

# **Community Economic Development: An Approach for Urban-Based Economies**

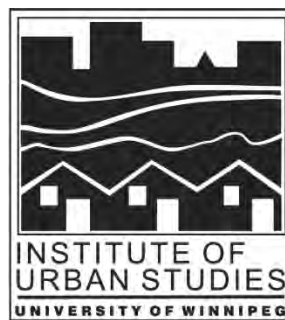
**Report No. 16**

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**by Lynda H. Newman, Deborah M. Lyon & Warren B. Philp  
1986**

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**The Institute of Urban Studies**





THE UNIVERSITY OF  
WINNIPEG

**FOR INFORMATION:**

***The Institute of Urban Studies***

The University of Winnipeg  
599 Portage Avenue, Winnipeg  
phone: 204.982.1140  
fax: 204.943.4695  
general email: [ius@uwinnipeg.ca](mailto:ius@uwinnipeg.ca)

*Mailing Address:*

***The Institute of Urban Studies***

The University of Winnipeg  
515 Portage Avenue  
Winnipeg, Manitoba, R3B 2E9

**COMMUNITY ECONOMIC DEVELOPMENT: AN APPROACH FOR URBAN-BASED ECONOMIES**

**Report No. 16**

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Lynda H. Newman

Deborah M. Lyon

Warren B. Philp

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## 1.0 INTRODUCTION

A persistent challenge for both people and places is to cope with the shifts in relative advantages and disadvantages, opportunities and problems, associated with economic change. Their test is to effectively anticipate, direct, exploit and/or react to change in ways that ensure they will emerge from the process better off, or at least in no worse state.

Meeting that test is perceived to be increasingly difficult for many North American communities buffeted by:

- the impacts of new technologies on their secondary industries
- the vagaries of resource extraction and other primary sector activities
- intra- and inter-national transfers of employment, capital and other physical assets
- the sharp fluctuations in temporal economic conditions experienced in the past two decades.

The vulnerability of places to obsolescence, dislocation, decline and disinvestment has become especially apparent.

Traditional strategies to cope with the pace and nature of economic change tended to emphasize private initiatives by individuals or corporate entities. More contemporary strategies have been marked by a mix of private and public-sector activities, with impetus and decision-making frequently remote from local conditions, desires or influence.

The efficacy of locally-based initiatives has been challenged, yet concurrently reinforced, by the complexity and scale of economic organization and interaction which have emerged in industrial market economies, especially since 1945. In this context, the ability of micro-economies to respond effectively

through locally-based initiatives can be constrained. Without such initiatives, however, places may not be able to assert their priorities, redirect investment to reverse decline, or tap indigenous resources and opportunities.

Out of this environment has come a renewed interest in strategies that build local capacity to stimulate and shape economic development. Key issues include:

- more effective marshalling, targeting and recycling of capital and other resources at the micro-economic level
- broadening the base of actors involved in economic decision-making and activity
- developing hybrid organizations and other tools that facilitate complementary interaction between, and coordinated use of, the disparate resources and efforts of the private, public and third sectors.

This paper provides an overview of the concepts, development tools and organizational forms adopted or proposed to address these kinds of issues in urban localities in Canada and the United States. The primary but not exclusive foci are on place-oriented strategies and on collective rather than individual initiatives.

In the paper, local initiatives refer to endeavours with the following characteristics:

- planning, consensus-forming and decision-making are done by local actors
- the target is a locality or some portion of it
- indigenous resources are engaged to stimulate and direct private, public and/or third sector investments
- there is an emphasis on cooperative, collective and/or complementary activities by the private, public and/or third sectors to make optimal use of available resources

- organizational forms vary greatly in terms of structure, membership, operation, orientation and autonomy, but commonly seek to foster economic development in conjunction with entrepreneurs, corporations, governments, and/or community-based organizations.

These characteristics, with the exception of third-sector involvement, were associated traditionally with the efforts of chambers of commerce, governments and other groups to encourage economic development through promotion, and financial, regulatory or other incentives. The stress was on facilitating conventional business or industrial growth.

More recently, attention has turned to a subset of local initiatives involving community-based economic development (CED). This subset incorporates the above characteristics, with the following additions or modifications:

- 'community' may refer to a place, or a target group of people, or both
- social goals are integrated with economic ones and are pursued jointly through development of a community's ability to plan and take action
- the emphasis is on community rather than individual returns on investment, and on the qualitative and redistributive aspects of development, not just the quantitative factors of output, productivity and profit
- self-help and self-reliance are encouraged
- there is interest in alternatives to mainstream forms of economic development and organization
- projects are designed on a scale compatible with community needs and long-term interests
- efforts are made to minimize the social and economic disbenefits of change
- organizations strive to be representative of and accountable to their communities.

Conventional and community-based approaches have tended to pursue distinctive paths. CED, in particular, has been considered essentially peripheral to the main strategies of industrial and other economic development and to public policy-making in this field. However, the potential for more complementary relationships, based on partnerships and social investment, is gaining recognition in the United States and, to some extent, in Canada. For most communities, a key lesson of economic travail is that no one sector or approach to development is fail-safe. The quest, then, is for innovative means to engage multiple actors and strategies in ways that jointly enhance micro-economies.

### 1.1 Research Approach

Information found in this report was gathered in phases:

- Phase I - Literature review using North American sources. A comprehensive bibliography forms part of this report.
- Phase II - Letter and telephone inquiries for further literature, largely unpublished, from American and Canadian sources. Appendix A provides a list of individuals/organizations who were contacted.
- Phase III - Interviews with representatives of various public, private and third sector organizations in the City of Winnipeg. A list of interviewees is found in Appendix A.  
The intention of this phase was to determine the interest and readiness of Winnipeg for community economic development approaches.
- Phase IV - Case studies of three American cities which have used various local initiatives and CED approaches. The cities are Minneapolis, St. Paul and Milwaukee. Background information on these cities is found in Appendix B.

## 1.2 Report Outline

The report is presented as follows:

Section 2.0 - discusses the impetus for local economic initiatives; the principles which are or should be guiding local and community-based activities; and approaches which can be used.

Section 3.0 - considers who has a role to play; what the role is; and the way that various actors can organize themselves. Cooperative action is emphasized and partnerships between public, private and third sector actors discussed.

Section 4.0 - presents various development tools which are currently used in North America, in order to create and/or secure financial resources.

Section 5.0 - continues the discussion of development tools but broadens the scope by considering non-financial needs.

Section 6.0 - brings to bear the findings of the previous sections on the potential for local and community-based economic development in the City of Winnipeg. Information gathered in interviews with Winnipeg actors is also used in the assessment.

## 2.0 LOCALLY-BASED INITIATIVES

### 2.1 The Historical Context

Locally-based initiatives in Canada and the U.S. evolved in an environment where economic development traditionally has been considered a private function. In the early post-1945 period, industrial agencies, business groups and governments sought to sway private decisions about location and expansion through incentives such as subsidies, tax relief and infrastructure development. Proactive, local boosterism aimed to seize the new economic opportunities of the time, especially in secondary industry. The strategy was to respect the purview of entrepreneurs and corporations and, thus, to facilitate but not intervene in their activities. Reliance on the private sector left unaddressed some key issues of relevance to urban areas including the physical and socio-economic deterioration of inner cities, especially central business districts, in localities where private renewal activity was insufficient or non-existent.

In contrast to the U.S., however, Canadians were inclined to establish a public presence in the economy through the use of crown corporations, government investment in selected enterprises and other mechanisms. A more mixed economy evolved as a result. There also was a tradition of community-based economic development (CED) through the phenomenon of the Prairie, Quebec and Antigonish cooperative movements.

Over time, local initiatives appeared to become increasingly reactive to options and decisions made elsewhere. They also appeared to increasingly occur in a context of dislocation, erosion and crisis. For example:

- exhaustion of a natural resource upon which the micro-economy relied
- failure or removal of a key employer or market
- cumulative impacts of private and public disinvestment from neighbourhoods
- physical deterioration and obsolescence of local assets due to age, location, new technology, market shifts or other factors that decrease the relative attractiveness of places to investors.

Events such as these were not unique. In essence, the imperatives of place had come into conflict with those of economic and social change.

A third area of concern for locally-based initiatives, in addition to tapping new opportunities or combating decline, has been the nurturing, retention and expansion of the existing industrial and commercial base of micro-economies. Since a major share of growth tends to be generated internally, some of the most useful local initiatives involve economic development of this type and continual maintenance of an environment which encourages investment.<sup>1</sup> Some urban areas have mounted more successful, sustained efforts in this regard than others.<sup>2</sup> A key attribute of such areas appears to be public and private-sector leadership which seeks the maximum advantage that the assets of a locality provide and prevailing economic conditions permit.

## 2.2 Economic and Socio-Political Impetus for Local Initiatives

Locally-based economic initiatives tend to be portrayed in the literature as reactive - motivated by some urgent event or threat; the cumulative impacts of neglect, decline or stagnation; or some form of externally-devised incentive (e.g., a senior government program or a private sector development proposal). This, in part, reflects prevailing models of local economies which tend to be demand driven and, thus, to suggest that such economies are determined by exogenous factors or fixed internal relations.<sup>3</sup> Case studies frequently reinforce this conceptual context.<sup>4</sup> As indicated by Table 1, however, effective local initiatives more commonly are motivated by factors such as municipal entrepreneurship, civic effort, partnerships, consensus, planning, and long-term community support/commitment. These conditions provide the basis for proactive economic and community development; they also reduce a locality's vulnerability to unanticipated and/or external events. At the most basic level, these attributes provide a planning and organizational framework from which locally-based responses may be determined and asserted.

TABLE 1

Motivating Factors for Local Initiatives

- |            |   |
|------------|---|
| PLANNING   | <ul style="list-style-type: none"><li>- thorough assessment and acknowledgement of locality's strengths and weaknesses</li><br/><li>- comprehensive economic development plans, goals and strategies<ul style="list-style-type: none"><li>• fostering new activities that benefit the community</li><li>• nurturing existing activities</li><li>• flexibility to respond to shifting economic conditions and opportunities</li><li>• marketing the potential of the locality to those to whom it is most valuable</li><li>• maintaining a multi-purpose approach</li></ul></li><br/><li>- consensus re: locality's present and future development</li></ul> |
| MOTIVATION | <ul style="list-style-type: none"><li>- positive civic culture that encourages citizen participation and civic entrepreneurship (public and private)</li><br/><li>- leadership<ul style="list-style-type: none"><li>• from the private and public (political) sectors, with the latter's commitment essential to legitimation of undertakings</li><li>• risk-taking by key private or public actors, or partnerships, to encourage subsequent development</li></ul></li><br/><li>- community support<ul style="list-style-type: none"><li>• linkages between economic and community development</li></ul></li></ul>   |
| ASSETS     | <ul style="list-style-type: none"><li>- access to the major factors of production (land, labour, finance capital, other physical goods)</li><br/><li>- favourable market conditions</li><br/><li>- appropriate infrastructure</li><br/><li>- appropriate development tools</li><br/><li>- human capacity<ul style="list-style-type: none"><li>• managerial, professional</li><li>• appropriately educated/trained labour force</li></ul></li></ul>  |



TABLE 1 (Continued)

ASSETS (Cont'd) - organizational capacity

- strong, organized private sector with commitment to active participation (i.e., to provide the basic constituency for economic development and to provide long-run continuity in planning and implementation of goals to overcome fragmentation which may arise with political leadership changes)
  - perceptive public sector committed to economic development
  - institutionalized private-public partnerships and networks (to facilitate consensus-building and communication; reduce conflict; coordinate and combine resources/activities; and blend self-interests with the broader interests of the community)
- long-term commitment
- continuity of vision, planning and policy
  - sustained effort, appropriately staffed and financed
  - commitment to turf

SOURCE:

Compiled and adapted by IUS from bibliographic sources.

The factors listed in Table 1 represent a generalized ideal. In practice, they are likely to be unevenly realized. They also are likely to be most effective when the actors who adhere to them are individuals and organizations which directly or indirectly control, or can mobilize, resources and expertise to make things happen. The question of who are, or should be, the key actors is one on which the literature on locally-based and community-based economic development may depart. For example, Conley, et al. argue:

A clear distinction needs to be made between citizen participation and involving key actors. The fundamental difference is that whereas citizens participate in the process in order to represent points of view within the community, key actors are invited to participate because they have resources to contribute directly to the implementation of the development effort. A citizen participation mechanism which may have been entirely appropriate for carrying out a neighbourhood plan, may be entirely inappropriate for implementing a city-wide development program. Rather, a community should consider which groups or individuals actually have the resources to implement the policy and obtain their participation as well as that of citizens. (5)

The literature on conventional local initiatives tends to be concerned with governmental and private sector actors. Linkages with the third sector are given less consideration.

