instances, CDC's and similar organizations grew out of the work of activist groups and advocate planners or organizers. In Akron and Cleveland (and probably many other cities), for example, some CDC's are direct descendents of settlement houses.

Availability and Quality of Leadership. Leadership has been identified as a necessary ingredient in the success of community corporations (Hallman, 1970, p. 38) and, more generally, in any public-private venture (Committee for Economic Development, 1982, p. 9). Certainly, the magnitude and quality of CED activity will be impacted by the type of leaders who are actually "doing" CED; but also crucial is the support of leaders who, while only indirectly involved, have a definite impact on the potential success of organizations involved in CED activities. Examples of direct leadership include CDC directors and staff, as well as board members and other citizens of the affected

neighborhood or community. Examples of the indirect leadership include government officials, bank and foundation executives, and influential members of religious groups. To the extent that the availability and quality of existing leadership varies geographically, the level of CED activity might be expected to vary as well.

Political Emphasis/ Priorities. The level of CED activity within a given community is influenced by the overall philosophy and agenda of the dominant forces in local government. For example, cities that define economic development primarily in terms of "smokestack chasing" and/or large scale downtown redevelopment may be less likely to enthusiastically embrace the CED concept.

Although philosophical support for CED often cuts across the political spectrum, the priority placed on related activities, and the manner and level of support, vary substantially. For example, as previously discussed, the amount of CDBG funds allocated for use by CDC's varies considerably among different cities. Non-monetary support, such as the availability of technical assistance to neighborhood groups, also varies. Even among cities that support the concept of CED, there is probably substantial variation in the amount of resources they are willing and able to apply.

Disposition of Local Funding Sources. The level of CED is also impacted by the extent to which potential funding sources are knowledgeable about and supportive of this activity. To accomplish their mission, CED organizations are often forced to put together complex deals with multiple partners. Important non-governmental sources of funds include financial institutions, foundations, locally-based corporations, religious organizations, and labor unions. Some communities even have a finance institution formed expressly for the purpose of stimulating economic development in low income communities, probably the most notable example being South Shore Bank in Chicago.

Availability of Technical Assistance. Insufficient training and technical assistance has been cited as a problem which plagued early versions of community corporations in New York (Hallman, 1970, p. 70). The availability of quality technical assistance is no less necessary today. Cities--such as Cleveland, Cincinnati, and Pittsburgh--which are active in CED, typically have well developed technical assistance capabilities (Keating, 1988; Thomas, 1986; Ahlbrandt, 1986).

Grassroot organizations may have limited skills in specific areas such as business planning, market studies, and organizational development, especially in their formative stages. Communities that do not provide technical assistance to fledgling groups interested in CED are less likely to enjoy the benefits of mature CDC's than are communities that make such help available.

Encouraging CED

The best strategy or strategies to be employed by a community to encourage and expand CED will vary depending upon the circumstances facing the community in question. To a large degree, these circumstances parallel the reasons--presented in the preceding section--for differing levels of CED. For example, a community with a strong tradition of citizen participation but with no local funding sources for CED would need to adopt a different strategy than a community faced with the opposite situation. The interrelated nature of the reasons must also be recognized, however.

If the primary reason for a community having little or no CED activity is found to be lack of need, probably little or no strategizing needs to take place; CED is a means to an end, not an end in itself. On the other hand, a generally thriving community must be careful not to overlook a disadvantaged segment of its population. Communities which appear to be doing well economically should carefully check to make sure that all residents have an opportunity to share in the prosperity.

If lack of citizen participation appears to be a major roadblock to CED, a catalyst might be necessary to spark grassroots involvement. While such a catalyst could take several forms, some research suggests

that personal contact by an organizer is the most effective way to mobilize residents at the local (block) level. The organizer need not be an experienced professional to be effective (Rich, 1983).

After interested people have been identified, a neighborhood goal setting conference could be held. Such a conference would bring together interested neighborhood people, including those already active in block clubs or crime watches, to brainstorm and arrive at some agreement upon goals and action plans for neighborhood improvement. The conference would also provide an opportunity to encourage the "stretching" of goals and aspirations. Stretching means that groups who formerly viewed themselves strictly as a crime watch, for example, might consider other neighborhood improvement activities. In some cases, such stretching might even lead to the creation of a CDC or other formal CED organization. The conference might also reveal possibilities for individuals and small groups to network or merge for mutual benefit.

