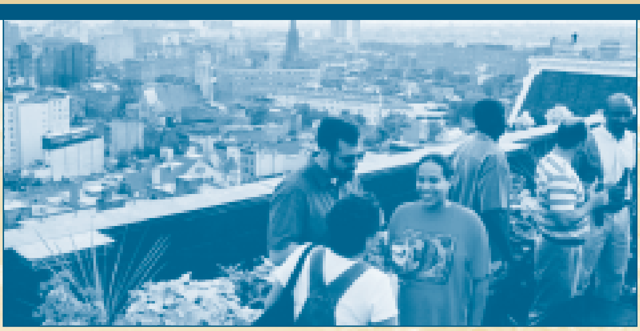





Making Neighborhood Investment Count in Baltimore

A COMPARISON WITH OTHER CITIES

Baltimore Community Development Alliance | June 2003

THE BALTIMORE COMMUNITY DEVELOPMENT ALLIANCE (BCDA) is a group of foundations, government agencies and nonprofit organizations that fund, or serve as funding intermediaries, for physical improvements in Baltimore neighborhoods. Since 2001, we have sponsored two studies: *A Survey of Nonprofit Housing Organizations in Baltimore (1997-2001)* by Ruth Crystal, and this cross-city comparison of community development systems by Paul Brophy.

The purpose of BCDA is to align our collective resources to produce healthier housing conditions and housing markets for the diverse residents of Baltimore City neighborhoods. To this end we will:

1) develop a clear vision for investing in the physical improvement of neighborhoods;

2) increase total resources available for these investment activities;

3) create a better coordinated and more effective neighborhood investment system, and;

4) strategically align public, foundation and private sector investments.

FOUNDING MEMBERS OF THE BALTIMORE COMMUNITY DEVELOPMENT ALLIANCE:

Diane Bell, Empower Baltimore Management Corporation
Cheryl Casciani, Baltimore Community Foundation
Joanne Copes, formerly of the Baltimore City Department of Housing and Community Development
Carol Gilbert, Goldseker Foundation
Beth Harber, Abell Foundation
Jo Ann Holback, State of Maryland Department of Housing and Community Development
Ellen Janes, formerly of the State of Maryland Department of Housing and Community Development
Stephanie Jennings, Fannie Mae Foundation
Ruth Louie, Baltimore City Department of Housing and Community Development
Laura McGrath, McAuley Institute
Sally Scott, Goldseker Foundation
Becky Sherblom, Maryland Center for Community Development
Ann Sherrill, Baltimore Neighborhood Collaborative
Scot Spencer, Annie E. Casey Foundation

Making Neighborhood Investment Count in Baltimore

A COMPARISON WITH OTHER CITIES

Paul C. Brophy
Brophy & Reilly LLC

Baltimore Community Development Alliance | June 2003

Preface

Over the past 30 years, a relatively new "industry" called community development has assisted, and sometimes led, neighborhood improvement in many American cities. Most cities have a group of organizations working to make neighborhoods healthier. Each city has a different pattern of citywide and grassroots organizations that work in partnership with residents, government, private developers, banks, foundations, and other institutions to strengthen neighborhoods.

In 2001, a group of Baltimore civic and government leaders began to examine the effectiveness of Baltimore's approach to community development, with a particular focus on nonprofit-housing production. Staff members from the Abell Foundation, the Baltimore Department of Housing and Community Development, the Baltimore Community Foundation, the Baltimore Neighborhood Collaborative, Empower Baltimore Management Corporation, the Goldseker Foundation, the Maryland Center for Community Development, and the Maryland Department of Housing and Community Development collaborated on the project. In 2002, the group commissioned a study of nonprofit-housing production in Baltimore between 1997 and 2001.[1]

The group soon realized that it would be useful to put the data into context, and it commissioned this report, which compares community development achievements and challenges in Baltimore and three similar cities, Cleveland, Philadelphia, and Pittsburgh. The Abell Foundation, the Baltimore Neighborhood Collaborative, Empower Baltimore Management Corporation, and the Goldseker Foundation funded this report.

The other cities were selected for comparison because they all confront the challenges posed by their persistent population losses of the past 50 years. They all can be considered "weak-market" cities, places where populations are falling, as are housing prices in some neighborhoods, but the housing stock is potentially attractive to buyers and investors.

The report asks, and answers, this question: "How does Baltimore compare with these other weak-market cities in terms of community development systems and results?" The research consisted of discussions and interviews with people who are active in community development, a review of the literature on community development, and collection of data specific to each city. The sponsors hope this report will stimulate collective reflection and action among Baltimore's community development leaders.

Baltimore is stronger than the comparison cities in several areas, but the report shows there is substantial room for improvement in Baltimore's approach to community development. Whether Baltimore continues to lose population or increases its vitality will depend, in part, on its ability to create a more productive and effective community development system—one that can better strengthen the city's vulnerable neighborhoods.

I am grateful to the groups that funded this project. The sponsoring organizations also placed representatives on a review committee, which provided thoughtful critiques of early drafts. Peter Richardson, of Housing Strategies Inc., was helpful in conducting fieldwork in Philadelphia and Pittsburgh.

— Paul Brophy

Introduction

The 1990s were good years for many cities in the United States. Crime rates were dropping; rising numbers of younger, more affluent people were choosing to live in cities; and housing values were up. A 2001 study[2] of 24 large U.S. cities—cities with populations larger than 100,000—reported that 18 saw a rise in downtown populations, and center cities across the country experienced a resurgence of development for commercial, entertainment, and residential uses. The 1990s saw cities over 100,000 population grow at a median rate of 8.7%, more than double the rate of the decade before. This was good news for America's cities even though virtually all central cities grew more slowly than their suburbs did, continuing a 50-year trend toward suburbanization in America.

