

Community Development System Capitalization Report For Detroit

(Methods, Findings and Recommendations)

Prepared for and in association with:
**Building the Engine of Community Development in Detroit
(BECDD)**

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Introduction

Detroit has approximately thirty-one community development organizations (CDOs) serving neighborhoods across the city, based on the working definition of CDOs developed by the BECDD stakeholders. While these groups do not provide core community development services in every Detroit neighborhood, they do partner with a wide range of other neighborhood-based organizations, churches, financial institutions, foundations, and city and state government which all contributes to improve the physical, social and economic conditions of Detroit’s neighborhoods.

The BECDD definition indicates that a CDO is “a professional not-for-profit tax-exempt organization, and the key facilitator of community development work in a defined neighborhood. A CDO is a place-based organization accountable to local stakeholders (especially residents), who comprise the majority of its Board”. By contrast grass roots organizations (GROs) “are volunteer associations that focus on small geographic areas or projects within a defined neighborhood.” These groups often work together to improve the quality of life for residents in the neighborhoods they serve. The BECDD Definition suggests that CDO’s provide the following five core functions: 1) Convening and Facilitating, 2) Resident Engagement and Empowerment, 3) Community Planning and Advocacy, 4) Economic Development and 5) Resident Support.

In addition to CDOs and GROs, the community development ecosystem in Detroit also includes many Community Development Financial Institutions (CDFIs), several intermediary/support organizations, dozens of foundations and banks, and a city government with an increasing capacity and renewed strategy to revitalize Detroit neighborhoods.

One challenge in the current Detroit ecosystem is the disconnected nature of its community development stakeholders and efforts. The lack of coordination means that progress in Detroit neighborhoods does not proceed in a steady or consistent way. The BECDD process has identified a set of “whole system drivers” or system-wide community development activity needed to turn the diverse and unconnected set of community development players in Detroit into a well-functioning community

development system. The drivers were identified through a rigorous process that examined how mature and higher performing community development systems in five other U.S. cities were able to achieve the kind of results desired by Detroit's stakeholders. These drivers include:

1. advocacy (for the community development system as a whole, especially policy priorities and including resident-defined priorities),
2. capacity (for stakeholders at every level of the system, both organizations and individual practitioners and leaders),
3. coordination (among key partners including allied sectors, within and between stakeholder groups, working toward common goals),
4. knowledge (including data gathering/access/analysis, sharing of best practice in the field, and success measurement), and
5. money (coordinated and systemic funding, including a strategy to fully capitalize all system elements).

Detroit is at a turning point in the revitalization of its central business district and neighborhoods. While it has suffered through more than 35 years of municipal turmoil and lack of systemic support for community development, new public and private investments are being made to improve the quality of life for Detroit residents. However, years of neglect and disinvestment have left the community development industry in Detroit in a fragile state. The Building the Engine process, begun in 2016, has assembled more than 200 public and private stakeholder organizations from every part of the city to study, understand, and collaboratively build a resilient community development system in Detroit. BECDD has created a System Capitalization Task Force to create a strategy to fully resource, over five years and beyond, a BECDD-defined community development system for Detroit.

In early 2019, The Task Force engaged a national and local consulting team to gather data on the level of community development capital currently in play in Detroit in 2018 and to understand what was needed to fully support the community development system. This report summarizes the findings of the consultants' work and presents a set of recommendations that emerged from our discussions with a diverse group of Detroit community development stakeholders.

Methods

The consulting team gathered data through multiple interviews, surveys and publicly available information from fifty-nine organizations, including private foundations, CDOs, corporations, banks, CDFIs, government entities and intermediary organizations. This group was identified because, collectively, they are representative of the many stakeholders that both invest and deploy community development capital in Detroit. These interviews and the supplied financial data were used to create a credible, but not comprehensive, one-year estimate of the level of community development funding in play in Detroit to CDOs and other community development groups in 2018.

A separate, anonymous online survey was used to seek input from all of the community development organizations in Detroit. The surveys sought information about the level of funding needed to fully implement all five of the core CDO functions (including general operating support) in the neighborhoods they serve over a one- and five-year period. Twenty-six CDOs responded to the survey and the results

of the survey were used to estimate the cost of fully funding the core CDO functions in Detroit neighborhoods now served by CDOs.

Table 1. below summarizes the data sources, collection methods and types of data supplied by these groups. A list of all the organizations that provided data is included in Appendix C.