Conventional initiatives and CED are subject to intellectual and policy disagreements over the functioning of market economies. On an experiential level, traditional theories and policies appear to have failed, or at least to be inadequate, to enable micro-economies to cope with the fundamental technological and economic shifts currently confronting nations and regions. The implications for policy-makers are wide-ranging, as Pulver notes;

Historically, community economic development policy aimed at employment and income improvement has assumed: (1) the goods-producing sector of the economy is the essential base upon which all development depends; (2) a growing population will generate a need for more jobs; and (3) a nearly limitless natural resource base is available to provide them.

Policy-makers have generally accepted these assumptions regardless of political unit size, resource condition, or economic situation. Analysis of current trends suggests the assumptions may no longer be true and current community economic development policies, therefore, are inadequate.... Local communities will find it necessary to embrace development strategies which more clearly recognize shifts in national trends yet are specific to local resource conditions. (6)

Perspectives differ on the extent to which micro-economies can successfully counteract negative regional, national or international economic trends. Cunningham and Kotler argue that in the U.S. context there are cities which will not surmount their growing poverty and pathology without a new kind of city-initiated economic development in which local governments would become the primary initiators, organizers and risk-takers. Cities may lack sufficient power, capital and other resources for large-scale development, but they are the governmental units with the incentive to do the job; moreover, they are the major unifying instrument of power at the disposal of community forces. To undertake this new mission, cities will have to shed their traditional role of service delivery which, in large part, can be contracted out to neighbourhood organizations and the private business sector, these authors suggest.<sup>7</sup>

In contrast to the division and uncertainty associated with mainstream economic theory, the ideological development of CED is marked by a relatively unified, if not entirely consistent, rationale. Moreover, Perry suggests CED is not so much a field of study as an arena for action.<sup>8</sup> As such, it may be less subject to the paralysis or stagnation which can arise in the absence of consensus about the nature of problems and appropriate responses.

There is a component of the literature which contains numerous examples of joint or complementary actions involving the public, private and third sectors (including neighbourhood or community-based development organizations).<sup>9</sup> Practice, then, appears to be outstripping theory, especially that linking CED with more conventional local economic development. Even given a background

of some 20 years of experience with CED in the U.S., authors of a 1985 American study suggest that the field is still experimental, and is only beginning to reach a point of critical mass where the more effective models and approaches can be identified.<sup>10</sup>

The factors outlined in Table 1 are applicable to CED and representative of the context from which various locally-based initiatives are emerging. While there is potential for conflict between CED and more conventional local strategies, at present they co-exist and there is considerable interest, especially in the U.S., in expanding the scope of the relationship. This reflects increasing acceptance of the view that neither the public nor private sectors have been successful in coping with economic change or dealing with the problems of troubled neighbourhoods.<sup>11</sup>

## 2.3 Principles

### 2.3.1 Economic Planning

Comprehensive planning generally is advocated in the literature as an essential foundation for locally-based initiatives. The experience has been mixed, however. Some communities have found themselves in the midst of crisis management rather than rational planning. Others have relied on the unchallenged, coherent vision of an elite as a substitute for a more broadly-based plan; or they have implemented very detailed schemes applicable only to specific subareas, especially central business districts.

Community-based planning is a key element of the *raison d'être* of CED. However, there has been mixed experience here too. Despite their intentions, CED organizations often have been overwhelmed by the scale of the problems they wish to address; the weakness of their capacity to respond; the imperatives of daily or project-by-project survival; and the impediments which may be raised by officials unsupportive of their activities.

Bergman suggests that the basic problem rests with the tendency of economists of various persuasions to devalue the attributes of the local economy by focussing almost exclusively on macro-aggregates and industry totals at the national level.<sup>12</sup> This is folly, he argues, when a substantial and growing proportion of output is produced by mobile, transnational companies whose activities affect local dependence and the costs borne by communities as a result of corporate adjustments. In advocating local contingency and strategic planning, Bergman outlines a typology of planning styles (see Table 2).

### 2.3.2 Centralization/Decentralization

There is extensive literature in various disciplines concerning the appropriate balance of centralized/decentralized authority, planning, decision-making, and resource control. The premise of locally-based initiatives is that decentralization will prevail, at least in those factors most relevant to local economic activity. The basic arguments are that localities best know their conditions and needs; have the most direct motivations to act; and can best perform when decisions and resources are locally controlled. These arguments have theoretical and empirical support.<sup>13</sup> They also arise from experience with corporate disinvestment or, conversely, the leading role played by locally-based corporate headquarters in the renewal of central business districts; and with the inflexibility of senior government policies/programs or their inequitable impacts on localities.

CED, in particular, relies on decentralization at the community level. In their typology of decentralization strategies (see Table 3), Yin and Yates suggest that the strongest strategy is political decentralization involving neighbourhood and/or resident control over urban services. Establishment of new neighbourhood institutions, such as community development corporations, is considered a moderate strategy which may build local capacity and improve services, but may not fundamentally alter control.

Related to the centralization/decentralization debate is the issue of

TABLE 2

## Styles of Economic Planning for Localities

Condition of Local Economy	Corporate Responsiveness	Local Responsiveness
Growing Economy: Net inflow of corporate investment capital; new plants and plant expansions	<p data-bbox="709 448 1045 509">CORPORATE RECRUITMENT PLANNING</p> <p data-bbox="709 529 1171 786">Principal planning style (I) is in industrial or corporate recruitment. Larger localities delegate to chamber of commerce and business groups; smaller localities contract an independent industrial recruiter with public funds.</p>	<p data-bbox="1310 448 1583 509">ECONOMIC STRATEGY PLANNING</p> <p data-bbox="1310 529 1839 753">Principal planning style (IV) would include long-range strategic planning to deliberately allocate scarce social resources to develop a local economy which is less susceptible to external disinvestment.</p>
Declining Economy: Net outflows of corporate investment capital; employment cut-backs and plant shutdowns	<p data-bbox="709 818 1108 850">CORPORATE IMPACT PLANNING</p> <p data-bbox="709 867 1171 1188">Principal planning style (II) is providing program funds for alleviating some episodic economic impact. Usually a state or federally funded agency activity which stands apart from locality's main planning and implementation system. Planning for a local arm of the welfare state.</p>	<p data-bbox="1310 818 1772 850">ECONOMIC CONTINGENCY PLANNING</p> <p data-bbox="1310 867 1839 1188">Principal planning style (III) would stress the need to anticipate the full extent of potential economic decline, to develop contingency plans for specific industry sectors and workers, and to build a permanent planning and implementation capacity into the structure of local government.</p>

SOURCE: Edward M. Bergman, "Local Economic Planning and Corporate Relocation", in Public Policies for Distressed Communities, F. Stevens Redburn and Terry F. Buss, eds. (Lexington, Mass.: D.C. Heath and Co., 1982), p. 240.

TABLE 3

Typology of Decentralization Strategies for Urban Services

<u>Territorial Focus</u>	<u>Client Role in Administration of Service</u>		
	<u>Negligible</u>	<u>Informed</u>	<u>Dominant</u>
City-wide	- community relations (w)	- grievance mechanisms(w)	-
Neighbourhood	- physical and administrative decentralization (w)	- employment of neighbourhood residents (m) - new neighbourhood institutions (e.g., CDCs) (m)	- political decentralization (s)

- 15 -

Legend:

w = weak

m = moderate

s = strong

SOURCE:

Adapted from Robert K. Yin and Douglas Yates, Street-Level Governments: Assessing Decentralization and Urban Services (Lexington, Mass.: D.C. Heath and Company/The Rand Corporation, 1975), pp. 26-29.

accountability (political and fiscal).<sup>14</sup> CED initiatives, it is argued, are accountable because they involve community-based planning, decision-making and implementation, often through membership organizations. Broader issues such as the accountability of a neighbourhood to the city as a whole are alluded to but not well developed in the literature cited for this study.

### 2.3.3 Consensus

Consensus-building is perceived to be an essential process associated with locally-based initiatives. It is central to creation of a positive environment for economic activity, and to the operation of partnerships or other forms of joint undertakings.

The literature contains some examples of the impacts which occur if consensus is not obtained or somehow breaks down.<sup>15</sup> In general, however, consensus is assumed to exist; and there is little detailed analysis of the factors involved in successfully developing and sustaining it, especially in an urban context where the diversity of people and ideas may be broad; the pressures to include more actors in the process may be intense; and finding and maintaining consensus among disparate interests may be very energy and time consuming.

A U.S. experiment with a negotiated investment strategy adopted an opposite premise - that development of coordinated strategies for investing public and private resources in a community will encounter legitimate differences or conflicts of view, and that fragmentation and confusion in policies and programs at varying levels of government will persist. The objective, then, is to formally recognize the differences and negotiate agreements on priority issues, thus improving interaction between actors and improving the environment for specific projects.<sup>16</sup>

CED is considered more prone to the potential for conflict than the general class of locally-based initiatives, primarily because its joint pursuit of com-



munity and economic development is perceived to entail explicit trade-offs in objectives and priorities.

#### 2.3.4 Coordination

One of the basic flaws identified in the U.S. experience with locally-based development, and public sector economic assistance programs, has been the absence of coordination to ensure that policies/programs are complementary, not conflicting, and that existing resources are well used and well targeted.<sup>17</sup>

...One thing we are learning in the community development process is that we can no longer continue to invent new programs to solve all of the problems that cities are facing today. Federal, state, and local agencies have created so many tools and programs that we could paper the walls with the laws and regulations. And yet, we feel obligated to pursue these programs, even though we don't know how they are related or how the resources and tools available to us can be packaged in a way to achieve desired impacts. (18)

Five types of coordination, through which joint planning, funding, administration and implementation may occur, are perceived as important:<sup>19</sup>

1. Institutional coordination involves administration of development programs by one organization, or firm links between two or more development institutions. Attempts at this kind of structural reform at the local level have produced an array of organizational types, from advisory and coordinating groups, to financial intermediaries, to implementation agencies and public/private partnerships. Neighbourhood development organizations also may function as intermediaries. Structural reforms may not be sufficient to overcome persistent, institutionalized departmentalism.
2. Program coordination overlaps with institutional coordination, and may occur on a city-wide or project-by-project basis. One of the key gaps in U.S. programming has been a long-standing need to better link economic development, community development and employment training/education programming. Intrinsic to the rationale of CED is this kind of multi-purpose development

activity, but to date the scale on which it has been pursued has been limited relative to the overall scale of economic development.

3. Funding coordination, or more broadly, leveraging concerns the use of a resource catalyst to attract other resources to achieve development goals. Money, land, buildings, equipment and other assets may be used to mobilize and redirect additional or complementary resources from other public, private or third sector actors. Associated objectives for local initiatives may be to retain and recycle funds in the community, and to amass a sufficient concentration of resources to replicate the synergy that contributes to spontaneous development activity. Providers of funds may also view coordination as a means of improving the efficiency of resource distribution and use, and perhaps as a means of cutting back on the aggregate of funds available.
4. Functional coordination involves the use of one development budget for purposes associated with another program or activity, but not necessarily joint planning or implementation.
5. Recognition of rural-urban interdependence, and coordinated action to address issues arising from this, also are considered essential, especially in terms of senior government policy and program development.

A key precondition to effective coordination is clarity of purpose in terms of development objectives and assistance.<sup>20</sup>

### 2.3.5 Diversification

Diversification is related to the concept of reduced vulnerability to economic cycles and external disinvestment. The key issue is more than one of encouraging different types of industry or business; rather, it is the appropriate mix of complementary and symbiotic activities where, Waterhouse notes:

...the presence of each supports the others through purchase of goods and services. Where employment is cyclical in nature, complementary hiring cycles for similar skills can minimize area unemployment and also minimize the amount of training required for new employees. New businesses...are those which can supply necessary goods and services to those already there, utilize the goods and services of those already there, or provide employment for underutilized skills. (21)

## 2.4 Approaches

### 2.4.1 Place-Oriented Initiatives

Inherent in the thinking on local economic development is the emphasis on 'place' and that there is some intrinsic value or rationale to activities directed at a particular city, central business district or neighbourhood. If the place-oriented objective is perceived to tap a market opportunity, there usually is no question about its efficacy, unless, for example, a specific project constitutes a disruptive change in land use, or its viability rests on significant externalities. Questions do arise, however, if the place at issue is perceived to be economically marginal or distressed. The debate centres on three questions:

1. Should places be 'saved' and, if so, what are the economic implications?
2. If places should be the target, what are the appropriate strategies for resource allocation?
3. Is targeting politically feasible?