There are, however, 53 cities with populations of more than 100,000 that either lost residents or remained stagnant during the decade—27% of the cities in that category. Another 55 cities grew, but at a rate of less than 10%. These population-losing, no-growth, and modest-growth cities account for 55% of this group of cities. The health of American cities might not be as robust as we think. Baltimore City, part of this group, had the second-highest population loss in the nation.

Whether Baltimore continues to lose population or increases its vitality will depend, in part, on its ability to create a more productive and effective community development system—one that can better strengthen the city's vulnerable neighborhoods.

The cities that are losing population, those that are growing marginally, and those that have declining cores can be described as "weak-market cities" that need policies and programs to stimulate markets and to hold and attract middle-income households to neighborhoods that are declining or at risk of decline. The biggest threat to these areas is continuing deterioration. And the threat to their residents—mostly low- and moderate-income households—is still more erosion in quality-of-life and property values.

One bright spot in several weak-market cities has been the emergence of active community development groups, which seek to improve neighborhood conditions, make these neighborhoods more attractive places to live, eliminate blight, and provide or promote new or redeveloped high-quality housing. In those cities, the community development system generally focuses on physical improvement, but some activity also focuses on workforce development, charter schools, social services, and other nonphysical improvements. Each city has evolved a unique community development system, but all have common elements. These include:

- Specific goals and strategies for improving neighborhoods;
- Organizational relationships among the community development stakeholders;
- Local and state governments that carry out and support community development;
- Capital and operating support from various sources;
- Leadership from different sectors, and;
- Community development investments and outputs.

For all the commonality, however, there are challenges in making cross-city comparisons. Each city is different in its community development history and current activities. It is tempting simply to take what works well in one city and transfer it whole cloth to another. Because every city is different, however, there is no guarantee that attempts at replication will succeed. Understanding the context for a successful program or approach and then transferring the principles of that effort could be more valuable and productive. A second challenge comes in the application of the data, which are of uneven quality and quantity. It is difficult to compare the costs and results of community development across the four cities because each place has unique circumstances and all have evolved separate sets of performance measures.

This report provides a summary of the conditions in each city and describes important elements of the community development system in each one, and makes recommendations for improving Baltimore's community development approach.

Context: The Broad Trends

To put these cities in context, it is important to examine demographic trends and conditions in each metropolitan area.

TABLE 1 indicates that Baltimore's regional growth was stronger than that in the other metropolitan areas. The Pittsburgh metropolitan area actually lost population—a matter of some importance as Pittsburgh has sought to connect its regional growth strategies with its community development efforts. Unfortunately, the fairly strong growth in greater Baltimore could lead observers to conclude that community development is an issue only for Baltimore City and of no concern to the surrounding areas, which are experiencing growth.

As **TABLE 2** indicates, all the cities involved in the comparison lost population, but Baltimore's population loss was the most extensive in absolute numbers and in the rate of loss.

TABLE 3 shows that all of the cities had low median household income in 2000, with Cleveland considerably below the rest. Each city confronts the issues of poverty, and all have weak-market neighborhoods marked by abandoned houses and structures. Baltimore, Philadelphia, and Pittsburgh have high numbers of abandoned buildings. Cleveland has a substantial number of vacant structures, but an active demolition program in that city has left its weakest market neighborhoods with more vacant lots than empty structures.

All of these indicators suggest that Baltimore is different in degree, but not in kind, from the other cities, and that it is appropriate to compare their respective community development approaches.

Table 1
Changes in Metropolitan Area Population

	1990	2000	Percentage Change
Pittsburgh	2,394,811	2,358,695	-1.5%
Cleveland	2,202,069	2,250,871	2.2%
Philadelphia	5,892,937	6,188,463	5.0%
Baltimore	2,348,219	2,512,431	7.0%

Source: U.S. Census

Table 2
Changes in City Population

	1990	2000	Percentage Change
Pittsburgh	369,879	334,563	-9.5%
Cleveland	505,616	478,403	-5.4%
Philadelphia	1,585,877	1,517,550	-4.3%
Baltimore	736,014	651,154	-11.5%

Source: U.S. Census

Table 3
Income and Vacant or Abandoned Housing

	Income	Rate of Abandonment	Total Abandonment
Pittsburgh	$37,467	12.0%	7,000
Cleveland	$25,928	11.7%	6,700
Philadelphia	$30,746	10.9%	32,000
Baltimore	$30,078	14.1%	18,600

Source: U.S. 2000 census. Income is the median household income for the city alone. The actual numbers of vacant and total housing units are as follows: Pittsburgh, 19,627 vacant of 163,366 units; Cleveland, 25,211 of 215,844 units; Philadelphia, 71,887 of 661,958 units; and Baltimore, 42,481 of 300,477. Vacant units include unoccupied units available for rent or sale. Abandoned housing is a smaller category, described as "other" by the census—that is, vacant but not available for sale or rent. Although Philadelphia has double the number of abandoned housing units, per capita, Baltimore has a higher abandonment rate.

Points of Comparison

What are the COMMUNITY DEVELOPMENT APPROACHES in each city?

PITTSBURGH is experiencing an important transition in its community development goals. For many years, stakeholders in the community development system—consisting of community development corporations (CDCs); a local intermediary, the Pittsburgh Partnership for Community Development; local foundations; and the municipal government—measured progress in terms of affordable-housing units produced. However, because the city and the region are losing population, and, since there is no overwhelming need for affordable housing, the goal seemed misplaced: How is building more affordable housing part of a strategy to make Pittsburgh and its neighborhoods more competitive nationally and internationally? In Pittsburgh, the question has become not only how neighborhoods can compete better with suburban communities (a question in most weak-market cities), but also how a strategy of strengthening the market conditions in Pittsburgh's neighborhoods can contribute to overall regional health and competitiveness.