Table 1. Data Sources, Method and Types		
<i>Data Source</i>	<i>Collection Method</i>	<i>Type of Data Provided</i>
10 Private Foundations	Interviews & Grant Lists Review	2018 Grants in Play
4 Corporations & Banks	Interviews & Grant Lists Review	2018 Grants in Play
7 CDFIs	Interviews	2018 Loans in Play
2 Government	Interviews	2018 Grants in Play 2018 Loans in Play
26 CDOs	Interviews	CDO Defined Need 2018 Grants in Play
10 Intermediaries	Interviews	2018 Grants for non-CDO Driven Community Development Activity

The consulting team also sought input from a key set of community development stakeholders which had been engaged in the BECDD process, to estimate the cost of supporting the whole system drivers, in addition to the cost of providing core CDO functions in Detroit neighborhoods.

The data gathering process relied on gathering data from a diverse set of organizations. Many respondents provided data in ways that made the process of aggregating and comparing financial information challenging for the consultants. Often respondents categorized grant purposes in very different ways. For example, some grants intended for specific community development activity were categorized as unrestricted operating support. Another challenge was that it was not possible to identify which community development activities currently undertaken by intermediary organizations are aligned with the BECDD whole system drivers. *This means that the BECDD System Capitalization data set is broadly representative of the resources currently available, and needed, for community development activity in Detroit, even if the categorizing of the current resources may not be fully accurate.*

Findings

CDO Core Functions

Based on financial data from public and private funders of community development activity in Detroit, there appeared to be approximately \$7 million provided to CDOs in 2018 for the core functions of general operation, capacity building, resident engagement, convening, facilitating, community planning, advocacy and resident support. Concurrently, the Detroit CDOs responding to the online survey indicated that the cost of fully funding these services would be approximately \$22 million annually. Table 2 below summarizes the financial data on funding available and needed for core CDO functions.

Table 2. CDO Core Functions Costs (based on 16 funder surveys and 26 CDO surveys) excluding Economic Development and Real Estate			
	Grants in Play 2018 (16 funders to 28 CDOs)	CDO Defined Need from 26 CDOs	Five Year CDO Defined Need
General Operating Support/Capacity Building	5,101,81	5,850,000	29,250,000
Resident Engagement/Empowerment	832,728	1,950,000	9,750,000
Convening/Facilitating	380,500	1,950,000	9,750,000
Community Planning/Advocacy	25,000	1,950,000	9,750,000
Human Service/Resident Support	<u>732,500</u>	<u>9,890,000</u>	<u>49,450,000</u>
Total CDO Core Functions	7,072,509	21,590,000	107,950,000

Non-Real Estate Economic Development

The difference between resources in play and resources needed for CDO-led economic development activity is also significant. The twenty-six CDO respondents estimated that nearly \$7 million a year is needed for non-real estate economic development projects in the neighborhoods they serve. This component of community development is critical: first, CDOs' playing a role in commercial corridor revitalization is an important complement to the Mayor's Strategic Neighborhood Fund strategies; second, Detroit's preponderance of vacant land/open space makes vacant land reclamation a high priority for virtually all of Detroit's neighborhoods. However, the sixteen funders indicated that they provided only \$785,000 for these kinds of activities to Detroit CDOs in 2018. Table 3 below summarizes this financial data.

Table 3. CDO Non-Real Estate Economic Development Costs (based on 16 funder surveys and 26 CDO surveys)

	Grants in Play 2018 16 funders to 28 CDOs	CDO Defined Need from 26 CDOs	Five Year CDO Defined Need
Commercial corridor revitalization	785,000	2,900,000	14,500,000
Vacant Land reclamation	<u>100,000</u>	<u>3,820,000</u>	<u>19,100,000</u>
Total CDO Economic Development	885,000	6,720,000	33,600,000

Real Estate Development

There was also a difference in the loan capital available to CDOs in Detroit in 2018 for real estate work (single family rehabilitation, single family construction, multi-unit construction and commercial real estate), and the CDO estimate of the capital needed. Funder loan capital and the CDO estimated need appear below:

CDFIs 2018 Loans:	\$19,134,195
CDO’s Estimated Annual Need:	\$26,240,000

Other System Costs: The Five Drivers

Beyond the work directly undertaken by CDOs in Detroit neighborhoods, there is a need for community development activity that strengthens and connects the whole community development system in Detroit. These elements are conceptually defined by BECDD as “Seven System Elements”; and BECDD suggests that these elements are activated by “Whole System Drivers” as described in the Introduction. BECDD Stakeholders, Consultants and Staff estimated that the annual cost of this “Whole System Driver” activity would be just over \$8 million annually. Table 4 lists the annual and five-year cost estimates for these activities. The operating assumption behind these estimates is that virtually all of these drivers would be administered day-to-day through one intermediary organization, with multiple collaborative partners performing some specialized aspects of the work (e.g. data functions) and working together through a coordinating structure.