It is argued by some that spatial (and industry-specific) targeting creates economic inefficiencies and suboptimal use of scarce resources.<sup>22</sup> In terms of urban areas, moreover, it is argued that some residential and non-residential sectors are redundant; that deterioration and even abandonment of some neighbourhoods may be necessary corollaries to rebuilding others; and that 'shrinkage' is inevitable.<sup>23</sup> The main issue in this context concerns the appropriate strategies to accelerate and manage the desired physical, social and economic changes without extraordinary hardships for those affected.

Another perspective is not adverse to place-oriented policies but questions their sufficiency at the urban and inner city levels where problems result from national-level trends. Such problems cannot be effectively addressed by spatial policies alone, it is argued.<sup>24</sup>

Policy-makers generally opt for some middle ground, pursuing measures that

attempt to accommodate both people and places, often through limited-purpose and uncoordinated programs. As a result, the severest distress may not be addressed; there is an absence of a comprehensive policy framework; and government efforts are perceived to be ambivalent at best.<sup>25</sup>

#### 2.4.1.1 Efficiency and Equity

Opponents of spatial targeting support the neoclassical model. The free flow of private capital at its most productive use is assumed to maximize growth at the national level; provide employment for the geographically mobile; and have positive impacts on those caught in the backwash of change through spill-over and trickle-down effects. Local economic initiatives might have a role in creating a climate for investment or providing transitional aid to troubled economic activities. In general, however, public intervention in the market is justified only if its benefits flow to individuals or households and not to institutions such as municipalities or profit-making corporations.<sup>26</sup>

It also is argued that a place orientation will not necessarily be successful in ensuring that economic development will benefit the people most in need (see Table 4). Moreover, if such strategies do effectively alter the conditions of an area, they may contribute to displacement of residents or economic activities.<sup>27</sup>

Counter-arguments to the neoclassical propositions concerning economic efficiency hinge on the concepts of market imperfections and equity. Markets, it is argued, are not necessarily competitive, especially when dominated by oligopolistic and conglomerate firms; nor are they necessarily capable of correctly evaluating the benefits and costs of various undertakings, since those who capture the benefits of increased output may not be those who bear the costs. Such negative externalities reduce social welfare. Emphasis on minimization of social costs, rather than the maximization of output, would broaden the framework for decision-making about appropriate responses to economic change (e.g., to inject into the calculation such items as the costs of reproducing housing or the inability of integrated, culturally-based com-

TABLE 4

## The People Versus Places Controversy

Issue	People prosperity	Place prosperity
Rationale	Only individuals matter. Individual welfare is relatively independent of place condition.	Places also matter. The welfare of individuals is relatively dependent upon place condition.
Presumed efficiency effects	Not certain. Might increase GNP by improving labour force quality nationally.	Inefficient. Lowers GNP if orthodox view is correct.
Effects on interarea migration	Probably accelerates it.	Retards it.
Strategy	Bottom up. May take a "worst-case-first" approach.	Top down. May focus on places with most development potential (within eligible area).
Benefits to the nonpoor	Undoubtedly some. Probably not as many as in other case.	Clear and substantial benefits to the nonpoor.
Most obvious drawback	Does little to mitigate the social and psychological costs of economically forced migration. May do little to aid the survival of dying places.	As a strategy to aid the long-term poor it is at least partly defeated by labour force mobility and elasticity.
Political support	Relatively weak, particularly if programs bypass local political structure.	Very strong support from the political establishment of eligible areas.
Relation to recent locational trends	No necessary conflict.	Definitely swimming against the tide.

SOURCE: John M. Levy, Urban and Metropolitan Economics (New York: McGraw-Hill Book Company, 1985), p. 150.

munities to readily relocate). Moreover, initiatives that have local support and commitment may motivate voluntary, self-help, collective activities and production which introduce new factors into the assessment of economic efficiency.<sup>28</sup>

At the experiential level, it is argued that in inner cities the process of urban renewal has broken down. The fundamental problem is disinvestment and public intervention is a necessary catalyst for renewal. Bendick and Ledebur suggest that while the equity aspects of assistance to lagging regions or distressed central cities may not contribute to efficiency, growth or international competitiveness, they may be necessary prerequisites to future efficiency gains. Such compensation may permit economic change to proceed; without it, adversely affected locales, people or firms may successfully lobby for a halt to change.<sup>29</sup>

#### 2.4.1.2 Policy/Program Design

Assuming a place-oriented initiative is pursued, several interrelated issues arise:

1. At what level of geographic aggregation do incentives cease to have primary effects and costs outweigh benefits?

Wolman suggests that a labour market area appears to be the smallest geographic level at which incentives will be effective given that the main purpose generally is increased employment. Targeting to a subarea within a labour market could encourage an internal movement of employment without any net overall improvement. (30) This potential has implications for, among other things, the designation of enterprise zones, one of the more recently established development tools for distressed inner city areas.

2. On what basis will target localities be selected?

There are three basic strategies:<sup>31</sup>

- a) 'some for all' gives legitimacy to a wide variety of competing needs, and distributes concern and support with at least the appearance of even-handedness.

However, this option fragments aid and may foster development efforts which are insignificant relative to need.

- b) 'Worst first' requires decisions about the nature of the problem, the priorities to be addressed, those most deserving of assistance, and expected outcomes. None of these decisions can be made with certainty, especially when places remain vulnerable to the socioeconomic forces which initially caused their problems. This option does concentrate resources on a clear purpose, however.
- c) 'Triage' focusses on needy but promising areas. This denies resources to the most severely affected and may be subject to pressures to spread, rather than concentrate, resources. It implies the primary goal is growth, opting for areas and/or firms with significant potential (i.e., key sites).

In the U.S., policies have tended to favour the 'some for all' or 'worst first' strategies - the former for political reasons, the latter due to a perception of government's role as that of last resort. (32)

3. Will short-term or long-term results be emphasized?

An emphasis on the short term will create imperatives that favour areas and organizations with proven records and in a state of readiness. A long-term perspective may introduce more flexibility (re: risk of investment) and greater efforts to build local capacity to undertake development. (33)

4. What level of resources will be allocated?

Doctors and Lockwood suggest a prerequisite for successful economic development is to be able to engineer the interaction of many individual components to replicate the real capital base-building and leveraging that occur in a well functioning, mainstream economy. The challenge is to stimulate extensive synergistic effects among a whole series of financial and business institutions. (34) This has implications not only for the level of resource allocation, but also for the multi-purpose and multi-program nature of development assistance.

5. What types of development activity should be pursued?

Clay argues that efforts in the 1960s and 1970s to stimulate commercial and industrial development as part of anti-poverty programs in U.S. cities generally were unsuccessful. Separate factors appear to shape the processes by which neighbourhoods develop and industries

and businesses choose locations. Any mutual benefit that arises appears to occur only after these processes are underway. Thus, he suggests, it is unrealistic to expect to reverse basic locational or structural trends in business or industry. At best, neighbourhood revitalization strategies should identify and support those commercial or industrial interests most likely to survive in, and be most compatible with, the neighbourhood context. He further argues against the "sandbox syndrome" which requires subsidized CED activities to occur in a target area where, in many cases, success is not possible or is inappropriate at a given point in time. If, for example, the target area of a community development corporation is largely residential, it would be inappropriate to locate a large-scale industry there. Such industry, however, may be the only way to generate a substantial number of jobs. The corporation should not be doomed to a sandbox-type of enterprise, but should be able to undertake subsidized economic development at whatever location would be appropriate. (35)

6. Does local capacity exist to effectively use resources?  
If not, what is required?

Several analysts have identified the importance of ensuring that organizations and systems are in place to enable communities to effectively use resources and to prevent local economic development planning from becoming only grants management. (36)

#### 2.4.1.3 Political Feasibility

During the past 25 years, the policy/program mix of Canadian and U.S. governments, especially at the federal levels, has included a number of spatially-targeted initiatives. Several programs have been directed at urban areas but more so in the U.S. than in Canada where the influence of regional disparities has led to programming with a rural or combined rural-urban orientation. U.S. state governments increasingly are adopting spatially-targeted programs as well.<sup>37</sup>

Several political impediments may arise, however. The most frequently cited difficulty concerns the politics of coalition-building (i.e., sustaining support for policy/program approval, implementation and a sufficient operational period to be effective). Success in this regard is easier to obtain if many, rather than a few, places directly benefit.



Inflexibility may arise because of the strengths of political coalitions that seek to sustain certain policies/programs, and prohibit significant reform or development of new policy. Wolman suggests this has occurred in several western European countries where the prevailing emphasis on regional policies and development of peripheral areas has been difficult to change even though circumstances call for retargeting of effort to larger, urban centres.<sup>38</sup>

Special sensitivity may be associated with programming that crosses political boundaries. In the U.S. in the 1960s, for example, community groups came into conflict with local governments over the application of federal programs, and control of federally-provided funding, in urban areas. Tensions rose as territorially-based citizens' power began to transcend traditional patterns of interest-group politics, and appeared to challenge the traditional responsibilities and economic development plans of local governments and their agencies. Among the results of the conflict, community groups opted to establish economic development organizations (often with federal funding) to obtain some autonomy from local government in socioeconomic planning and services. Some advocates perceive CED as a means to devolve political and economic power to local or neighbourhood levels.

#### 2.4.2 Community-Based Economic Development

CED is both a movement and a process designed to marshal human, physical and financial resources to:

- integrate economic and social development at the community level
- improve the community's environment, quality of services, and capacity to address its own socioeconomic problems
- stimulate self-sustaining, socially-responsible economic growth
- direct change and capture investment returns for the benefit of the community

- engage in bottom-up planning and decision-making
- promote community self-determination, and control over basic economic decisions such as employment, investment and location
- encourage collective self-reliance
- develop organizations which are responsive and accountable to the community.

In contrast to locally-based initiatives in general, CED is perceived to be most relevant to marginal or distressed communities (people and places). There is no intrinsic reason within the objectives and activities of CED for this delimitation. The issue essentially is ideological. Is CED a transitional process necessitated by market imperfections and economic change, but unneeded when economic resources and activities are sound and the growth dynamic self-sustaining; or is CED a viable, alternative form of social motivation, and socioeconomic organization and activity?

Its advocates tend to perceive CED as the latter. Some, such as Windass, suggest that western market economies are experiencing a fundamental restructuring which will require a resurgence of small-scale economic activity and greater local control over employment and social policies.<sup>39</sup> Others, such as Perry, assert that CED aims to assure a disadvantaged community and its residents that they have a chance to be part of the mainstream, but within value preferences that require institutions impinging on the community to be responsible to it.<sup>40</sup>

More generally, however, CED is perceived as a useful but modest contributor to local development initiatives. In Canada, CED has not been considered highly developed,<sup>41</sup> and the achievements of both Canadian and American CED organizations have been limited. However, a recent intergovernmental position paper on regional economic development in Canada contained recognition of a role for CED, albeit in the context of a weak private sector:

In areas where the private sector is not strong, a policy which focusses only on their role as the motivator of the economy will

not yield significant economic growth. For this reason, it would be a mistake to take a narrow view of the private sector. In every region local community-based and cooperative groups, business associations, trade unions and other organizations are often active in promoting economic development, and have unique and important contributions to make. Policies should be sensitive to their needs and the opportunities they represent.(42)

#### 2.4.2.1 Background to CED Concepts

Canadian experience draws on two main influences: cooperatives and rural development organizations.<sup>43</sup>

The Antigonish cooperative movement, which arose in Nova Scotia during the inter-war years, linked economics with continuous adult education to promote self-help, cooperation and social ownership among farmers and fishermen. The movement's social philosophy, and integration of economic and community development, influenced cooperative communities such as Tignish, P.E.I. and Chéticamp, N.S., as well as subsequent conceptions of CED in Canada. The movement also contrasted with cooperatives elsewhere in the country. They emphasized consumer, marketing and distribution activities rather than production. In recent years, cooperatives have found it difficult to weather adverse economic conditions. Nonetheless, cooperatives and credit unions have developed an extensive following with combined assets in Canada exceeding \$45 billion and memberships totaling some nine million persons. Moreover, they share common ideals with other CED organizations and have extensive experience of relevance to the latter - innovative financing; the organization of smaller cooperatives into interdependent systems and federations; technical assistance; and management of relationships and trade-offs between economic and social goals. Linkages between cooperatives and other components of the CED movement have not been well developed although there is interest in both Canada and the U.S. in improving networks and encouraging cooperatives to expand their community development efforts.

Rural development organizations in Newfoundland, New Brunswick, Quebec, Manitoba and Alberta offer several different models, some more akin to conven-

tional local initiatives (i.e., promotion, private sector recruitment) than others. Notable examples include:

1. The Alberta Regional Resources Project in the Drumheller area which combined regional development planning and coordination with locally-based development companies designed to encourage residential, commercial and industrial activities under the direction of elected boards and with equity raised from their communities.
2. JAL, Projet Contact and La Société d'Exploitation des Ressources de la Vallée (SERV) in Quebec, involved in economic stimulation through direct support for cooperatives and private enterprises, or undertaking their own projects, or in the case of Contact providing technical assistance.
3. The regional development associations in Newfoundland, borne out of resistance to government resettlement policies, and now functioning as intermediaries between residents and government in the absence of a dynamic system of local government. Most are oriented to facilitating private entrepreneurship, and have mixed records in terms of community participation and local control of economic development.