With strong prodding from Mayor Tom Murphy and local foundations, the goals for the community development system are shifting toward producing more competitive neighborhoods. The emphasis is on each neighborhood finding its economic niche. This shift is not without considerable debate and even consternation, but the new direction is clearly apparent, as funds are made available to deal with markets and competitiveness, rather than affordable housing.

In CLEVELAND, the community development goal is broadening beyond affordable housing as well. Neighborhood Progress Inc. (NPI), the leading local community development intermediary, is focusing on neighborhood strengthening and taking the lead in capital development for investment in housing and commercial property. Created by Cleveland Tomorrow, a civic organization consisting of the chief executives of the largest corporations in northeastern Ohio, NPI has been moving the community development agenda beyond its roots in affordable housing. Another citywide group, the Cleveland Housing Network, brings competence and a mission orientation to affordable housing. Both NPI's focus on building stronger neighborhood markets and the Cleveland Housing Network's emphasis on affordable housing are needed in a city that has neighborhoods that are now impoverished but that have the potential for holding and attracting middle-income residents.

PHILADELPHIA'S community development goals have never been easy to articulate. The pattern of investment in community development during the administration of Mayor Ed Rendell can best be described as opportunistic, with a system that produced affordable and mixed-income housing as the opportunities to do so presented themselves. With active funding from the Reinvestment Fund (TRF), Philadelphia's dominant community development organization, the focus has expanded beyond residential and commercial properties to include other facilities and even charter schools.

With the election of Mayor John Street in 2000, a new era began. Mayor Street has put such a large initiative on the table that it is defining the community development goals for the city. Street has implemented the Neighborhood Transformation Initiative (NTI), which uses a bond-financing program to provide capital to remove a large number of vacant structures in Philadelphia and create development opportunities for market-rate, affordable, and mixed-income housing and for commercial development. The Philadelphia NTI is just getting off the ground, but it is so central to the future of that city's neighborhoods that its success or failure will dominate the community development agenda at least as long as Street remains in office.

NTI's goal is to repopulate abandoned neighborhoods and areas within neighborhoods. In preparing the plan, Street called on TRF to develop a market-based neighborhood typology. This very sophisticated analysis has Philadelphia community development groups beginning to think more in market terms than they have in the past, suggesting that Philadelphia's community development system might be moving in a direction similar to Pittsburgh's—each neighborhood working to match a strategy to its own conditions and market dynamics.

BALTIMORE, like Philadelphia, is beginning a significant shift in orientation. During the administration of Mayor Kurt Schmoke, community development activities were primarily directed to distressed neighborhoods. In some cases, the goal was affordable housing; in others, it was mixed-income housing. But deep housing subsidies were required everywhere, and the effort usually was focused more on affordable housing than on building or restarting neighborhood housing markets. Like Cleveland, Baltimore has both high-poverty neighborhoods and those that have immediate potential for holding and attracting middle-income residents.

The administration of Baltimore's Mayor Martin O'Malley has begun to articulate a community development strategy that builds on the strength of existing institutions—Johns Hopkins University, the University of Maryland's Baltimore City campus, Morgan State University and others. This strategy, when combined with an increased emphasis on neighborhoods in early stages of decline and a Mayor's Council on City Living report (available online: http://www.baltimorehousing.org/index/cityliving.pdf.) that urges more action to recruit and retain middle-income homeowners, begins to broaden community development goals to include retention and recruitment of homeowners, without abandoning the affordable housing strategy.

Thus, Baltimore is moving to strategies that are based on neighborhood market conditions. The Departments of Housing and Community Development and City Planning have developed a sophisticated data-driven neighborhood typology that supports the idea of applying different strategies in neighborhoods with different physical conditions and housing markets.

What is the COMMUNITY DEVELOPMENT SYSTEM in each city?

Each city in this study has developed a unique system for community development. CLEVELAND and PITTSBURGH each have local community development intermediaries: NPI in Cleveland and the Pittsburgh Partnership for Neighborhood Development (PPND). Both were created in the 1980s as vehicles for foundations, local government, and the business sector to support community development strategies and capacity building as a way of organizing efforts that had become large enough that systemization was warranted. NPI provides funds for operating support; capital for projects through its subsidiary, Village Capital Corporation; human capital funds; and technical assistance. It even works as a developer through another subsidiary, New Village Corporation. Nothing this centralized exists in the other cities.

NPI also seeks to accomplish two community development system-building goals:

- Building and sustaining a strong network of CDCs is important in Cleveland, where the CDC model is valued as a vehicle for improving neighborhoods and providing affordable housing.

- Maintaining the support of the business sector and financial institutions also is important for the system. The amount of business involvement, as evidenced through funding and volunteerism on CDC boards, is strong.

In Pittsburgh, PPND provides operating support, but it is no longer financing projects, a function it had filled in the 1990s. Its need to finance development is somewhat mitigated by the presence of

Pittsburgh's Urban Redevelopment Authority (URA), which is described below.

PHILADELPHIA and BALTIMORE have the Philadelphia Neighborhood Development Collaborative (PNDC) and the Baltimore Neighborhood Collaborative (BNC), respectively, citywide organizations that are more limited than NPI or PPND. Baltimore has other city wide community development intermediaries—the Neighborhood Design Center, the Community Law Center, and the Maryland Center for Community Development (MCCD), for example—but it lacks the high-level coordination necessary to leverage the strengths of these and other organizations. NPI and PPND provide far more financial support to the CDC system than do similar collaborations in Philadelphia or Baltimore. In Philadelphia, PNDC is less central to the setting of the overall community development agenda than is TRF, a large community development financial institution (CDFI) that drives the policy agenda in Philadelphia. TRF is a large funder of transactions, and it has well-established relationships with all of the leading Philadelphia banks.

Pittsburgh's city government is the best equipped of the municipal community development partners in the four cities. The 55-year-old URA is Pittsburgh's one-stop partner for all community development activities—housing, commercial development, land acquisition and disposition, and housing and commercial finance. Its presence and capacity give the mayor the ability to execute community development directions that he sets with greater ease than do the mayors in the other cities. URA also has a subsidiary that develops housing and commercial space in neighborhoods where there is little CDC development capacity or interest from for-profit developers.