Table 4. Whole System Drivers (based on stakeholder feedback)		
	Projected One Year Costs	Projected Five Year Costs
Advocacy	287,000	1,435,000
Capacity	3,737,000	18,685,000
Coordination	790,000	3,950,000
Knowledge	480,000	2,400,000
Money	<u>2,910,000</u>	<u>14,550,000</u>
Total Whole System Drivers	8,204,000	41,020,000

In the same vein, a variety of intermediary organizations provide helpful services and support to community development activity in Detroit and, using the data provided by the funders, the resources available for this activity in 2018, which the consulting team defined as “Other Community Development Activity,” was approximately \$10 million. As noted above, the consultants were not able to determine how much of these resources were used to support activity that is aligned with the BECDD “Whole System Drivers.” Examples of “Other Community Development Activities”:

- Non CDO-sponsored affordable housing development/rehab in neighborhoods (funded by CDFIs)
- Community economic development (funded by foundations)
- Community facilities and commercial corridor development (funded by CDFIs/intermediaries)
- Convening (funded by intermediaries)
- Data/management information systems/mapping (provided by intermediaries)
- Democratic engagement (funded by foundations)
- Foreclosure prevention (funded by financial institutions)
- Neighborhood stabilization (funded by government)
- Nonprofit capacity building (funded by financial institutions/intermediaries)
- Partnering with government supporting affordable housing development (funded by government)
- Policy formation and advocacy (funded by foundations)
- Promoting equitable development and land use policies and practices (funded by foundations)
- Safe and Just Communities (funded by foundations)
- Strengthening actions focusing on holding developers accountable (funded by intermediaries)
- Technical assistance/financing of other nonprofit projects engaged in this work (funded by CDFIs)

Table 5 summarizes the funding provided in 2018 for “Other Community Development Activity” in Detroit provided by non-CDO organizations.

Table 5. Other Funded Community Development Activity / Non CDO Driven (Grants based on 16 funder surveys)			
	Foundations	Banks / Corporate	Total
CED / Housing	1,633,333	1,000,000	2,633,333
Policy / Advocacy	4,186,666	0	4,186,666
Convening / Facilitation	100,000	0	100,000
Capacity Building	<u>0</u>	<u>2,499,194</u>	<u>2,499,194</u>
Totals	5,919,999	3,499,194	9,419,193

A thorough review and analysis of these data, resulted in three General Findings, described below.

Finding # 1: The Detroit community development system is severely under-resourced

The consultants’ analysis and input from stakeholders have identified *three significant gaps* in the resources available and needed for a healthy and high performing community development system in Detroit.

First, the current group of CDOs are not adequately funded to provide core CDO functions in the communities they serve. Many of these groups are struggling to maintain current programs and services and some struggle to remain open. The data provided indicates that less than one-third of what CDOs say they need to provide core services, was provided by public and private funders in 2018.

Secondly, not all neighborhoods in Detroit that need core CDO services, are served by the current group of thirty-one CDOs. BECDD is currently working with community development stakeholders to estimate the size of this need and to develop a strategy to provide CDO coverage for every Detroit City Council District. It is reasonable to assume that the cost of core CDO functions for every Detroit City Council District will be significantly higher than the \$21.5 million estimated by the current group of Detroit CDOs.

Third, the current funding provided for “other community development activities” that are not conducted by CDOs, is not adequate to fully support the “Whole System Drivers” that have been identified by BECDD stakeholders. While the work of Detroit’s community development intermediaries helps to support some of the current CDO activity, more needs to be done to create a coordinated, collaborative and robust community development system in the city.