Further evolution of CED in Canada is associated with New Dawn Enterprises Ltd. in Sydney, N.S., a community development corporation with similarities to the American model; the Community Employment Strategy Association of Guysborough County, N.S. with its subsidiary MGCIL Corporation which invests loan and equity capital in local projects; and the development initiatives pursued by Indian, Metis and Inuit economic organizations. A recent study group found a number of community initiatives underway and considerable interest in more self-directed, locally-based economic development:

Communities want a much greater say in the economic decisions which affect their lives and access to resources to build their future... (They) want to leave behind their dependency on unilateral decisions made in distant corporate boardrooms....One new source of job expansion is community and worker-owned cooperatives and development corporations. Because these enterprises are more responsive to community needs, job-intensive and give people a greater say in their economic future, they merit significantly greater support. While not yet widespread in Canada, their potential is very evident. (44)

In the U.S., CED has evolved a marked urban orientation, influenced by three sets of conditions:<sup>45</sup> racial desegregation and civil rights advocacy; a series of mainly federal government policies and programs targeted to urban areas that laid the groundwork for urban decentralization; and several private and third sector initiatives. These included: The Ford Foundation's Grey Areas Program and subsequent support of CDCs and innovative reinvestment schemes (Local Initiatives Support Corporation); an urban investment program channeling \$2 billion in insurance funds to housing, employment and social investments in U.S. inner cities; and private corporate involvement in ghetto enterprises (new branch plants, joint or turnkey ventures, and financial and technical support for minority-owned businesses).

More recently, CED in the U.S. has been confronted by a new environment of adverse economic conditions and sharp curtailment in federal government support for community development programs. The organizations and practitioners that have weathered the new environment have become increasingly pragmatic, lean, and oriented to economic development (i.e., employment and profit creation). Business ventures are perceived as a way to survive the New Federalism and to pursue in the marketplace what is no longer available on a fully subsidized basis.<sup>46</sup> Moreover, the objective is to replicate the mainstream development process, not to focus on social pathology as the cause of decline; and to make mainstream development tools more readily available to community groups.<sup>47</sup> This has prompted concerns about the fate of the social and political components of the CED rationale.<sup>48</sup>

A second change in CED concepts in the U.S. has been a shift from a goal of self-sufficiency to one of self-reliance and self-help which is more limited in scope. The literature is not explicit on the reason(s) for this shift. However, it is consistent with experiences of neighbourhood development organizations and their modest achievements relative to a goal of economic or neighbourhood self-sufficiency.

#### 2.4.2.2 Premises and Characteristics of CED

The basic premises and characteristics of CED are outlined in Tables 5 and 6 respectively.

The ideals represented in Table 5 are predicated on different conceptions of 'economic man' and the urban economy than those found in the neoclassical or structural paradigms. In a context dominated by a tug-of-war between those two models, CED has made some significant advances, often in times or places where mainstream economics and socioeconomic development have failed to offer applicable analytical or prescriptive tools to address problems. In general, however, the gains have been limited to specific projects, programs or organizations, and have fallen far short of the very broad reformist goals set by early advocates of CED. The movement has been tempered by its experiences since the 1960s. It appears to have gained credibility and acceptance as one component in an array of locally-based initiatives, none of which are in themselves sufficient to successfully enhance and sustain the economic status of places.

CED faces a number of impediments which conflict with some of the premises in Table 5:

1. Though some of the early American literature contained suggestions that CED could be self-sustaining, experience has indicated this will be a very difficult goal to attain solely from the marketplace and redirection of private investment. Some form of public subsidy generally is considered essential (and certainly not unique to this particular form of economic development). This poses at least two challenges: how to sustain long-term societal interest and support, and how to produce a system of public assistance which is coherent, relevant and effective but also respects the autonomy and integrity of CED organizations. CED organizations have had limited resources relative to the magnitude of the tasks and expectations set out for them; and they have been subject to uncertainty and short-term planning imperatives on project-by-project funding. (49)
2. CED experience has been mixed in terms of area-specific economic development. Some early U.S. organizations found it easier to obtain investment capital than to find viable business opportunities to tap;

TABLE 5

Premises of CED

Environment

- the private, for-profit system has not sufficiently nurtured enterprise growth and development which can meet the needs of communities, especially low-income communities
- it is the structure of opportunity which is defective, not the poor who have been the target of so many government efforts
- the focus should be on community change; individuals will derive benefits from an improved community
- an economic dimension is almost always present in community problems; successful community improvement rests in part on part on expanding the local economy; there are untapped investment opportunities which the community can develop
- involvement of community residents and community-based organizations will affect the distribution of benefits from growth and will target the benefits of development to distressed communities/people
- society at large is prepared to commit long-term resources to support alternative forms of economic development

Community

- to be locally- or community-based, initiatives must derive their energy and commitment from within
- there are important differences between projects undertaken by individual entrepreneurs primarily for their own benefit, no matter how many external benefits may accrue, and initiatives undertaken by local people acting cooperatively, primarily for the benefit of the community and subject to the approval of the community
- while the process of decline may erode human relationships and institutions, even devastated neighbourhoods have networks and support systems (formal and informal) upon which to build
- persons perceive it to their benefit to pool resources for collective action
- there is a unity of purpose in the community; a clear and distinct community of purpose can be found on a geographic basis; there is commitment to place

TABLE 5 (Continued)

- only those based in the community and responsible to it can effectively make decisions on trade-offs that may arise in comprehensive socioeconomic development
- there is sufficient skill potential among residents to enable them to acquire abilities to lead, control, and participate in planning, decision-making and undertaking local initiatives
- self-reliance can best be achieved by maximizing the use of local, especially renewable, resources

Organization

- communities should pursue development through their own organizational instruments which are:
  - autonomous from governments and other external organizations
  - controlled by and responsible to the community
  - able to engage in a long-term process of development and change
  - flexible and non-bureaucratic
  - able to build community self-confidence
  - able to induce others to invest in the development process

SOURCE:

Compiled and adapted by IUS from bibliographic sources.



TABLE 6

## Characteristics of CED and CED Organizations

Organization	Functions	Activities
<p>-community controlled, usually through membership or share arrangements, and an elected board</p> <p>-not-for-profit in orientation, but may include for-profit operations or subsidiary organizations under a non-profit umbrella or, in the case of cooperatives, may redirect dividends to community purposes</p>	<p>-comprehensive, long-term planning</p> <p>-targeting gaps in: employment; education/training; infrastructure; community services; business, commercial, professional or industrial activities; cultural activity</p> <p>-community entrepreneurship - starting and operating economic ventures and community services/infrastructure (wholly-owned or joint/partnership projects)</p> <p>-recruitment/acquisition of economic activities in accordance with community needs and plans</p> <p>-mediating the interests of the community with the interests/plans of government and other external organizations</p> <p>-obtaining funds and other resources (e.g., grants, debt and equity capital, operational revenues, land, building, equipment)</p> <p>-financing community enterprises or entrepreneurs (e.g., providing loans, venture or start-up funds, equity)</p> <p>-providing technical, managerial and other assistance to other groups/organizations</p> <p>-developing and maintaining communication and other linkages within and outside the community</p> <p>-equity-building (engaging in functions that retain and recycle capital in the community, and that build other community assets)</p>	<p>-frequently small-scale, labour intensive, environmentally benign</p> <p>-may be large-scale (e.g., shopping centre development, major rehabilitation project), perhaps in partnership with other actors</p> <p>-examples of CED activities:</p> <ul style="list-style-type: none"> <li>• construction/rehabilitation (housing, commercial, industrial)</li> <li>• property management</li> <li>• industrial park development and management</li> <li>• establishment of business incubators</li> <li>• training (employment, ABE)</li> <li>• industrial, marketing, new product and other feasibility studies</li> <li>• recycling projects</li> <li>• consumer goods manufacturing</li> <li>• retailing</li> <li>• energy conservation</li> <li>• day care, neighbourhood resource centres, elderly persons' care, health centres</li> <li>• consulting</li> <li>• business loans/loan guarantees</li> </ul>

SOURCE: IUS.

and early assessments suggested community development organizations rarely made money on their economic ventures, primarily due to undercapitalization, inadequate management of projects, and/or reliance on government project funds (especially in housing) which provided little scope for profit. However, Mayer's 1984 comparative study of nearly 100 organizations which undertook projects through the U.S. Neighbourhood Self-Help Development program concluded that many organizations were highly successful in producing specific intended outputs. Housing, energy and community development efforts were more successful than those in economic development and commercial revitalization. The most consistent achievement was the ability of the community organizations to direct project benefits to neighbourhood residents and businesses, especially those of limited means. (50)

3. There has been a long-standing debate over the efficacy of integrating social and economic goals. It has been argued by some that economic goals should take priority until an organization is established and has secured sufficient equity to pursue both sets of goals. Others have argued that economic and social goals need not necessarily clash. (51)
4. Unity of purpose in a community is difficult to achieve. There are a number of case study examples of conflict between organizations claiming the same turf, or between an organization and the community it is serving. Conversely, the more successful organizations have been able to obtain and sustain community support, which can be a powerful negotiating tool in relations with external organizations. (52)
5. Community control has been an elusive concept in practice. On one level, a CED organization that cannot gain legitimacy within the community is unlikely to receive support or establish unity of purpose. To be successful and effective, territorially-based organizations must be responsive to their community and, implicitly at least, accountable to it. At another level, however, the expectations of broad community involvement in CED have not been realized and accountability issues have not been fully addressed. (53)
6. Of the authors reviewed for this paper, Berndt is the most critical of the CED rationale.

One of the most disturbing aspects of the CDC movement is that it is defined and generally accepted as a new approach to poverty, when in fact it is nothing more than the traditional Anglo-American welfare program. It is the kind of self-help welfare that has been given since Elizabeth I of England. As has been the case for centuries, self-help and equal opportunity have been the nemesis of the poor. Equally problematic has been the practice of designing programs for the benefit of discrete groups; i.e., the poor or the black. These programs

are self-defeating because of their failure to gain the support of the majority, who support neither the poor or the black. It would seem then that the best approach would be to devise programs dealing with specific societal needs rather than specific societal groups. It is also time to reject the rhetoric and mythology of equal opportunity and begin to look at the possibilities of equality of condition.(54)

## 2.5 Summary

Locally-based initiatives seek to assert the primacy of place in efforts to encourage and sustain positive economic activity, combat decline, and cope with change. In periods of economic growth, this is perceived as healthy competition and expansion. In periods of decline or distress, it is perceived as a strategy for adjustment and renewal. 'Communities' of people are an essential but subsidiary component of concern.

The efficacy of local initiatives, particularly in areas under economic stress, is challenged by three main arguments:

- . The emphasis on place may negatively counter the free flow and most productive uses of scarce resources, thus reducing market efficiency and economic growth.
- . Places - especially those lacking locational, resource or other market-relevant advantages - have limited prospects for effective development activity, given their vulnerability to technological change, national and international conditions, and centralized economic decision-making in both the private and public sectors.
- . Place-oriented strategies will not necessarily ensure that economic development will benefit the people most in need.

In contrast, local initiatives are premised on the following:

- . Area-specific targeting of development activity and assistance is necessary to address the negative impacts of market imperfections and inequities - in particular, to account for the social costs of economic change and market failure.

- . Places can tap indigenous resources and opportunities - including such factors as civic effort, partnerships and municipal entrepreneurship - to create productive development activity; reassert greater control over the local economy; and reduce vulnerability to unanticipated and/or external events. Indeed, locally-based initiatives may introduce new dimensions into the calculation of economic efficiency by stimulating a variety of voluntary, self-help and collective inputs.

As a subset of locally-based initiatives, CED places particular emphasis on the need to integrate economic and social goals, and place- and people-oriented strategies. CED also emphasizes the need to engage in socially-responsible development; promote community self-reliance and self-determination; and capture returns on investment for the benefit of the community.

Local initiatives in general rely on decentralization of public and private sector authority and resources in order to:

- . have locally-based and pro-active decision-making and control
- . redirect investment to specific places or subdistricts (e.g., neighbourhoods, central business districts)
- . reduce vulnerability to disinvestment
- . build the hard assets of the locality and local capacity (institutions, skills, etc.).

Three other elements are also essential:

- . ability to pool resources and coordinate their use (including financial capital; other capital; and the attributes of individuals and organizations from all sectors)
- . consensus on the direction/nature of development
- . long-term commitment and continuity of purpose.