Unlike Philadelphia and Pittsburgh, which have fairly centralized financing entities in URA and TRF, Baltimore's community development finance system is decentralized with a number of CDFIs and CDFI-like organizations. Given that BNC is a funders' collaborative, and that the community development funding system is diffuse, Baltimore has a far less centralized community development structure. There is no organization in Baltimore that is the central player in the community development system. City government, of course, provides the largest share of community development resources, but this is true in the other cities as well. Baltimore alone among the four cities lacks a central player outside of city government with the capacity and the legitimacy necessary to develop and execute a broad community development agenda.

There is one other dimension worth noting. In each of the four cities there is some involvement of the two large private community development intermediaries, LISC (Local Initiatives Support Corporation) and the Enterprise Foundation. Both are present in Cleveland, working closely with NPI and the Cleveland Housing Network. LISC also operates in Philadelphia and Pittsburgh, where it is engaged in supporting CDCs, with some emphasis on commercial and retail development. And Enterprise is active in Baltimore, primarily in the Sandtown–Winchester neighborhood and as a large-scale developer of affordable housing and some mixed-income housing. Cleveland's experience could be illustrative for Baltimore: As it sought some years ago to organize its community development activities into a system, Cleveland was deliberate about how LISC and Enterprise could best be connected to the local community development system. More attention to the role of the Columbia-based Enterprise Foundation could benefit the advancing community development system in Baltimore.

What are the SOURCES OF CAPITAL AND OPERATING SUPPORT in each city?

In each city, funding for community development is needed to meet two basic financial needs. The first is capital for transactions—deal money—consisting of bank debt, predevelopment capital, soft loans, and long-term second-mortgage financing. These funds come from banks, foundations, local and state government, business, and national intermediaries. CDCs need operating funds as well to pay staff and run their organizations. Those funds typically come from foundations (sometimes through local intermediaries) and from government. The question of what capital is used in other cities leads to answers that might be relevant for Baltimore.

FINANCING CAPACITY. Discussions with community development officials revealed that, in PITTSBURGH and CLEVELAND, commercial banks provide more capital and define its use more flexibly than is the case in Baltimore. For more than a decade, the Pittsburgh Community Reinvestment Coalition (PCRC) has actively encouraged banks to lend more aggressively. The community pressure tactics have been connected to decisions by city government to place its funds in banks that work in cooperation with PCRC to bring capital into community development activities in Pittsburgh. The result is an effective, two-pronged strategy; one that is largely absent in Baltimore.

To a lesser degree, mayoral pressure in Cleveland also has put banks on notice that they are expected to be aggressive lenders and participants in community development. In PHILADELPHIA, the approach has not been pressure, but the development of innovative partnerships between TRF and lenders that has led to more extensive bank participation than otherwise would be the case.

This is not to say that financial institutions in BALTIMORE are uncooperative or uninterested in community development. Several have provided operating support directly to CDCs and through BNC. In none of the other cities, for example, is a bank stepping up to provide capital and actually taking the real estate development and ownership risks as the Bank of America is doing through its CDC in the West Side project and in Harlem Park. The Baltimore Community Foundation garnered the cooperation of several banks to participate with lending for the Healthy Neighborhoods program, an effort to improve targeted neighborhoods in Baltimore.

MCCD and the City of Baltimore educate lenders about potential partnerships and projects, help CDCs present themselves to lenders, and put some Community Reinvestment Act pressure on individual banks. The major sources of capital for affordable housing development in Baltimore City are conventional banks, the Enterprise Foundation, and various Maryland Community Development Administration programs. Other sources include the Community Development Finance Corporation, a quasi-public agency that has recently shifted its focus to concentrate on market-rate development, and four CDFIs with loan volumes below $1 million a year in Baltimore: Maryland Community Capital, the McAuley Institute, the Unitarian Universalist Affordable Housing Trust Fund, and the Faith Fund.

These efforts appear to be both less extensive and less effective in Baltimore, however, than they are in comparable cities, and CDCs in Baltimore struggle to raise capital. There is little organized pressure on Baltimore's banks to be collectively aggressive, nor is there a large-scale TRF-type organization to work citywide with banks in ways that would make it easier for lenders to provide capital for community development.

TRF has tapped individuals, faith-based groups, companies, and others as sources of capital by using its reputation and internal capacity to attract deposits at below-market rates; money it uses as a capital base for its lending. This approach is somewhat limited in a capital market with low short-term interest rates, but TRF has demonstrated its ability to raise substantial amounts of capital from small-scale depositors. TRF had $138 million in capital under management in 2002. The CDFIs that operate in Baltimore constitute a diffuse system; no single nonprofit lender in Baltimore is anywhere near the scale of TRF. A related benefit from the presence of Philadelphia's investor base is that it has become a constituency for supporting community development in the Delaware Valley more generally.

BUSINESS SECTOR. The Philadelphia Plan is a concerted effort to get Philadelphia companies to use state tax credits for business investment in nonprofit organizations. The program has led to consistent annual support that goes into operating funds for community development groups, many of which are community based. This is a good example of how city leadership can generate additional resources for community development. Baltimore CDCs also can take tax credits—through Maryland's Neighborhood Partnership Program—but the program's influence is limited by the lack of corporate tax liability in Maryland. With more active leadership from the City or a community development partnership organization, Baltimore banks and businesses could be offered better vehicles and incentives to participate.