Finding # 2: A mismatch exists between what kind of funding is available and what kind of funding is needed for some community development activities

The data provided by funders and CDOs indicates that more loan capital appears to be available for real estate in neighborhoods, than is currently being used by Detroit CDOs. Some stakeholders have said this may be due to a lack of CDO capacity to launch real estate development projects. Others have said that a lack of real estate staff funding, gap funding and patient capital loan products that match more challenging CDO-sponsored projects, contribute to this problem. Both CDO and government leaders express concern about finding skilled trade contractors to engage in housing projects in Detroit because of the booming construction market in downtown/midtown Detroit.

It is also important to note that there is less funding available than is needed to sustain CDOs’ core operations and functions, as clarified in the working BECDD Definition of Community Development.

Equally important, nearly every community development stakeholder in Detroit now recognizes that resident engagement is now widely recognized as essential to equitable and sustainable impact in Detroit’s neighborhoods, but inadequate resources are available to support this work, even though some funders assume that CDOs carry out that work as a matter of course.

Finding # 3: Creating a mature community development system in Detroit will require several shifts in the way stakeholders think about community development and work together in the future.

The gaps and mismatch in funding are the result of siloed decisions and actions by stakeholders at every level of the community development system in Detroit. An effective community development system will require

- greater collaboration among stakeholders at all levels, with a recognition that all stakeholders are equal partners in renewing all neighborhoods;
- increased support for CDO core operations and core functions;
- significant investment in CDO capacity building support (especially for real estate development and neighborhood/resident engagement); and
- the integration of physical redevelopment and resident engagement/empowerment strategies.

Recommendations

While gathering the data on the community development funding landscape, the consulting team sought input from a broad and diverse set of stakeholders regarding recommendations about how to create a system for fully funding a mature community system in Detroit. Members of the BECDD System Capitalization Task Force played a significant role. The consulting team then conducted a series of five focus groups to review the data collected, discuss the findings and provide feedback on a draft set of recommendations. The focus groups were conducted with cohorts of Philanthropy, CDOs, Government Officials, Intermediaries and CDFIs.

Presented below are recommendations for BECDD to consider acting on to fully capitalize a Detroit community development system, based on:

- ✓ discussions at the System Capitalization Task Force level;
- ✓ findings from a series of interviews with local stakeholders;
- ✓ estimates from knowledgeable key stakeholders;
- ✓ research conducted directly and indirectly by consultant team members and BECDD staff this year, including the results from the 26 CDO surveys and 16 funder surveys.

It is our hope that BECDD, through its committees and task forces, will review and build on these recommendations to continue designing and building a community development system in Detroit.

These recommendations, while all developed by the consultant/staff team, are presented as “top priority” and “other” based on prioritization feedback from the Focus Groups.

Top Priority Recommendations

Recommendation # 1: Begin by fostering a change in mind-set across the community development ecosystem in Detroit.

Work toward a mind-set change that recognizes first, the value-add of community development as an important strategy to rebuild all of Detroit’s neighborhoods; and second, that all stakeholders are equal partners; by developing shared benchmarks, mutual accountability and supporting the “whole system” costs of the advocacy, coordination, capacity, knowledge and money drivers.

Recommendation # 2: Streamline and coordinate operating funding and capacity building support for CDOs.

Create a mechanism to aggregate philanthropic capital, align strategies and allocate pooled CDO operating funding and capacity support from foundations, banks, corporations, city and state government. Consider the Cleveland Neighborhood Progress or its Fund for Economic Future; or the NEI in Detroit; as models for a coordinated grantmaking process. Included in this option should be a strategy to connect the recently formed Residents First Fund with community development funding to support resident engagement.

Recommendation # 3: Jointly advocate for passage of State legislation to create a new, publicly incentivized private funding stream to support CDO operations.

Create a new long-term revenue stream to more sustainably fund CDO-sponsored work in Detroit, through the proposed MI Community Investment Tax Credit (CITC) legislation now being pursued by BECDD, CDAD and CEDAM. This kind of tax credit is now being used in 14 states across the U.S. It provides a state tax credit to private businesses and individual donors who contribute directly to CDOs.

Recommendation # 4: Invest in building the capacity of Detroit CDOs across all core functions plus core operating support: resident engagement/empowerment, convening and facilitation, economic development, planning and advocacy, resident support.

Create immediate and coordinated investments in building CDO capacity for these 5 CDO Functions plus core operating support. Encourage greater collaboration among CDFIs to build the real-estate capacity of CDOs; and utilize the BECDD concept for a coordinated community development capacity building delivery system.