If a lack of leadership is impeding CED activity, the solution is to educate existing leadership about CED and to stimulate new grassroots leadership within the neighborhoods. Existing leadership development programs, such as Leadership Youngstown, could be encouraged to incorporate the concept of CED into their program. Existing CDC's could act as mentors, providing encouragement and technical assistance to startup groups (such a program is currently being explored by the Ohio CDC Association). Universities could sponsor leadership workshops.

Another roadblock to CED which calls for education of existing leadership occurs when the local political agenda does not acknowledge CED as a priority. Political leaders may be convinced to participate in some of the leadership development activities discussed above, and thereby gain an awareness and commitment to CED. Another, and perhaps more effective, strategy involves grassroots lobbying for CED. If local representatives and the local administration perceive CED as an important issue among their constituents, support for such activity will naturally follow.

Changing the political agenda, or the mindset of community leaders, to accommodate CED may necessitate the involvement of an intermediary force. Churches are a potentially effective intermediary because their membership is broad-based and because economic justice is logically part of their agenda (Corbin, 1989).

Regardless of how much leadership and citizen participation exists in a community, financial resources are necessary for CED to occur successfully. It is important that financial partners understand that CED deals are somewhat different than private market deals; the appropriate mindset of the development banker has been described as being that of a "judge and advocate" (Tobian, 1988). If local foundations and other traditional sources of seed money are not currently involved in CED activities, it is possible that they are not aware of, or do not understand, the concept of CED. This calls for education and lobbying efforts similar to that described above for the political leadership.

There are also less traditional sources of funds that can be tapped. Organizations and even individuals can lend financial resources for CED through link deposits. Link deposits are special accounts administered by a bank or other financial institution which provide low interest loans. The low interest rates are made possible because depositors accept a below market rate of interest on their investment.

Church groups are logical sources of financial support for CED. Churches can use a portion of their investment portfolio to capitalize a revolving loan fund or contribute to a link deposit account. Financial assistance can also be provided indirectly through in-kind services, access to facilities and equipment, and by purchasing the products and services of CED organizations (Corbin, 1989, pp. 17-19).

If lack of technical assistance is determined to be a key reason that CED has not occurred in a community, the first step toward rectifying the situation might be an examination of the linkages between potential providers and potential users. In or near a community of any size, it is unlikely that technical assistance is unavailable. It is

more likely that the users are unaware of what is available or that the providers are not familiar with CED or do not view related organizations as their clients. Some providers may charge fees that fledgling groups cannot afford.

Education and communication are keys to solving the linkage problem. Struggling CDC's or community groups interested in getting involved with CED must be made aware of available help; ideally this would occur through personal contacts or small scale workshops initiated by the providers. However, seeking out neighborhood groups can be a painstaking process: the Center for Urban Studies at YSU attempted to contact over 120 block clubs or crime watches and found less than ten that seemed to be active. The linkage process, therefore, might require networkers or gatekeepers to act as facilitators. Universities and churches are appropriate institutions to fill this role, as are CDC umbrella organizations. These institutions and organizations, as well as local governmental entities, might also be direct providers of technical assistance.

Providers can set aside a given amount of time and resources to devote to community programs. If the demand for such assistance exceeds supply, proposals could be solicited and technical assistance could be awarded on a competitive basis.

Next Step: An Agenda For Youngstown

This paper introduced the concept of Community Economic Development and argued that it has a role to play in a community's revitalization efforts. Evidence was presented to show that some Ohio cities have substantially higher levels of CED than other cities. Possible reasons for these differences were offered and general strategies for encouraging CED were suggested.

The most important work has yet to be undertaken, however. The major purpose of this paper was to present a conceptual framework for future research and technical assistance. Several steps are planned as we look to pursue and apply this research in Youngstown.

1. The paper will be shared with people and organizations interested in, or potentially interested in, CED. This serves several purposes: to solicit feedback on the concepts and suggestions advanced, to help create a local awareness of CED, to hopefully stimulate thinking and discussion about alternative courses of action, and possibly to catalyze some interaction among groups with mutual interests in CED.
2. Research will be conducted to test which reasons best explain why Youngstown has not been home to more CED activity. These results will help define the most appropriate course of action to encourage CED in Youngstown.
3. Dialogue and meetings with interested people and organizations will be initiated to explore possible action steps and to determine appropriate roles.

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