HOMEOWNER LENDING. Both URA in Pittsburgh and The Redevelopment Authority in Philadelphia issue revenue bonds that provide capital for rehabilitation loans for homeowners in a broad range of income groups. The Pittsburgh program has been in operation since 1978, and, quite remarkably, it has been a source of rehabilitation capital for one-third of Pittsburgh's homes. The revenue bonds are not based on the city government's credit rating, and they do not count toward the city's overall indebtedness. Baltimore has relied, perhaps excessively, on federal and State of Maryland funds rather than on its own revenue sources, thus limiting the City's ability to develop creative, flexible, and responsive solutions to its community development problems. One result is that Baltimore lacks large-scale programs to stimulate rehabilitation investment by homeowners.

SUSTAINED OPERATING SUPPORT. There is a clear correlation between the strength of local intermediaries and the degree of philanthropic and business support for community development. The leading Cleveland foundations provide consistent, large-scale support to NPI because they view the organization as providing an effective approach to community development. PPND's relationship with Pittsburgh's foundations is similar, and there has been strong support for community development. Baltimore lacks the large-scale philanthropic resources available in Cleveland and Pittsburgh, and because it has no way to coordinate Baltimore's diffused set of community development intermediaries, there is a more fragile and uncertain flow of funds to community development organizations.

None of these points alone represents a major breakthrough in supply of capital to community development. However, the list is an indication that a more aggressive approach—both in the form of invention and in raised expectations about what is possible—might have substantial payoffs for the community development sector in Baltimore.

What is the ROLE OF LEADERSHIP in each city?

The community development system in each city is succeeding, in part, because of committed leadership at various levels in the public and private sectors. Cities that have community development champions generally are doing better at achieving their goals.

CLEVELAND has the broadest leadership base of the four cities. Organized through Cleveland Tomorrow, the business community provided the impetus to create Neighborhood Progress Inc. in the 1980s. Then, in the 1990s, Cleveland Tomorrow raised capital to start up Shorebank Cleveland, which was modeled after Chicago's Shorebank, a successful for-profit community bank. More recently, Cleveland Tomorrow capitalized a fund for investment in downtown housing. The stimulus for that development came with capital from Cleveland companies that was invested at below-market rates. Cleveland Tomorrow continues to provide financial support to NPI and to some of the larger neighborhood development projects. Cleveland Tomorrow has provided substantial financial support to NPI since the creation of the organization, motivated by the belief that the metropolitan area will be healthier economically if individual neighborhoods are stronger. There is a shared perception that healthier neighborhoods are in the self-interest of Cleveland's companies. The author of a recent study comparing the civic infrastructure supporting community development in Cleveland, Indianapolis, and St. Louis puts it this way: "In Cleveland, a multifaceted and overlapping network of CDCs, urban development

Baltimore alone among the four cities lacks a central player outside of city government with the capacity and the legitimacy necessary to develop and execute a broad community development agenda.

funds, and foundations fosters a vibrant marketplace for community development projects."[3]

It is fair to say that, when combined with strong mayoral support for neighborhoods and consistent funding from the large Cleveland foundations, community development in Cleveland has held the attention and support of leaders in the broad civic and government sectors.

PITTSBURGH is similar to Cleveland, although there are two important differences. First, the business sector in Pittsburgh, as represented by the Allegheny Conference on Community Development, sees community development as an important part of a regional improvement strategy, although the business sector does not provide the kind of financial support that is present in Cleveland.

Second, the relationship between Pittsburgh's mayor and the organized community development sector has been stormy. The challenge in the relationship—from the perspective of those in the community development field—is attributable to the Mayor's aggressive, sometimes domineering agenda setting. Mayor Murphy is a former community organizer and CDC director who sees community development organizations as essential to the city's future, and he has pushed the system aggressively to move from a more narrow affordable-housing agenda to one aimed at strengthening markets in neighborhoods.

Community development activities in PHILADELPHIA often make front-page news. And because Mayor Street has made NTI a signature piece of his administration, NTI's plan for the reuse of land acquired through the program has been a source of intense debate.

Mayor Street's commitment to neighborhoods comes at a time when the philanthropic community has experienced some disillusionment with the system, and a reinvigoration of the leadership from philanthropies could depend on NTI's success.

Business leadership for community development is quite modest in Philadelphia, and the business equivalent of Cleveland Tomorrow and the Allegheny Conference has not made community development a top priority. A state-sponsored tax credit program, the Philadelphia Plan, has succeeded in providing $2 million in capital to CDCs in exchange for state tax credits.

Leadership support for community development in BALTIMORE is mixed. There is strong foundation support, but the overall spending is less than that in Cleveland or Pittsburgh. The business sector, as it is in Philadelphia, is generally absent on community development. The Greater Baltimore Committee has as one of its key priorities development of a biotechnology corridor in East Baltimore, but general support for community development is somewhat lacking.

The Baltimore business sector has actively supported downtown housing through the efforts of the Downtown Partnership, which has taken the lead on:

- Conducting a study completed in 1997 that examined the feasibility of converting vacant Class B office buildings into housing.
- Expanding financing tools to increase production, including a State Class B housing conversion fund and improving the payment in lieu of taxes for conversion or rehabilitation projects.

- Establishing the Downtown Housing Council, which represents appropriate City and State agencies, lenders, preservationists, and housing resource agencies to expedite projects and shape the initiative.

- Creating the position of a downtown housing coordinator in the Downtown Partnership to market to developers, expedite projects through the City and State and analyze the market.

Since 1998, the initiative has produced more than 800 new units for 1,200 new residents, 65% of whom moved here from outside Baltimore City. Those new residents have an average annual income of $48,000. The program also has led to the reuse of one million square feet of Class B space.

Mayor O'Malley and his administration are clearly working to improve Baltimore's neighborhoods. His passionate commitment to reducing crime, improving schools, and overcoming other challenges is best evidenced through his leadership in the Believe Campaign. He also has supported particular initiatives in partnership with others: the East Baltimore project, Healthy Neighborhoods, and Live Baltimore. However, efforts are just beginning to treat community development as a *system* in Baltimore and to provide leadership to the overall system the way Mayor Murphy has in Pittsburgh.