None of these elements are constant; rather, they are subject to evolution and regression, making the dynamics of local initiatives themselves a concern distinct from the dynamics of the economic conditions they seek to address.

Traditional strategies of local economic development relied on discrete private sector projects; and on the collective efforts of private or quasi-public organizations to recruit economic activities, promote the locality, and undertake central business district redevelopment. Contemporary initiatives engage a broader range of actors and strategies, and rely on the availability of a complex array of public and private sector development tools. The roles of government, quasi-public agencies, the private sector and the community/third sector have become increasingly interrelated. Cooperation or complementary activities, if not formal partnerships and joint ventures, have become necessary preconditions for effective local development.

CED further broadens the goals of, and base of actors involved in, development activity. Its approaches are experimental and are intended to be socially accountable. Consensus-building, local capacity, and coordination and pooling of resources take on a different intensity than in the case of conventional local initiatives. CED is generally perceived as a useful component in the available array of local initiatives, with particular strengths (in terms of organization and rationale) when applied to marginal or distressed communities.

Conventional and community-based initiatives have tended to pursue distinctive paths. However, there is considerable interest in the potential for more cooperative and complementary relationships between the two, especially in the United States. At the same time, it is recognized that philosophies, goals and plans of conventional and community-based initiatives may not always coincide.

Public policy and programs have accepted and supported place-oriented development despite the theoretical and practical concerns which arise over the issues of efficiency and equity. Canadian policy has tended to focus on regional disparities. American policy has directed significant attention to urban areas, and the efforts of individual minority entrepreneurs and community organizations to address decline and poverty.

FOOTNOTES

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### 3.0 ACTORS AND PARTNERSHIPS

Since the early post-1945 period, participation in locally-based initiatives has undergone marked changes in the numbers and types of actors, and the interrelations between actors.

When the U.S. Committee for Economic Development published a series of case studies in the early 1960s, community economic development meant formation of local, non-profit, industrial development organizations to encourage new employers, mostly manufacturers, to locate in the community and to aid existing industry. They were composed mainly of private-sector members and tended to be privately financed. Nearly two decades later, a set of case studies prepared for this same committee reveals a much more complex array of development actors, objectives and activities, and interrelationships that blur traditional distinctions between the roles of the public and private sectors.<sup>55</sup> Underlying these developments are several factors:

1. The public sector in both Canada and the U.S., and at all levels of government, has become more activist in development activities.
2. The public and private sectors, especially in the U.S., have evolved new kinds of intermediary organizations to finance and in other ways facilitate economic development (see Appendix C).
3. Citizen activism in both Canada and the U.S., coupled with the availability of public grants that could function as seed capital, broadened the definition of 'community' economic development to include many different kinds of neighbourhood or community-based economic activities and organizations.
4. In the U.S., the rise of CED organizations and activities has encouraged reorientation of government policies, especially at the state level, to provide supporting programs and structures (see Table 7). Massachusetts is considered among the more advanced states in this regard.
5. Reorientation of third-sector investment and social programming also has occurred in the U.S. Foundations, churches and educational endowments, among others, have adopted a distinctive economic thrust through program-related investments and other measures to support CED. (56)

TABLE 7

## U.S. State Support Programs for Community Economic Development

State	Programs/Organizations
Massachusetts	<ul style="list-style-type: none"> <li data-bbox="638 321 1927 548">- Community Enterprise Economic Development (CEED) program, to provide small grants to CDCs and other community-based organizations, pre-venture start-up costs, and general administrative expenses (targeted to distressed areas). CEED is administered by the Executive Office of Communities and Development, and funded as a line budget item with some additional support from the Community Development Block Grant. CEED is credited with helping to increase the number of CDCs in the state from 15 in 1978 to 57 in 1982.</li>   <li data-bbox="638 581 1927 1372">- Community Development Finance Corporation (CDFC), an independent public corporation designed to make equity and debt investments in economic enterprises sponsored by CDCs in low-income communities. CDFC was initially capitalized by a \$10 million general obligation bond issue (with which the state treasurer purchased the one million common shares in CDFC and for which the state assumed all servicing responsibilities). CDFC may also receive grants, borrow money, or receive dividends from successful investments. It can use its capital to invest in CDC-sponsored ventures or in market securities from which it may earn revenues to cover expenses. Established by legislation in 1976 but not operational until 1978, this development bank must operate in blighted, low-income areas, and invest in ventures creating primary employment and in which CDCs exercise voting control or at least a veto over major decisions. Eligible CDCs must meet legislative criteria. Equity investments were to be the main CDFC vehicle on the assumption this kind of 'patient capital' was most needed by community-based ventures and that this instrument could best lever other funds. However, initial efforts by CDFC emphasized debt capital, partly to preserve its capital base since no provision was made for additional state financial infusions once the \$10 million were allocated. It also was accused initially of taking an orientation that was too entrepreneurial in nature, and that attempted to relax CDC control over investments and targeting to distressed areas. The existence of the corporation contributed to formation of new CDCs, not all of which had clearly enunciated goals or were prepared to undertake economic ventures or partnerships. As a result, CDFC sustained heavy early losses (one-third of the ventures in which it had been involved as of 1982 had folded and some \$3.9 million were written off).</li> </ul>

TABLE 7 (Continued)

State	Programs/Organizations
Massachusetts (Cont'd)	<p>However, its capital base was secure because of high returns on market security investments. During the early 1980s, CDFC undertook some changes, including a reorientation to equity investments, a new program to assist CDC real estate development, and a revolving loan fund to guarantee up to half the amount of private bank loans up to \$50,000 to meet the needs of small rural and inner-city businesses.</p> <ul style="list-style-type: none"> <li>- Community Economic Development Assistance Corporation (CEDAC), established under state legislation as a result of the problems encountered by CDCs in making effective use of CDFC. CEDAC is a quasi-public organization (funded by state appropriations and a CDFC contract) to assist CDCs in assessing and developing specific projects, and to provide staff training, management, and other technical assistance. CEDAC may provide the assistance through its own staff or third-party consultants under contract. Assistance must be related to a specific project that meets legislative criteria re: targeting, type of employment created, conformance with code provisions and other matters. Both CEDAC and CEED have been criticized for an overemphasis on venture development, and for stretching their resources too thinly in trying to meet demands for assistance from the large number of relatively small CDCs in the state.</li> <li>- The Massachusetts CED program must be viewed in the context of numerous other programs included in the state's urban strategy: <ul style="list-style-type: none"> <li>•commercial area revitalization districts, empowering local governments to float industrial revenue bonds for economic development projects</li> <li>•associated legislation for parking facilities and convention centres</li> <li>•the first state-level program modelled on the Urban Development Action Grant, and financed by a \$17.5 million bond issue</li> <li>•the Massachusetts Technology Development Corporation, a state-supported venture capital fund</li> <li>•other state agencies in the areas of housing and industrial development which may be utilized by CED organizations.</li> </ul> </li> </ul>

TABLE 7 (Continued)

State	Programs/Organizations
Florida	<ul style="list-style-type: none"> <li>- A State Community Conservation Strategy adopted after 1980 rioting in the Liberty City area of Miami provided the following package:               <ul style="list-style-type: none"> <li>- two pieces of approved legislation providing tax credits to encourage private sector investment in job creation, business relocation, and organizations involved in community revitalization affecting low-income persons, especially in blighted areas</li> <li>- a CDC Support and Assistance program providing interest-free loans and grants to CDCs in distressed areas.</li> </ul> </li> <li>- The latter program, administered by the Department of Veteran and Community Affairs, provides for annual grants of up to \$100,000 for core staff and administration, and 15-year interest-free loans to establish new ventures, assist existing ventures, or purchase full or part CDC ownership of an existing business. The state initially allocated \$5 million to the program, of which \$3.55 million were set aside for the revolving loan fund. Another \$1 million were later allocated to the program; however, demand for assistance exceeded available funding, especially for administrative grants. Inadequate staffing prevented exercise of the program's technical assistance mandate. As most CDCs in the state are considered young, they are perceived to require greater assistance than what the program has provided.</li> <li>- More recently, Florida has established enterprise zones and a Neighbourhood Assistance Program, the latter being one of a package of tax incentives available through the EZ program. The CDC Support and Assistance program also is available to organizations in EZs.</li> </ul>
Minnesota	<ul style="list-style-type: none"> <li>- Through the 1977 Minnesota Community Development Corporations Act, venture and planning grants have been made available to eligible CDCs, under the program administration of the Department of Energy, Planning and Development. The legislation specifies the criteria for eligible CDCs. Venture capital grants may be made for business ventures or infrastructure development; the former including technical assistance, or purchase of full or part ownership providing this leads to immediate business development and employment opportunities. The program has experienced persistent underfunding and understaffing at the state level. Appropriations have declined from \$395,000 in FY 1979 to \$188,000 in FY 1983.</li> </ul>

TABLE 7 (Continued)

State	Programs/Organizations
Wisconsin	<p>- In 1982, the state legislature passed legislation establishing a framework for CDC support -- technical assistance, administrative grants, and venture capital -- to be provided through a non-profit Community Development Finance Authority (CDFA) and for-profit Community Development Finance Company (CDFC). The program is to be capitalized through private sector funding using state tax credits, and closely links the technical assistance and operational funds to be provided by CDFA with the debt and equity investments to be provided by CDFC, which is a creation of CDFA and in which CDFA holds the majority control/interest. CDFC is to function as a MESBIC in order to gain access to additional funds from the federal Small Business Administration.</p>
Illinois	<p>- In 1983, legislation was passed establishing an Illinois Community Development Finance Corporation patterned after the Massachusetts CDFC. However, the agency will be financed through the issue of stocks and/or bonds (with a \$10 million limit on each) like any private corporation. Initially, no specific state aid or tax incentives were offered to encourage investment in the corporation.</p>
New Hampshire	<p>- In 1983, created a Community Development Finance Authority which will establish and work with a state Community Development Finance Corporation on the Wisconsin model. New Hampshire also has chosen the private capitalization route but expanded eligible investments to include CDC real estate and housing projects, and non-CDC, employee-owned cooperatives.</p>

SOURCE:

Compiled by IUS from bibliographic sources.



### 3.1 Organizing Locally-Based Initiatives

Two major changes have occurred in efforts to enhance the organization of conventional economic initiatives at the local level:

1. Municipal governments have undertaken a variety of structural and program reforms: setting up specific economic planning/development departments; reorganizing the delivery of development services to remove impediments to processing of private sector applications/projects; in the U.S., directing and administering a variety of federal program allocations, especially for community development and physical redevelopment; and engaging in various financing and taxation incentives to encourage economic activity. As Conley outlines, municipalities have four potential organizational options to implement economic development: a city department directly carrying out development; a city-formed commission, committee or task force with public and private-sector representation; a contract with a private organization such as a chamber of commerce; or formation of a special authority, such as a port authority, which may have some governmental powers and substantial funds. (57) The potential attributes and benefits of each arrangement are summarized in Table 8. Roberts, et al. also have assessed the local government role as a development entity (see Table 9).
2. To address some of the impediments identified by Roberts, et al. in the roles of both the public and private sectors, special authorities or development organizations have been formed in urban areas. These may be public, private, or some combination of public-private organization. They function to:
  - a) attain and maintain consensus on the nature and direction development/renewal
  - b) enhance communication and coordination between the public, private and, sometimes, third sectors
  - c) on occasion, mediate differences which arise among development actors
  - d) build a coalition of supporting (especially financial) actors
  - e) act as catalyst for the amassing, integrating, and interaction of development resources in ways intended to enhance their productivity and effectiveness
  - f) provide continuity through changes in development actors and public programs upon which development activity may rely

TABLE 8

Alternative Forms of Municipal Organization  
for Economic Development

Form	Potential Benefits	Potential Disbenefits
<p>A. Internal to the Municipality 1. A municipal department</p>	<ul style="list-style-type: none"> <li>- may build on existing expertise in urban renewal or other development programs</li> <li>- will maintain accountability to the municipality at a high level</li> <li>- may enhance coordination with other municipal departments</li> </ul>	<ul style="list-style-type: none"> <li>- may be viewed as part of the bureaucracy and, as such, less flexible and responsive than developers would prefer</li> <li>- may be limited in the risks the department can assume and the development tools/techniques it can use</li> <li>- may not have clearly defined roles or appropriate professional staff</li> </ul>
<p>2. A municipal commission, committee, task force with municipal and non-municipal personnel</p>	<ul style="list-style-type: none"> <li>- would be part of the municipality but more independent than a department of local government -- it thus may be more flexible and responsive to development requirements, yet still retain a high degree of public accountability</li> <li>- may introduce additional expertise to the municipal level</li> </ul>	<ul style="list-style-type: none"> <li>- may not have strong powers/capability for direct implementation of programs, or the legal flexibility to engage in the most useful economic development techniques</li> <li>- additional organizations may be required for direct implementation and assumption of investment risks</li> </ul>