Another option would be to advocate for the use of a portion of the SNF funds for CDO capacity building and resident engagement.

Furthermore, there needs to be more clarity and detail on what “organizational readiness” means and how it compares to agreed-on standards.

Recommendation # 5: Create a collaborative advocacy strategy to influence the allocation of public dollars (city and state) for community development; and to influence longer-term foundation investment.

Create a strong, multi-stakeholder advocacy and mobilizing function to generate and sustain resources for CDO work and the System Drivers by shifting more city and state resources from other uses toward community development activity. For example:

- Reinstigate the use of Detroit’s federal CHDO/HOME funding, and the AHLF, as well as other sources of funding such as QOL funds, for CDO operating support and related CDO-sponsored housing development activity;
- Work with the City of Detroit to carve out ongoing, repeating line items in the CDBG Budget specifically for CDO work in the non-housing areas of general operations, economic development and human services; one current CDBG line item (Motor City Match), for example, could be partially re-deployed to allow for CDOs to play a key role in commercial corridor revitalization
- Revise Detroit’s CBA Ordinance to include a requirement for ongoing CDO support in Detroit’s future Community Benefits Agreements;
- Influence the MSHDA QAP strategy to drive larger LIHTC allocations to Detroit affordable housing project and
- Work with MEDC and MSHDA to create to create more focus on community development activity in Detroit.

- Create an “Opportunity Zone” strategy to leverage investment in “OZs” in partnership with CDOs to incentivize private investment in Detroit neighborhoods.

Equally important, stakeholders believe that a joint effort to influence the allocation of long-term foundation investment in community development will be as important as advocacy for more public support.

Other Recommendations

Recommendation # 6: Fully fund the under-supported parts of Detroit’s community development ecosystem: The System Drivers.

Stakeholders in Detroit should work collaboratively to consider how best to redeploy a portion of the approximately \$10 million dollars-in-play for “Other Community Development Activity” not carried out by CDO’s, to provide adequate, predictable and sustained funding for the five “Whole System Drivers” of advocacy, capacity, coordination, knowledge, and money.

Recommendation # 7: Collaboratively pursue new CRA/bank funding for community development.

Consider the approach now used in Kansas City to make coordinated CRA-related grants and loans available to fund CDO work; and engage in the recently announced national Fifth Third Bank initiative dedicated to community development.

Recommendation #8: Use a District model to address the gaps and diverse needs across Detroit to assure that the CDO core functions are available in all Detroit neighborhoods.

Adopt a “City Council District” strategy to address the need for core CDO services in Detroit neighborhoods not served by the current set of CDOs, by developing a community development model and partnerships unique to each District. This could potentially allow for current CDOs to leverage and expand their current capacity while working collaboratively with other organizations that perform neighborhood work.

Recommendation #9: Make funding across the Detroit community development system easier to be tracked.

Public and private community development funders should create a collaborative tracking system, using agreed-on definitions of community development, to track community development funding and lending in Detroit. This system will enable greater coordination and more effective tracking of the impact of the funding and reduce gaps in funding within the system and across Detroit neighborhoods. If a “pooled funding” or “aligned funding” model is developed, this could be a way to test different tracking methodologies.

APPENDIX A

Top -Line Results Informed by the CDO Five-Year Resource Survey (September 2019)

Distribution/Response Summary:

- Survey was anonymous at the request of the CDOs, with aggregated results
- Survey was distributed to 31 CDOs (taken from the BECDD data base, based on the “working definition” of CDOs)
- 26 CDOs responded, for an 84% response rate
- 19 of the CDO respondents are from the Kresge Cohort; 7 are other CDOs

Top-Line Themes/Points on CDO Needs and Plans: CDO Roles

- 96% of respondents now carry out, or plan to carry out all 5 CDO Roles (Convening/Facilitating, Resident Engagement/Empowerment, Resident Support, Community Planning/Advocacy, Economic Development: physical development, business support)
- 4% do not carry out resident engagement, facilitation or planning/advocacy
- 73% of respondents want to co-develop real estate with a partner
- 54% of respondents want to act as sole developer of real estate
- 77% want to facilitate resident engagement/CBA negotiation in developer-initiated real estate
- 69% want to focus on SF Housing
- 69% want to focus on vacant land reclamation
- 65% want to focus on Multi-Unit Housing
- 58% want to focus on Commercial Real Estate
- 13 % want to focus on Commercial Corridor Revitalization