There is one other issue of community development leadership that is worth attention: the need to train leaders at the community level. In every city there is an institution of higher learning that offers programs in city planning, urban affairs, or related disciplines. In some cases those schools serve as magnets for students who obtain their initial credentials and skills and then go to work in the community development system. Cleveland State offers a community development certificate program funded by NPI; the University of Pennsylvania, University of Pittsburgh, and Carnegie Mellon University have planning or community development training programs. Baltimore might do well to connect its community development human capital needs more fully with Morgan State University and the University of Maryland, both of which offer relevant degree programs. Baltimore also could be more deliberate in its use of the Development Training Institute, a national training intermediary that is headquartered in Baltimore.

What are the OVERALL OUTPUTS AND COSTS in each city?

The biggest challenge in comparing Baltimore and the other cities is in assessing performance in results and costs. The difficulty is twofold. First, the measure of performance varies by city. Pittsburgh, for example, has moved away from using housing units produced as its key performance measure and is seeking to quantify results according to the quality of the strategies developed by its neighborhood groups and by the relevance of those strategies to the broader regional economy. Cleveland's NPI gauges its success on whether neighborhoods are repopulated and whether housing prices rise.

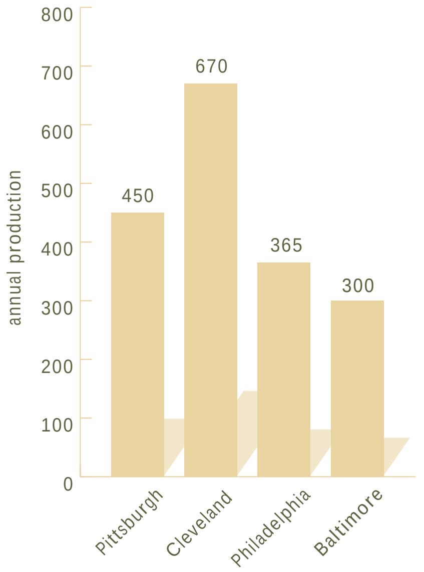
The second difficulty involves the availability of good data to make the comparisons. Community development has an action orientation, not a study focus. The amount of data available for comparison purposes is limited and the quality of the information is variable.

Housing production is probably the best single measure for approximating Baltimore's performance relative to the other cities, both because the data are available and because Baltimore has focused on housing production in distressed neighborhoods.

TABLE 4 shows average annual nonprofit-housing production in each city for 1998–2001.

The figures are reasonable approximations of annual housing production in each city. The average was calculated based on annual production for the period. The figures do not include in-place rehabilitation projects like those funded by the Pittsburgh and Philadelphia bond programs or by local Neighborhood Housing Services programs. The figures include only those housing units produced by the nonprofit sector as new or substantially rehabilitated units, with some funding from the public or

Table 4
Average Annual Nonprofit Housing Production, 1998-2001



philanthropic sectors, aimed at producing an affordable unit or at improving neighborhood values. The Baltimore estimate is derived from Ruth Crystal's report, "Nonprofit Housing Production in Baltimore City, 1997–2001," with some adjustment upward based on recent performance by the nonprofit sector.

Generally speaking, the limits on the development of this kind of housing are set by several variables:

- Overall capacity of the nonprofit sector to produce the units. This includes the availability of operating support to pay operating expenses for nonprofit groups and to promote the technical capacity of the staff.

- Availability of development opportunities. Are there enough sites for new construction or suitable structures for rehabilitation?

- Availability and flexibility of capital in the form of bank debt, low-income housing tax credits, CDBG (Community Development Block Grant) and HOME funds.

- Ability of the public sector to manage the complex approval process.

- Need and demand for the housing.

CLEVELAND'S high production reflects several of these variables. It has taken years of work for the community development system to mature and foster capable CDCs. A land-banking approach makes land and buildings available for redevelopment routinely and cost-effectively. There are strong partnerships with local governments and lenders, and a mindset that favors financial engineering puts scarce funds to efficient use. Baltimore must promote its own effective and sustainable system to achieve similar outcomes.

Adjusting for its size and resource base (Pittsburgh receives only about two-thirds the amount of the CDBG funds that come to Baltimore), PITTSBURGH'S housing production is quite robust, reflecting the capacity of its community development groups, URA's strength in using its land acquisition and financing expertise, and the value of a streamlined approval process.

PHILADELPHIA'S production, relative to its size, is far more modest. This reflects a more limited capacity among nonprofit organizations to produce. The nonprofit groups also must compete for HOME and CDBG funds with the commercial sector—which supports an active group of developers of affordable housing in that city—thus leaving fewer subsidy dollars for the nonprofit groups.

In BALTIMORE, the impediments to increased production are complex. There is, of course, the capital limit. The City has relied heavily on federal and State of Maryland funding, instead of developing its own revenue base, and CDBG and HOME funds can only go so far. However, production also has been hampered by the limits in the government's ability to acquire and transfer vacant structures—a problem now being attacked dramatically by Mayor O'Malley's Project 5000.

There are also limits to the overall capacity of the nonprofit groups in the City. The "Survey of Nonprofit Housing Groups in Baltimore 1997–2001" indicates that nine nonprofit groups produced three-fourths of the nonprofit housing even though more than 30 nonprofit groups were active in the five-year period examined. The work of

Enterprise Homes, the for-profit subsidiary of the Enterprise Foundation, is not included in the Baltimore figures. Although technically Enterprise Homes is a for-profit entity, its revenues go entirely to support the work of the Enterprise Foundation. If Enterprise Homes were considered a nonprofit, it would be, by far, the largest developer of affordable housing in Baltimore. Between 1997 and 2000, Enterprise Homes completed 721 units, and it has another 407 in development, for an annualized average of 225 units.

Getting to a larger scale of outputs will require increased operating support for, and organization of, the entire community development system in Baltimore.