TABLE 8 (Continued)

Form	Potential Benefits	Potential Disbenefits
<p>B. External to the Municipality</p> <p>3. Municipal contract with a private organization (e.g., chamber of commerce) to undertake economic development</p>	<ul style="list-style-type: none"> <li>- would have the confidence/commitment of the private sector</li> <li>- would have flexibility to engage a variety of development tools</li> <li>- may have access to broad range of expertise</li> </ul>	<ul style="list-style-type: none"> <li>- may lack the same degree of public accountability found with internal organizations</li> <li>- local government may be unwilling to allocate sufficient funding to a separate, private body to enable it to do an effective job</li> <li>- coordination with municipal departments may be more complex and less effective</li> <li>- a business-controlled entity may not be sensitive to, or be perceived as responsive to, the interests of community-based groups, residents, or public comment/criticism of development plans/activities</li> </ul>
<p>4. A special authority or development corporation (may have some governmental powers and access to substantial funding)</p>	<ul style="list-style-type: none"> <li>- an authority with powers of expropriation, bonding and, perhaps, limited powers of taxation would possess significant development tools</li> </ul>	<ul style="list-style-type: none"> <li>- an authority may be constrained by the processes and checks associated with its governmental powers - i.e., it may not be flexible and responsive</li> <li>- its autonomy from local government may create problems of coordination with local government and public accountability</li> </ul>

TABLE 8 (Continued)

Form	Potential Benefits	Potential Disbenefits
<p>A non-profit economic development corporation could be a public-private partnership with significant scope for development but without governmental powers</p>	<ul style="list-style-type: none"> <li>- a non-profit corporation under municipal control could blend advantages of organizations internal to the municipality with those which are external, especially if it involves private sector representation and has power to make direct investments in projects</li> <li>- may undertake coordinative functions to best link public and private initiatives</li> <li>- because it is less closely tied to municipal government, decision-making may occur more quickly on critical transactions</li> <li>- is more politically insulated from elected officials than internal organizations - may be especially important where economic development is a sensitive issue</li> </ul>	<ul style="list-style-type: none"> <li>- the municipality may not be prepared to assign sufficient capital and legal scope to enable the corporation to utilize a variety of development tools and undertake direct investment</li> <li>- public accountability may be a problem given the autonomy of the corporation -- a number of such corporations have failed because they departed from municipal policy</li> <li>- need to be able to carefully balance the private and public interests involved in successful operation of a development corporation</li> </ul>

SOURCE:

Adapted from: Gary Conley, et al., Economic Development: New Roles for City Government - A Guidebook for Local Government (Washington: U.S. Department of Housing and Urban Development/Department of Commerce, September 1979), pp. 54-55.

TABLE 9

## Comparative Advantages of Local Development Entities

<u>Characteristic</u>	<u>Local Government</u>	<u>Private Business</u>	<u>CDCs</u>
Use private development techniques for public purposes.	Not involved directly in many kinds of development implementation.	Private interest is primary concern.	Takes direct development role, directly accountable to community as a whole.
Target benefits to communities and individuals in need.	Can encourage, but often administratively or politically difficult to do so; cannot implement actual development.	Not an organizational goal.	CDCs controlled by target communities.
Reflect local initiative, priorities.	Good, but scale is often a problem; cities often represent larger scale interests, rural localities smaller scale.	Not directly accountable to community.	CDC establishes target area to fit the community and then is directly accountable to it.
Long-term approach to development of community.	Political constraints often compel short-term approaches. Administrative change can disrupt process.	Not high priority.	Explicit goal.
Link planning with implementation.	Coordination can be administratively difficult in larger governments.	Usually implements with little reference to overall community development strategy.	Comprehensive development approach is essential to CDC mission.

TABLE 9 (Continued)

Characteristic	Local Government	Private Business	CDCs
Link projects within strategy in complementary manner.	Can plan, but not implement, certain projects. Coordination within large governments often difficult.	Range of activities limited.	Projects can build on, reinforce each other.
Link activities within same project.	Can facilitate, coordinate, but not implement many projects.	Little incentive to do so.	Coordination and implementation are feasible, part of CDC goals.
Can work with both public and private sectors.	Often cannot operate with sufficient speed or flexibility to work with private sector.	Sometimes cannot meet public sector requirements for eligibility and/or public benefit.	Understands processes of both public and private sectors; has great legal flexibility.
Are eligible to attract both public and private resources in a variety of roles.	Access to public resources excellent. Can face legal and administrative difficulties in some development roles.	For-profit status limits eligibility to receive public resources.	Non-profit status and community base facilitate access to public resources and private contributions; private developer status permits flexible relationships with private sector. Can combine resources within same project.
Ability to work with small businesses.	Large entities need decentralized approach to reach small firms.	Information and transaction costs present barriers.	Can reach and address the needs of small firms.

TABLE 9 (Continued)

<u>Characteristic</u>	<u>Local Government</u>	<u>Private Business</u>	<u>CDCs</u>
Reinvestment of resources in community.	Seldom controls project revenues.	Often reinvests revenues outside community, especially if not locally owned.	Almost always reinvests in community.
Incentives for program delivery efficiency.	Future program continuation not usually dependent on program delivery efficiency.	Limited involvement program delivery.	Can retain revenues for program expansion and re-investment in other projects.
Transfer of capacity among program delivery activities.	Administrative structure often inhibits transfer, especially in larger governments.	Generally not engaged in range of community and economic development activities.	Transfer feasible.

SOURCE:

Benson F. Roberts, Robert O. Zdenek, and Wm. E. Bivens III, Community Development Corporations and State Development Policy: Potential for Partnership (Washington: National Congress for Community Economic Development, 1980), pp. 51-53.

- g) where some form of public-private partnership is involved, attempt to mesh or balance the distinctive attributes of both sectors. The objective is to marry the flexibility, responsiveness, decisiveness and clarity of purpose associated with the private sector, to the local priority-setting and accountability associated with the public sector.

The organizational forms and actors involved in these special agencies or partnerships vary. Some examples from the U.S. are outlined in Appendix D. In Canada, models such as the Winnipeg Core Area Initiative and North Portage Development Corporation add another dimension to the typology because of their intergovernmental nature. Examples of the range of organizational forms adopted for some recent major urban projects in Canada are outlined in Appendix C.

Unfortunately, most of the literature providing the case study data is descriptive rather than evaluative in content. Very little information is available from the sources examined on matters such as the management processes involved in these special agencies or partnerships; the actual adjustments in operations and programming which the partners have experienced as a result of their interaction; or cost-benefit analyses of outcomes. It is evident that a number of these partnerships focus on: (a) physical development/redevelopment projects; and (b) central business districts or their fringes. While there have been indications of private sector interest in the U.S. in community and neighbourhood improvement,<sup>58</sup> it is not immediately evident from the literature whether these private-public organizational forms are transferable or appropriate to this kind of activity.

### 3.2 CED Organizations

CED organizations take a markedly different approach to development at the local level. In particular, community development corporations seek to accomplish most of the same objectives as public-private partnerships or agencies while, concurrently, pursuing additional social goals. They are an innovative attempt to adapt characteristics of both public and private-sector organizations



and processes to the combined pursuit of economic and social development within their mandate area. However, they generally are less well endowed in terms of technical capacity, organizational stability, funding and other development resources than their public-private counterparts. Their ideological framework also calls for more direct accountability to their communities. In short, they are expected to balance a greater number and variety of goals, and often are assessed in terms of performance on this broader basis. Thus, their outcomes and impacts are or appear to be very mixed.

### 3.2.1 Community Development Corporations

CDCs are an American invention and are generally perceived in that country to be applicable to distressed or low-income areas (i.e., they are intended to address market failures). They vary considerably in terms of membership, organizational structure, activities, and funding support. Some of the generic organizational characteristics are outlined in Table 10.

In Canada, the CDC and cooperative models have become more comingled and, in some cases, an organization described as a CDC by one author is identified as a cooperative by another. As MacLeod outlines, the two models have close linkages:

According to the spirit of the cooperative movement, what makes a cooperative is the combination of the social and economic - people work together in the economic realm to bring about social improvements. Thus it is that the CDC may still be cooperative in essence although incorporated under the Companies Act as a non-profit corporation. The reason for this is that the community corporation carries on a wide diversity of functions which do not fit easily under the laws governing cooperatives. (59)

New Dawn Enterprises Ltd. in Sydney, N.S., which had its roots in a cooperative, is one of the major examples of a CDC in Canada. A case study of the organization is in Appendix E.

TABLE 10

Generic Organizational Characteristics of CDCs

Factor	Characteristics
Organizational Status	<ul style="list-style-type: none"> <li>- generally non-profit. This provides the CDC with tax-exempt status - i.e., relief for the CDC from corporate income tax; relief for donors to the CDC who can receive income tax credits for their donations. It also enables the CDC to be eligible for public and other grants (e.g., from foundations), or for certain public programs (e.g., the non-profit housing programs in Canada). Programs oriented to more conventional forms of economic development may not be readily accessible to CDCs, however.</li> <li>- generally incorporated to limit liability and provide organizational legitimacy.</li> <li>- as incorporated bodies, CDCs in Canada are unlikely to attempt to distribute or sell shares. Some early CDCs in the U.S. did attempt to do this as a means of stimulating community involvement and control. Considerable debate arose over the most appropriate mechanisms to ensure continuing community control (e.g., through use of non-voting or limited-voting shares for non-residents, and controls over the transfer of shares).</li> </ul>
Organizational Structures	<ul style="list-style-type: none"> <li>- a common structure is for the non-profit CDC to assume the status of a holding company under which there may be a number of for-profit and not-for-profit subsidiaries which have interlocking boards of directors with the CDC holding company. If each organization is separately incorporated, the overall liability of the organizational structure is limited. In some cases, not-for-profit activities may be retained as divisions or branches under the holding company, rather than being separately incorporated. Joint ventures, partnerships or other inter-organizational arrangements may add complexity to the organizational structure of a given CDC. A key factor with subsidiaries, especially those which may have separate staffs or boards that are not fully interlocking, is the nature of control retained by the parent CDC.</li> </ul>

TABLE 10 (Continued)

Factor	Characteristics
Governance	<ul style="list-style-type: none"> <li>- many CDCs are governed by elected or partially elected boards of directors. The range of potential variations includes:               <ul style="list-style-type: none"> <li>- self-selected boards (i.e., no elections by stockholders or members)</li> <li>- boards elected by stockholders or members</li> <li>- boards consisting of persons appointed by other community-based organizations</li> <li>- boards that have combined memberships of elected and appointed members, sometimes based on all three options above -- i.e., a certain proportion elected by members or residents; another proportion appointed by community-based organizations; and some positions available for self-selection of individuals with needed expertise.</li> </ul> </li> <li>- committee structures/use will vary with the nature and activities of the CDC, and the general organizational structure. Committee membership may be more open than that of the board -- e.g., the board may tend to self-selection but have a much broader committee structure/open membership.</li> </ul>
Membership	<ul style="list-style-type: none"> <li>- several variations are possible:               <ul style="list-style-type: none"> <li>- individual (i.e., resident) membership</li> <li>- a coalition of existing organizations in the community</li> <li>- mixed individual and organizational membership</li> <li>- in the U.S., some newer organizational types consist of representatives elected from subareas of a neighbourhood. This usually occurs when governmental powers, or some relationship with political parties, are involved.</li> </ul> </li> </ul>

SOURCE:

Compiled by IUS from bibliographic sources.

Most evaluations of CDCs and other CED organizations have been on an organization-by-organization basis. In the U.S., the focus has been on some of the early CDCs which gained national profiles -- The Woodlawn Organization in Chicago, Bedford-Stuyvesant Restoration Corporation in New York City, and Zion Non-Profit Charitable Trust in Philadelphia. Recent work by Mayer, however, has offered some comparative analyses of the performance of a broad range of neighbourhood development organizations. An attempt to summarize some of the key findings established to date is contained in Appendix F.