Resources for Gen Ops, Resident Engagement, Convening, Planning

- 85% require \$200-250,000 annually for General Operating Support
- 65% require \$50-100,000 annually for Resident Engagement/Empowerment
- 69% require \$50-100,000 annually for Convening/Facilitating
- 73% require \$50-100,000 annually for Community Planning/Advocacy

Resources for Economic Development (Real Estate, Business Development, Physical Development)

- An estimated \$37 million is required over five years for real estate: SF Rehab
- An estimated \$20 million is required over five years for SF New Construction
- An estimated \$57.4 million is required over five years for real estate: multi-unit
- An estimated \$16.8 is required over five years for real estate: commercial
- An estimated \$14.5 million is required over 5 years for commercial corridor revitalization work, including technical assistance to small businesses, matching façade grants, business organizing, marketing, vacant commercial land maintenance and stormwater mitigation
- An estimated \$19.1 million is required for vacant land reclamation strategies including acquisition, holding, maintenance, conversions, place-making events
- PRIs for land acquisition/holding and stewardship
- \$500,000 capitalization for a resident/CDO-owned solar panel company
- \$500,000 for historic place-making

What do CDOs need from Intermediaries?

From CDFI Intermediaries:

- 77% want capital for pre-development costs and hard (construction/rehab) costs
- 31% want coaching/training in real estate development

From Other (Non-Financial) Intermediaries:

- 77% want public policy advocacy, in the areas of:
 - Affordable Housing (most mentioned)
 - Equitable Development, housing and business (2nd most mentioned)
 - Anti-gentrification
 - Transportation
 - Zoning
 - Land Use
 - CRA
 - Charter Revision
 - Community Benefits Ordinance
 - CDBG Allocations
 - City-Community Engagement Practices
 - CDO Funding including CHDO set-asides for CDOs
 - Youth and Senior Program funding
- 62% want fund development support for general operations, real estate, earned revenue
- 58% want community development sector advocacy
- 50% want access to data on their target areas
- CDOs also want support with a) shared back office services, b) impacting foundation strategies toward more long-term funding, c) executive coaching and d) developing social enterprises

Capacity Building Delivery Methodology:

- 92% want Consultation/Technical Assistance
- 81% want ongoing coaching
- 81% want classroom training

What do CDOs need from City Government?

- Transparency (most mentioned)
- Inclusion in decision making (2nd most-mentioned)
- Access to Funding: (3rd most mentioned)
 - Renew CHDO Operating Support
 - HOME Funds
 - Funding for youth and senior services
 - Incentivize CDOs, same as developers, for other real estate projects
- Public acknowledgement of the value of CDOs
- Partnerships between City and CDOs
- Inter-departmental communication/more efficient processes
- Community Benefits Agreements for all real estate deals
- Assistance with resident retention

APPENDIX B

Basis of Consultants Recommendations from Stakeholder Interviews (March through September 2019)

Recommendation # 1

- Some unease and animosity between CDOs and banks/corporations that is not being addressed.
- Beliefs that banks and corporations need to be more open to the wisdom CDOs and GROs have about their neighborhood's strengths, challenges and opportunities.
- Funders engaged at the BECDD table and investing in the Strategic Neighborhood Fund areas (SNF) see themselves as following the city's influence regarding how they approach the issue of directing their "capital" in the broader community development system.
- Interviewees expressed the importance of inviting CDOs and GROs to help inform, guide and assist community development strategies as well as the developers to make projects happen that best serve their neighborhoods.
- Local government acknowledges the need for open and honest conversations with CDOs about how to best support their core functions and meet the real estate development needs of their service areas.
- Many CDOs are engaged with the Department of Planning and Development and generally want a better and closer working relationship with them and the city government as a whole.
- To address the above needs, some kind of "patient capital", perhaps through a donor advised fund or funder collaborative.

Recommendation # 2

- CDOs and private foundations expressed concern that decisions regarding private funding for community development are made in isolation from one another and greater leverage can be gained by creating a mechanism to coordinate these grants. This would also lower the administrative burden on CDOs.

Recommendation # 3

- BECDD and the Community Economic Development Association of Michigan (CEDAM) have been working to build a statewide, urban and rural constituency for the CITC program in Michigan to address myriad needs and challenges statewide and in Detroit. This tax credit incentive for donations to CDO, will attract investors to small- to medium-sized neighborhoods, often overlooked in the face of mega-incentives for urban areas, or larger projects.