But affordable housing is not the only output measure. There are others: commercial space developed; rising property values; jobs developed, and low-income people employed; new economic niches for specific neighborhoods; and improvements in education through the establishment of charter schools, for example. To capture the entire picture, comparisons across cities must consider those outcomes as well.

Given the list of results, a question on the minds of the Baltimore sponsors of this work concerns the costs in each city. This too is a complex matter. The expense of producing housing in each city varies with building type; with environmental conditions, for example, involving lead abatement and historic preservation; and with the market prices for materials and labor. In this regard, the only variation among these cities is the high cost of housing production and rehabilitation in Philadelphia, where labor is reported to be more expensive than in the other cities.

A more accurate comparison among cities regarding the cost of the system can be made by examining use of the scarcest financial resource—grant money that provides operating support to the nonprofit system—and the results that are coming from that investment. In other words, what are governments, foundations, and corporations getting in return for their grants?

A very rough comparison can be made between Baltimore and Cleveland; similar data are available for both places. Discussions with community development participants in city government; at NPI; and in the Cleveland Neighborhood Development Corporation, a trade association of CDCs, showed that annual grantmaking in Cleveland to support the community development infrastructure is about $8 million. Discussions in Baltimore with community development operatives and an analysis of the CDBG budget indicate that the aggregate amount of grants to community development groups involved in some way with housing production is $7 million to $8 million.

The two cities are putting about the same amount of grant funds into the system, but Cleveland's grantmakers are clearly getting more for their investment, whether measured by housing units produced or by some other result. This is an approximate comparison that should be used with caution, but it has some value. If Cleveland can get 670 housing units produced for its $8 million, and Baltimore has just 300 for roughly the same investment, it certainly suggests there are inefficiencies in Baltimore.

Getting to a larger scale of outputs will require increased operating support for, and organization of, the entire community development system in Baltimore.

The Overall Picture

Each of the cities has a different mix of strengths and weaknesses in community development. No one place is strong in everything. **TABLE 5** is an assessment of the relative strengths and weaknesses of the cities that, admittedly, is somewhat subjective. It is based on objective and anecdotal information from each place, so it is only a relative comparison. However, it should illustrate where improvements in Baltimore's system could occur.

A glance at the table reveals that Cleveland and Pittsburgh have done the best job overall with community development capacity. Baltimore's results indicate that there is very little structured business support for community development, and the system appears inefficient. In fact, it is difficult even to define a community development system in Baltimore or Philadelphia. Certainly, the system's degree of accountability in Philadelphia and Baltimore is less than in Pittsburgh or Cleveland where there is a mindset of performance assessment by key community development stakeholders.

Table 5 can serve as a basis for helping to define an agenda for Baltimore.

Table 5
Cross City Comparison of
Community Development Capacities

	Pittsburgh	Cleveland	Philadephia	Baltimore
Clarity of goals	●	●	◗	◗
Business sector support	●	●	◗	❍
Mayoral support	●	◗	●	◗
Philanthropic support	●	●	◗	◗
Lender involvement	●	●	◗	◗
Maturity of system	●	●	◗	◗
Logic of system	●	●	❍	◗
Efficiency of system	◗	◗	❍	❍
Human capital development	◗	●	◗	◗
Reliance on CDCs	◗	●	◗	◗
Strength of city programs	●	◗	◗	◗
Housing outputs	●	●	◗	◗
Effect on property values	●	●	❍	◗

Key: ●, highly developed capacity
◗, some ability, with room for improvement
❍, no capacity

Implications for Baltimore

The comparison of Baltimore and the three other cities raises many challenges for Baltimore as community development stakeholders seek to improve performance. The analysis is helpful in pointing out seven areas where Baltimore should focus attention.

1. Baltimore needs clearer community development goals.

The diffuse nature of the community development system in Baltimore has as one of its consequences an inability of community development stakeholders to clearly identify the goals of the community development system. In some of the other cities studied there is some harmony among community development goals and overall approaches. Baltimore hears cacophony. What are the community development organizations trying to accomplish? More affordable housing? The recovery of the worst neighborhoods? The strengthening of neighborhoods in areas targeted for reinvestment and stabilization? The recruitment and retention of homeowners? Compared with the other cities, there are fewer stakeholders in Baltimore who have agreed on strategic approaches to community development.

But these alternative goal statements are not mutually exclusive, and there can be multiple goals. A clearer articulation of goals from key stakeholders would be valuable. The recent publication of the City's economic development strategy and the Mayor's Council on City Living report are useful starting points.

2. Baltimore needs a more effective *system* of community development.

Baltimore's community development organizations have grown in an organic way over the past two decades. This has been true in other cities as well—certainly in Philadelphia. In Pittsburgh and Cleveland, however, civic leaders at various points have stepped in to try to combine the ad-hoc approaches and organize them into a system by making strategic investments. This has led to particular groups serving in roles and functions that, when combined, complement one another instead of appearing fragmented. In Pittsburgh, for example, ACTION-Housing, Inc., a 45-year-old regional organization, specializes in housing for special needs groups; PPND provides operating support to CDCs; and the city's URA handles all land acquisition and disposition and provides complex, inventive financing vehicles for community development projects. There are other organizations, of course, but the big pieces fit together more completely than do those in Baltimore.

Perhaps the biggest challenge for Baltimore's community development stakeholders is to think through whether organizations can be created or adapted to be at the center in advancing Baltimore's community development goals. A clear assessment of the possibilities of additional philanthropic support is needed in determining the financial feasibility of any new organizational pattern in Baltimore's community development system.

The changes to the system are not relevant just for thinking about citywide approaches. A related question is how the system should evolve at the community level. Each city has important differences in the pattern of neighborhood-based groups and in the belief in the wisdom of investing in many neighborhood-based community development corporations and in other community groups that have goals other than physical development. How the on-the-ground set of organizations in Baltimore should evolve is also an important question.