In Canada, future development of CDCs is uncertain since the movement is fledgling and lacks the kinds of support structures and urban-oriented public policy that have been evident in the U.S. In one sense, the Canadian experience may be more experimental since organizations and activities in the CED/CDC movement have arisen very much in response to local conditions and have not been subject to uniformity of criteria that may be applied through a provincial or national program. Nonetheless, at least one major proposal has been made for a national support system for CED activity in Canada.<sup>60</sup> More recently, there has been a call for establishment of an \$850 million community initiatives fund to provide assistance to cooperatives, CDCs, small business and other community-based initiatives.<sup>61</sup>

In the U.S., two trends appear to be emerging in terms of the future of CDCs:

1. Changing federal funding priorities and processes have affected the traditional CDC-federal-local government linkages that have developed since the 1960s. Increasingly, such organizations are turning to the state level for funding and other assistance. (62) These linkages need to be built in most states, however, and community-based economic development groups may find themselves in greater competition for fewer available public dollars. This has encouraged a distinctive shift to market-oriented economic activities. (63)

2. Two points of view appear to be emerging as to the most effective role a CDC can play in the community--i.e., such organizations should undertake direct development and implementation of projects/ programs; or they should function as facilitators or intermediaries to stimulate, assist, monitor and coordinate the actions of others to achieve community benefits. Under this latter conception, the CDC would function as an interpreter of community needs to external agencies and funding sources; would channel resources from various programs or organizations for optimal application in the community; and undertake other intermediary functions. In essence, the CDC is perceived as the model organization to best decentralize, but then coordinate, public, private and third-sector initiatives directed at communities. (64)

What is less clear is the future direction of public-private-CDC relationships in the U.S. One of the most commonly used linkages between CDCs and the private sector is the syndication mechanism for housing development. This mechanism enables the formation of limited dividend partnerships to undertake housing projects. If the CDC acts as the general partner, it can lever both equity and seed capital. Its limited partners, meanwhile, gain certain tax benefits from participation.<sup>65</sup>

Lindberg suggests that the general trend in the U.S. since 1945 has been to increasingly experiment with partnerships between all three sectors of the economy. He advocates the following principles to guide this evolution:

- begin with small projects to build trust, respect and mutual experience
- carefully clarify the role of each sector to overcome any incompatibilities in goals, structures, time orientations and internal dynamics
- recognize the importance of organizational independence before interdependence -- only with power and independence can citizens' groups enter into fruitful partnerships
- encourage reciprocity between all three sectors (e.g., the Neighbourhood Housing Services model)
- ensure technical assistance, training, and capacity-building is available to neighbourhood organizations. (66)

### 3.3 Private Sector Participation

As the preceding discussion has indicated, participation, through partnership, by all three sectors of the economy is needed. Key private sector actors include: those with business and development expertise; those with funds to invest or grant; and those with long-term interest in the community. Based on the above, banks, credit unions, foundations, insurance companies, churches and corporations with head offices in the community should all be interested in local economic initiatives.

Experience shows that private sector involvement in initiatives such as physical redevelopment of a particular site is more common than participation in business creation programs with CDCs. No matter what the specific activity is, the key issues for private sector actors are:

1. What is the risk?
2. What is the profit?
3. Can the organization/project succeed?
4. Am I subsidizing the creation of private sector activities?
5. Can I justify my participation based on the good of the project for the general community?
6. Is there a long-term gain for the short-term cost?

The following discussion considers three types of private sector actors.

#### 3.3.1 Corporate Actors

The concept of corporate citizenship and what it means to be a good corporate citizen is defined by people in different ways. It may mean that a company observes a stringent environmental code to avoid doing harm to the environment; it may mean that the company conforms to affirmative action in its hiring practices; or it may mean that it makes a generous donation to the arts community each year.

In this section we examine corporate citizenship and its potential role in local economic initiatives. Two U.S. examples will illustrate how some corporations are taking part. City Venture Corporation and Community Initiatives Consortium originated in Minneapolis-St. Paul and demonstrate not only corporate involvement, but also interesting partnerships.

#### City Venture Corporation (CVC)

William Norris, Chief Executive Officer of the Control Data Corporation, brought together 13 organizations including churches, banks, media and corporations, to form a for-profit consortium with the goal of undertaking physical revitalization projects. CVC has become involved in cities where local governments have made prior commitments of funds, staff and support to a revitalization program. CVC's programs are operating in cities such as Toledo, Baltimore, Philadelphia and Charleston.

CVC initially planned to integrate physical, economic and social characteristics into their total revitalization process by combining the technical and financial tools that a joint public-private partnership has to offer. Job training and housing were to be as important as goals such as the construction of commercial and office complexes. Analysts of the activities of the City Venture Corporation have varied opinions regarding its efforts but in any case, CVC may provide a model that could be utilized elsewhere.

#### Community Initiatives Consortium (CIC)

In 1980, discussion began between ten health and life insurance companies in the metropolitan area of Minneapolis-St. Paul concerning the pooling of funds and expertise for local economic development. The pooled resources were to be used to stimulate job creation through lending to small and medium-sized businesses not able to secure traditional funding.

CIC operates much like an investment company with small percentages of each company's resources being committed annually. These commitments are being drawn from resources which had traditionally been channelled to community projects on a request basis. The pooled investment approach is an attempt by these companies to have a greater impact with the resources they have available by co-ordinating commitments and being more involved in the planning and implementation of projects.

Since 1981, CIC has financed 30 loans to 23 businesses. Loans have ranged from \$50,000 to \$385,000. Interest rates usually run about three percentage points below market rates with maturity dates fluctuating according to ability to pay.

As of November 30, 1984, CIC had invested \$3,570,000 in a wide range of businesses. In total, 566 full and part-time jobs had been retained or created due to CIC's efforts. Over half the portfolio is made up of minority-owned businesses.

### 3.3.2 Foundation Involvement

For foundations, or other organizations with funds to distribute for community purposes, involvement in local economic initiatives or CED raises some interesting questions. Traditionally, economic development activities have been a means of investing foundation dollars with the expectation of profit on the investment. Low risk investment opportunities were sought. To fulfill its philanthropic goals, the foundation grants funds to non-profit activities such as arts groups, social service agencies, etcetera. Community economic development organizations cannot be categorized as low-risk, profit-making investment opportunities but they also do not fall into the traditional grant-ing categories. Their goals of business creation may also be perceived as threatening by public foundation fund-raisers who must seek private sector donations.



In the U.S., foundations have been seeking ways to be involved in local economic activities. Private foundations, many of which are funded by large corporate entities, have become particularly active. In Canada, the most notable activity is the recent establishment of the Community Economic Development Affinity Group by the Laidlaw Foundation and Canadian Centre for Philanthropy.

Philanthropic activity by private foundations in the U.S. usually addresses a combination of social, economic and physical concerns within a defined geographical area. Two examples will be briefly described: The McKnight Foundation's involvement in the Lowertown Redevelopment Corporation in St. Paul; and the collaboration of the Minneapolis (public) and McKnight Foundations to form the McKnight Neighbourhood Self-Help Initiative Program (MNSHIP) in Minneapolis-St. Paul.

#### Lowertown Redevelopment Corporation (LRC)

The Lowertown Redevelopment Corporation (LRC), a non-profit corporation established to undertake the redevelopment of a deteriorated warehousing district in downtown St. Paul, has been the McKnight Foundation's largest venture to date.

The LRC has used one million dollars of a ten million dollar grant for administrative purposes with the remaining nine million going towards leveraging private sector dollars to jointly renovate or construct residential, office, commercial and recreational space. The LRC has been instrumental in leveraging close to \$800 million of private investment.

#### McKnight Neighbourhood Self-Help Initiative Program (MNSHIP)

McKnight, a private foundation, has channelled funds through the Minneapolis Foundation, a public agency, to operate MNSHIP. Its purpose is to assist existing, and establish new, neighbourhood-based self-help

organizations in Minneapolis and St. Paul. Funds can be used for core operations, organizational training and inter-organizational efforts. The program also provides professional support. Organizational goals include: housing development, job training, business creation and neighbourhood revitalization. A major benefit of the program, to date, has been the increased capacity of self-help organizations to lever project funding from public and private sources.

### 3.3.3 Church Investment

The church community has been examining its role as a potential alternative funder for local economic initiatives. Sources of capital for local economic initiatives are being sought constantly by community agencies and one of the largest potential sources is to be found in church endowment and pension funds. A look at financial statements of both Catholic and Protestant denominations is not easily attainable in the U.S., however a report published by the American Association of Fund Raising Counsel estimates that approximately \$20-25 billion is taken in annually by church organizations. To date, church involvement has been limited, primarily for reasons of risk and profit-making. The managers of large church endowment or pension funds are concerned with making investments that yield an acceptable rate of return with limited risk. Secondly, it appears that these managers are not interested in making small scale alternative investments. Thus, dealing in traditional securities such as stocks, bonds and commercial paper are preferred.

There are several recommendations that have been made as a means of increasing the use of church funds for alternative investment schemes.<sup>67</sup> They can be summarized as follows:

1. investment strategies must be liberalized by managers of pension and/or endowment funds.
2. intermediaries should be sought who have expertise in alternative investment practices (e.g., the Opportunity Funding Corporation in the U.S.) (68)

3. a goal must be established to use funds for the social good to be managed by profit-oriented banks, investment managers or advisors.

Some churches have taken specific actions: Presbyterian Economic Development Corporation sponsored by the United Presbyterian Church; the Mission Loan Investments Committee sponsored by the United Methodists; the Ghetto Loan Investment Committee sponsored by the Episcopal Church; and the Campaign for Human Development sponsored by the Roman Catholic Church.<sup>69</sup>

#### 3.4 Federal Government Role

In both Canada and the United States, the federal government has played the key public role in instituting policies, regulations, programs and funding for economic development. The scale and range of federal involvement is significant involving many departments and agencies. For local economic development, some of the key impediments have been: lack of intra- and inter-governmental coordination among public agencies and programs; inadequate information or awareness of public programs and development tools; and the complexity of regulatory processes.

A number of structural reforms have been proposed to address these problems and establish a system of coordination or brokerage. In the U.S., the Office of Management and Budget called in 1979 for formation of a Department Development Assistance to pull together some of the 300 economic and community development programs then offered by eight agencies. Efforts to engage coordinating ministries in economic development and urban affairs also have been made at the federal level in Canada. Such proposals confront the organizational inertia that develops when administrative jurisdictions are separated and each becomes wedded to a different set of programs.

Another response to the need for structural reform in the U.S., was the Negotiated Investment Strategy (NIS). NIS is an experimental program to improve

interaction among existing institutions and organizations and to rationalize and coordinate plans and programs at the local level. Begun in the 1980s, the experiment assumed fragmentation and confusion in policies and programs would persist, and that rationalization would have to occur on a place-by-place basis. Legitimate differences also were assumed to persist between and within levels of government and private groups. NIS was an attempt to recognize these and to find common ground for agreement and compromise on priority development issues. The experiment was applied to three cities - Gary, Indiana, Columbus, Ohio, and St. Paul, Minnesota. It consisted of the following elements:

- an impartial mediator (representatives of the Charles F. Kettering Foundation with assistance from the Ford Foundation and local foundations)
- three negotiating teams representing the public and private sectors (including city, state and federal governments), each of which independently developed their objectives and proposals which were subsequently explored for areas of potential agreement
- opportunities for informal exchange of information before formal proposals were written
- formal face-to-face negotiation with all teams present
- a written agreement containing mutual commitments
- public review and adoption of the agreements, with monitoring of subsequent performance by each team and the mediator
- agreements not legally binding but based on good faith pledges.

NIS was perceived to improve intergovernmental relations and to integrate and lever various programs and development tools. One test of the efficacy of the process is the ability of the agreements to withstand changes in political administrations. The process also depends on:

1. identification of a locality's assets and agreement about the opportunities and impediments to future development

2. willingness of the parties to engage in negotiations (i.e., to concede the conflictual nature of the context in which they function and to be willing to address the conflicts)
3. ability of the locality's actors to articulate a bargaining position (each city had strong mayors and could select teams that were politically able to stress a comprehensive local position)
4. the effectiveness of mediators in handling apparently intractable positions.

The St. Paul agreement covered 52 points including major commitments such as an energy park, the Lowertown Urban Revitalization project, the Mississippi River Corridor Plan and transportation infrastructure. The NIS exercise has had a significant short-term impact on St. Paul (e.g., project development) and a long-term impact is also anticipated. The city has adopted an economic policy, called the Homegrown Economy, which promotes local initiative such as energy self-sufficiency. The policy, developed with the assistance of the Institute for Local Self Reliance, has broad support within the community and strong political guidance.

### 3.5 Summary

Two key trends have emerged in post-war local economic development.

Firstly, the field is no longer just the purview of the private sector. Governments, quasi-public organizations, partnerships and third-sector groups increasingly are involved in direct development and/or provision of financial and other forms of assistance. Community-based organizations, in particular, have extended the range of socioeconomic goals, organizational structures, economic actors, and development approaches and tools. Associated with their efforts, especially in the United States, has been a reorientation of investment strategies and public policies in order to maintain CED as an option for addressing economic problems and opportunities.