- Various forms of this model are now in play across 14 USA states ranging from Massachusetts to Missouri, Pennsylvania to West Virginia to Indiana. As each system developed, the level and variety of available funding increased, as new funders used this tool to partner with CDOs. In Pennsylvania and Massachusetts, tax credit legislation was enacted through which core operating support to CDOs began to flow and grow annually. In systems that developed around affordable housing real estate activities (Boston, Cleveland, Indianapolis and Philadelphia), a significant share of available CDO funding derives from project-based fee income. In Chicago, several CDOs replaced a portion of fee income once covered by affordable housing work with income from economic development activities such as small business development and a network of Financial Opportunity Centers.
- Over the past 8 years, federally funded neighborhood development programs have been drastically cut in Detroit, Community Development Block Grants by \$1.1 billion and HOME funding by \$46 million. The CITC program can help increase private funding and broaden corporate support for community development to help fill the gap and enhance flexibility given the decline in public sources that is likely to continue. This program presents an opportunity to fashion innovative public/private partnerships in Detroit to help offset some of the expected losses in federal funding.
- One of the findings from the 5 City Scan of Mature Community Development Systems funded by BECDD indicates that advancing public policy and advocacy for community development through this tax credit mechanism can be critical for delivering new private resources to CDOs across the state and enhancing their capacity and influence within their local systems.
- Another finding to be taken from the interviews and supported by the 5-city scan relates to the expressed need to specifically address public policy challenges related to community development practices and how they impact residents' daily lives.

Recommendation # 4

- CDO real estate development capacity is waning and will continue to do so to the extent they are left out of this important role and function.
- Some CDOs dedicated and continue to dedicate portions of residual income generated by projects in their portfolios to subsidize operational and/or program costs.
- CDFIs have access to market data and technical know-how to help craft real estate development projects working with CDOs and are ready to do so.
- A thoughtfully designed direct link between low-capacity and high-capacity organizations will be needed in order for low-capacity CDOs to progress along such a pathway. Metrics, benchmarks and other progress markers for increasing development capacity should be mined in developing this kind of system.

- CDOs see enormous service area needs—from new affordable housing and home repair, to workforce development and education—that require in their view enormous resources to support important roles they can play that funders are not fully acknowledging and addressing.
- While generally considered to be a part of core operating funding support, virtually all CDOs interviewed noted that such funding is insufficient given the effort and time required to carry- out the 5 core functions.
- CDFIs have access to funding to work for and collaborate with more CDOs to the extent that the CDOs have the capacity to do so and capital is available to help broaden and deepen their footprint and role in Detroit.
- CDOs having little to no real estate development capacity, or those not interested in developing such capacity, need their roles as providers and facilitators of services and neighborhood improvement activities acknowledged, appreciated, valued, and adequately supported.

Recommendation # 5

- Directly address the big gap between the distribution of capital to support real estate development projects and capital to support so-called “soft costs” by increasing dedicated funding to CDOs to support their non-real estate development work that all acknowledge is fundamental to their overall mission, particularly resident engagement and empowerment work to ensure legitimate connections to the aspirations of residents.
- Capital to support community economic development work is sparse, leading to an over-reliance on volunteers, board members, and faith-based institutions to subsidize this work. The absence of authentic diverse resident voices in community-based community development decision-making can lead to policies and practices that sometimes produce adverse outcomes for people of color and low-wealth communities.
- There is a dearth of advocacy and organizing efforts aimed specifically at shifting public policy and private sector practices in relation to programs and activities that benefit certain communities. There is a real need for new progressive policies, protecting existing progressive policies, and abolishing regressive policies that harm people of color and low-wealth communities.
- Projects and activities that foster a more diverse and inclusive public sector and prioritize the perspectives and innovations developed by its most marginalized citizens are needed – leading to new systems of accountability and economic growth that is truly felt by all.
- This alignment is more about funding and supporting the residents having their voice heard in the community development ecosystem, separate and apart from CDOs and GROs as their proxy. An authentic equitable development strategy should be about building a strategic connection between community development and social justice that is part and parcel of the local civic engagement ecosystem.

- Some funders see the Building the Engine table as a way to have greater leverage on issues, policies, strategies that relate to their bottom-line interests, i.e., stronger resident engagement, environmental protections, socially responsible business practices, and balanced economic and human development.