3. The community development system in Baltimore would benefit from increased investment and leadership from the Baltimore business sector.

There are important differences in the nature of the business sector in Baltimore and the other cities. Baltimore has far fewer company headquarters than the other cities do, and so there is more of a challenge in attracting corporate attention to some issues. Yet Baltimore has an important group of businesses. Their leaders engage in civic improvement through several organizations—the Greater Baltimore Committee, the Downtown Partnership, the Greater Baltimore Alliance, and the President's Roundtable.

Baltimore also has strong academic institutions that might be candidates for increased partnership in community development activities. Finding ways to involve the business sector—including the universities—in the community development agenda would be a boon to the future of Baltimore's neighborhoods. It is encouraging to see the substantial activity of the Johns Hopkins University in East Baltimore and of the University of Maryland on the West Side. It is also promising that the Greater Baltimore Committee has adopted the East Baltimore biotechnology corridor project as one of its top three priorities.

How can the interests of the business community and community development be better aligned? Is it possible that the Baltimore business sector can see self-interest in the improvement of neighborhoods through community development actions, as is the case in Cleveland?

4. The community development system in Baltimore would benefit from more leadership and investment from financial institutions.

Baltimore's financial institutions are active community development partners and stakeholders, but relative to the other cities—particularly Cleveland and Philadelphia—the involvement of Baltimore's banks seems more limited than it could be. Part of the challenge here is that, absent a more centralized community development delivery system, there might not be enough opportunities presented to Baltimore financial institutions. Cleveland and Pittsburgh community development leaders have engaged their financial institutions in efforts that have some collective commitment. Those more central discussions, when combined with pressure from city government and advocacy groups, have led to more active involvement from banks than seems the case in Baltimore. Additional leadership from Mayor O'Malley and the housing commissioner would be useful in engaging financial institutions more fully.

5. Baltimore needs more active collaboration among private and corporate foundations, national organizations, and City and State government.

BNC has been a useful vehicle for advancing collaboration among philanthropic organizations to fund community development and neighborhood projects. Increased strategic collaboration with a focus on outcomes—among the foundations themselves and between foundations and other community development stakeholders—is likely to produce even more successful collaboration among community development stakeholders. More attention should be paid to the involvement of the State of Maryland and the federal government; to national organizations headquartered in Baltimore—the Enterprise Foundation and the Development Training Institute—and to other national community development groups like the Neighborhood Reinvestment Corporation.

6. City government should continue to modernize its community development functions.

For all the value of foundations, business involvement, bank support, and active community-based groups, there is nothing more important than strong, effective, competent, and professionally run municipal programs. City government capacity is clearly a critical element of the successes in Pittsburgh and Cleveland, and it will be the test of whether Philadelphia Mayor Street's NTI succeeds.

Improvements are needed in the degree to which Baltimore's various departments take a customer orientation in dealing with the community. Basic functions should be routine, efficient, and competent. Improvements in code enforcement, property acquisition, and loan processing are all needed in the Department of Housing and Community Development. Commissioner Paul T. Graziano has begun to take important steps in retooling and restaffing the housing and community development section of his department. Improving it and other City departments and affiliates—the Baltimore Development Corporation, Recreation and Parks, Public Works, and Transportation—is essential. Better department performance and interdepartmental cooperation for improving neighborhoods should be a top priority that should have support from the business, philanthropic, and academic communities.

7. Baltimore needs to build a stronger cadre of community development professionals and leaders.

Baltimore is fortunate to have many active, committed professionals working in community development. However, it has not created much of a system for recruiting and educating the talent it needs. Baltimore needs to do more to attract and train young professionals. It also needs to work more at helping community development professionals improve their skills.

In addition, efforts to help those who work in community development feel part of a larger movement would be helpful. Opportunities for interaction among community development professionals are more limited than in the comparison cities. Philadelphia and Cleveland, for example, have community development trade associations that, among other things, sponsor events and continuing education sessions that foster interaction. Working with institutions of higher learning to nurture talent in Baltimore is important because the human capital element of the system is as important as the system itself.

Baltimore has a great deal to be pleased about in what has been accomplished in improving neighborhoods. But there still is much to be done. This report is a preliminary effort to inform Baltimore's community development stakeholders about ways they might proceed with improving the system based on performance in three other cities.

The challenging work in looking at the other cities is to determine how to improve Baltimore's system without falling into the trap of trying to copy another city's approach. Baltimore's community development approaches must be based on Baltimore's needs, capacities, and unique history.

Designed by Anne Clewell   Photography courtesy of LiveBaltimore

About the Author

Paul C. Brophy is a principal with the firm of Brophy & Reilly, a Baltimore-area-based community development consulting firm. Mr. Brophy has worked in numerous cities in addition to Baltimore, including Pittsburgh, Philadelphia, Cleveland, Chicago, and Louisville. Before his work at Brophy & Reilly, Mr. Brophy was the president of the Enterprise Foundation. He is the co-author of *A Guide to Careers in Community Development*, published in 2000, and of many articles regarding urban issues, including "Ten Steps to Urban Land Reform," published by the Brookings Institution in 2002.

End Notes

[1] Ruth Crystal. *Nonprofit Housing Production in Baltimore City (1997–2001).* Available online: http://www.abagmd.org (click on Baltimore Neighborhood Collaborative).

[2] Rebecca R. Sohmer and Robert E. Lang. *Downtown Rebound*. Washington, D.C.: Fannie Mae Foundation and Brookings Institution, 2001. Available online: http://www.knowledgeplex.org/kp/facts_and_figures/facts_and_figures/relfiles/downtown_rebound.html.

[3] See William T. Bogart, *Civic Infrastructure and the Financing of Community Development*, Washington, DC, The Brookings Institution Center on Urban and Metropolitan Policy, May 2003.