Recommendation # 6

- Service Intermediaries need much more capacity in order to help strengthen the appeal for national grant dollars that will buttress the local system's capacity to grow and sustain the work of local CDOs and GROs.
- Service Intermediaries are stretched beyond their current capacity to meet increasing requests for support from GROs than they have programming or staff support funding/staff time for.
- Offsetting the true costs of the intermediaries' work requires more dedicated funding to them and to CDOs to help offset the fee-based services of intermediaries.

Recommendation # 7

- CDO real estate development capacity has diminished in recent years and will continue to do so to the extent they are not viewed as viable players in the local community development system and not adequately capitalized to carry out such work.
- CDFIs have access to below market rate financing and market data and technical know-how to help craft real estate development projects in collaboration with CDOs. This sector finances a wide range of projects from affordable housing and mixed-use developments to childcare and healthcare facilities and stands ready to work with local CDOs as they do with other local nonprofits.
- Net developer fee income and residual receipts from real estate projects can help generate and augment unrestricted capital that CDOs can then use to reinvest in their organizations, projects and programs.
- Interviewees express concern that relationships between resource providers and recipients of those resources must embrace and lean into more authentic and candid exchanges about capacity and expectations.

Recommendation # 8

- There is no system in place where grantors, lenders, grantees and borrowers collect, track and report corresponding capital outflows and in-flows on an annual basis using the same categories BECDD uses for tracking the 5 CDO Core Functions and the 7 System Elements.

Appendix C

Data Sources for Grant, Loan and Technical Support to Detroit CDOs

During August and September 2019, consultant team reached out to a subset of funders and other suppliers of resources in Detroit recommended by BECCD for the purpose of obtaining information and data on the type and level of resources provided to Community Development Organizations (CDOs) in Detroit during 2018. The types of resources in question included grants, loans or the value of services rendered to one or more of the 31 CDOs identified by BECCD and listed below as CDOs in support of their community development activities.

For purpose of this analysis and BECCD's overall work in Detroit, CDOs represent "professional place-based not-for-profit tax-exempt organizations carrying out four key community development functions: resident engagement and empowerment; economic development; resident support; and community planning and advocacy." The following groups were interviewed by the consultant team.

- Amandla CDC.
- Bridging Communities
- Cass Corridor Neighborhood Development Corporation
- Central Detroit Christian CDC
- Chadsey Condon Community Organization
- Cody Rouge Community Action Alliance
- Congress of Communities
- Detroit Catholic Pastoral Alliance
- Detroit Hispanic Development Corporation
- Eastside Community Network
- Emmanuel Community House, Inc.
- HOPE Village Revitalization
- Genesis HOPE CDC
- Georgia St. Community Collective
- Grandmont Rosedale CDC
- Jefferson East, Inc.
- Joy Southfield CDC Development Corporation
- Life Builders
- MACC Development
- Nortown CDC
- New Hope CDC
- Osborn Neighborhood Alliance
- Southwest Detroit Business Association
- U-SNAP-BAC
- Urban Neighborhood Initiatives
- Vanguard CDC
- Villages CDC
- Woodbridge Neighborhood Development Corporation

The funders and suppliers of resources contacted to discuss and determine if and how they each resourced CDOs in 2018 included 10 foundations, 2 governmental agencies, 4 corporations and banks, 10 intermediaries, and 7 community development financial institutions or CDFIs. The consultant was able to speak obtain information from the entities shown below, with one exception where data was obtained via their website: Foundations

- Ballmer Group
- Community Foundation of Southeastern Michigan
- Erb Family
- Ford
- Hudson Webber Foundation
- Max M Fisher
- Kellogg
- Knight
- Kresge
- Skillman Foundation

Government

- City of Detroit-HRD
- MSHDA

Corporations/Banks

- Bank of America
- Fifth Third
- Quicken Loans/Rock Ventures
- JP Morgan Chase

Intermediaries

- Community Development Advocates of Detroit
- Data Driven Detroit
- Detroit Collaborative Design Center
- Detroit Economic Growth Corporation
- Detroit Future City
- Detroit Land Bank Authority
- Lawrence Tech University
- Michigan Community Resources
- Michigan Nonprofit Association
- NEW

CDFIs

- Capital Impact Partners
- CHN Detroit
- Detroit LISC
- Enterprise Community Development
- IFF Eastern Region
- Invest Detroit
- Cinnaire