Secondly, there has been extensive experimentation with formal structures and processes to facilitate or direct development activity. CED organizations are manifestations of this, as are the special purpose public authorities discussed in Tables 7 and 8, and Appendices C and D. One objective is to better marshal and target development resources; another is to overcome impediments associated with more traditional public and private sector structures and processes (see Table 9, for example). As a result of this experimentation:

- . A number of development, especially financial, intermediaries have been established under public, private, third-sector or mixed-sector auspices. In the U.S., in particular, several kinds of financial intermediaries are functioning to lever, pool and recycle capital, and to spread or minimize risks among investors. Some of these are designed to support conventional local initiatives, but others have been established by churches, foundations, governments and businesses to specifically assist CED and minority entrepreneurship. In some U.S. states, this structural experimentation is part of an 'urban strategy' to clearly define overall goals for economic development/renewal, and to better design and coordinate public policies to achieve these ends.
- . The public-private interface has been extended beyond short-term relationships (i.e., regulator-developer, or project-specific, joint venture relationships) to include more continuous and formal partnerships. Two main premises underlie these arrangements: (a) that sufficient common interest exists to sustain the relationship and consensus about the nature and direction of development; and (b) results/benefits of the relationship will outweigh any trade-offs that may occur for the public or private sectors (e.g., in terms of public accountability or regulatory control in the case of the former; in terms of profit maximization or autonomy in the case of the latter). Available literature contains very little analytical material on the dynamics of these partnerships; moreover, the focus tends to be on discussion of government-corporate relationships. As summarized in Table 11, however, there are other types of partnerships, at least four of which are considered in need of further development:
  1. private-third sector
  2. public-third sector
  3. third sector-third sector
  4. public-private-third sector.

TABLE 11

Types of Development Partnerships

<u>Type</u>	<u>Example</u>
<u>A. Organizational</u>	
- Private-Private	- Community Initiatives Consortium (U.S.)
- Private-Public	- Philadelphia Industrial Development Corp. (U.S.)
- Private-Third Sector	- Local Initiatives Support Corporation (U.S.)
- Public-Public	- Winnipeg Core Area Initiative (Can.)
- Public-Third Sector	---
- Third Sector-Third Sector	- Centre for Community Self-Help Credit Union (U.S.)
- Private-Public- Third Sector	- Neighborhood Housing Services (U.S.)
<u>B. Process</u>	
- Private-Public- Third Sector	- Negotiated Investment Strategy (U.S.)

SOURCE:

IUS.

- . The CDC model for community-based development has undergone significant evolution, especially in the U.S. where it began as a rather idealistic and radical approach to ghetto renewal, and has developed into a legitimate, pragmatic and widely-adopted option - most often, but not exclusively, for communities under stress. CDCs tend to be organized as non-profit, incorporated holding companies, with for- and not-for-profit subsidiaries governed by interlocking and elected or partially elected boards of directors. To date, few have attempted to be mass membership organizations, or to widely distribute stock, as means of stimulating community involvement and control. However, their rationale, objectives and targeting of development activity require accountability to, and reciprocal support from, their mandate community. CDCs are an innovative attempt to adapt the positive characteristics of private and public organizations/processes in order to pursue economic and social goals. However, they generally are less well endowed in terms of organizational stability and development resources. Thus, their progress, impact and effectiveness tend to display mixed results (see Appendix F). To overcome these impediments, several U.S. states have made CDCs a cornerstone of their policies/programs for community-based initiatives (see Table 7).



FOOTNOTES

55. Committee for Economic Development, Area Redevelopment Committee, ed., Community Economic Development Efforts, and Fosler and Berger, eds., Public-Private Partnership in American Cities.
56. See, for example: Berger, et al., Investing in America, pp. 109-120, 157-63; and Leonard E. Smollen, et al., Sources of Capital for Community Economic Development (Cambridge, Mass.: Center for Community Economic Development, 1976), pp. 161-62, 170-74.
57. Conley, et al., Economic Development, pp. 54-55.
58. Linda Wintner, Business and the Cities: Programs and Practices (New York: The Conference Board, Inc., 1981), pp. 5, 16-17.
59. MacLeod, "Community Development Corporations - Theory and Practice," in New Dawn Enterprises Ltd., Hanratty, ed., p. 132.
60. Brodhead, et al., Community-Based Development.
61. New Democratic Party, Action Group on Jobs, Canada Unlimited, pp. 35-36.
62. Barbe and Sekera, States and Communities, pp. 1-2.
63. Mier and Wiewel, "Business Activities of Not-for-Profit Organizations."
64. David Smith, "Learning from Experience: Ten Reminders for Development Strategies," in Stimulating Cooperative Economic Development in Low-Income Communities: An Overview, Patricia Logan, et al., eds. (Washington: Conference on Alternative State and Local Policies, Co-op Development and Assistance Project, 1981), p. 24.
65. James L. Morey and Mel Epstein, Housing Development: A Tool for Community Economic Development in Low-Income Areas (Cambridge, Mass.: Center for Community Economic Development, October, 1971).
66. Mark Lindberg, "Partnership for Community Problem Solving: Failure and Promise," in Public Policies for Distressed Communities, Redburn and Buss, eds., pp. 262-65.
67. Paul Pryde and Louis Knowles, Church Investment in Community Development: Past, Present and Future (Washington: Neighbourhood Revitalization Project, American Enterprise Institute, 1983).
68. Opportunity Funding Corporation levered approximately \$189 million in private capital to finance schemes related to job retention, creation and expansion during its first 11 years of existence.
69. Pryde and Knowles, Church Investment.

#### 4.0 DEVELOPMENT TOOLS - FINANCIAL

Locally-based initiatives depend on directing or redirecting capital of all kinds - money, personnel, plant, equipment, and other durable assets - to development activity in a particular place.

Obtaining capital for the creation of new ventures, the expansion of small enterprises, and the development and rehabilitation of housing is a difficult proposition in low-income rural and urban communities. Prejudice, economic concentration, high information and transaction costs, inadequate risk pooling and spreading mechanisms, the inability of private financial institutions to internalize social benefits, and the impacts of taxation and regulatory policies all limit the availability of capital in these communities. Furthermore, enterprises in low-income communities that do get financing rarely get it on the right terms and in the right form to compensate them for the added costs and risks of operating in depressed areas. (70)

A locality need not be distressed to encounter investment problems. Moreover, the characteristics and goals of community-based initiatives, especially their not-for-profit status, may make accessibility to appropriate levels and types of investment difficult.

The most important problems in development financing, as identified in the literature, are:

1. The need to find new mechanisms to spread and pool risks, or guarantee risky investments.
2. The need to not only address the cost and availability of financial capital for locally-based initiatives, but to also be concerned with the influence that different types of capital will have on such initiatives (i.e., equity v. long-term debt v. working capital).
3. Regulatory reform to ensure that private-market sources of capital are acting competitively and are not 'red-lining' or in other ways contributing to disinvestment.
4. Ways to reduce financial information and transaction costs, and to assist small ventures in performance of tasks they require only occasionally (e.g., financial packaging).

5. Ways to free up for social investment purposes capital funds belonging to pension plans.
6. The need to ensure that development finance efforts have effective service delivery systems at the local level, with local flexibility and responsiveness and the involvement of the private sector. Local economic development organizations have a particularly important role in identifying opportunities and helping to gain support for projects. (71)

For community-based organizations, at least four other issues arise:

1. Finding 'patient' investment types/sources (i.e., long-term, perhaps subsidized or accepting low return).
2. Overcoming investor reluctance to support not-for-profit-oriented ventures.
3. Replacing at least some capital needs through use of the informal economy (e.g., bartering, donations-in-kind, extensive use of volunteer labour), and by minimizing capital needs.
4. Developing alternative financial systems -- e.g., through improved linkages between cooperatives, credit unions and CED organizations; exploration of the role federated systems of ventures could play; establishing CED-controlled venture capital organizations (such as MGCDIL Corporation in Nova Scotia); supporting new credit unions.(72)

In a comparative study of American neighbourhood development organizations, Mayer and Blake found that flexible financial support is needed which can be used for organizational and planning costs. This type of support has been very scarce. Also, overfunding of projects beyond organizational capacities is a concern. They conclude that organizations and funders "must work vigilantly to keep overall funding to individual organizations, and the scope of individual projects, in line with organizational capabilities".<sup>73</sup> Capacity-building should be an objective of funders when working with neighbourhood organizations.

Access to equity, debt and seed capital for most conventional locally-based initiatives generally is not considered to be unduly constrained, although the costs of capital in distressed or stagnant areas may be relatively higher and investments less attractive than in more dynamic economies. These conventional

initiatives appear to be able to muster significant private and public resources, especially when the two sectors are in partnership on particular projects. From the private sector may come significant equity and debt investment -- in complicated projects, often as the result of consortia of lending institutions, other corporations and, perhaps, some third-sector involvement from foundations or endowments. The public sector may contribute tax incentives, grants, land and publicly-financed infrastructure development. As well, various public or quasi-public organizations may assist with financing through bond issues, tax increment financing or other mechanisms.

In contrast, community-based development initiatives generally are under-capitalized, and face significant obstacles in better balancing their support from the public sector and social investors with potential financing from mainstream mechanisms. Perceived risks associated with the organizations or their projects play a major role in these impediments. However, many of the conventional sources of capital also are simply not attuned or appropriate to the particular needs or scale of CED activities. In Canada, alternatives to this situation have come from the cooperative movement, including credit unions, and some CED organizations (such as MGCDIL Corporation in Nova Scotia). Educational foundations and the Québec Federation of Labour's Solidarity Fund are perhaps the most innovative of the recent financing initiatives. In the U.S., in contrast, some rather elaborate systems of partnership, tax incentives, and financing mechanisms have been put in place to attempt to address the development tool needs of CED organizations. One of the more interesting facets of the American experience appears to be the focus on the velocity of money and the readiness to experiment with various types of organizations, programs and incentives to keep financial capital working.

Most CED organizations have relied on some mix of member donations and loan guarantees, volunteer labour, public and third-sector grants, and a housing or service project to provide their equivalents of seed and venture capital equity. Most also have found that building their equity has been a gradual process, and their expectations of forming their own funds to contribute to the equity of other community organizations have been difficult to realize.

Ganser, et al. suggest that community-based organizations (CBOs) have three basic capital needs, the priority of which varies with an organization's stage of development:

New CBOs require administrative funding to cover the front end costs of creating their organizations. Young established CBOs require venture funds with which to make initial investments. Mature CBOs (which have a portfolio of investments) require a secondary market to recover venture funds already invested so they can be reinvested in new projects....In particular, the following have the most significant impact:

1. Because CBOs are generally dependent upon annual grants for initial operating expenses, they typically find it difficult to do multi-year corporate planning, establish a track record, and become institutionalized.
2. Access to capital is often difficult because packaging, transaction and information costs are high when compared to the rather limited amount of investment capital available.
3. Regulations governing the use of public funds impose significant limitations on generating private capital for higher risk investment. This, then, makes risk-spreading more difficult.
4. The CBOs and many of the businesses they assist are often unique in structure and marketplace. Non-traditional ownerships, management or markets are often avoided by traditional investors. (74)

The authors further suggest that the capacity of CED organizations to trade-off monetary and social returns is dependent on two factors: (a) provision of an ongoing external source of funding to cover overhead costs, without which an organization must concentrate on getting sufficient monetary return to ensure its survival; and (b) a subsidized source of capital for investments, without which it will lack the backing to negotiate for social returns.

Most models proposed to support CED organizations call for public sector debt and equity involvement on a long-term (five to 10 years)

basis, and provided within a system that incorporates technical assistance, leverage of private sector funds, and other complementary development tools.<sup>75</sup> Such support should be linked to organizational performance and, Vaughan and Sekera suggest, should be available only if organizations have demonstrated some ability to raise their own funds from membership fees and other community sources.<sup>76</sup> Without subjecting itself to the discipline of approaching community members, they argue, an organization may never gain the influence and ability it will need to help meet local problems.

#### 4.1 Creating Capital Pools

Two financial developments have occurred in recent years: (a) a search for alternative uses of traditional capital pools, especially pension funds; and (b) establishment of new types of pools, or pools which attract non-traditional investors. Reasons for these developments are varied - to promote socially responsible investment; to increase worker ownership of the means of production; to marshal savings and contributions for use in local job creation or innovative social/economic projects; and to recycle in productive ways the funds in existing pools.

One of the development tools pursued in the U.S. is establishment of secondary markets to facilitate recycling of financial capital. Secondary markets can be created within formalized monetary markets (i.e., financial institutions establishing specialized mortgage markets for residential, commercial or industrial purposes usually with government participation-regulatory or financial).

Secondary markets can also be created on a program basis. For example, the Neighbourhood Housing Services network, which has grown into a significant national movement since its founding in Pittsburgh in 1968, has evolved a rather elaborate secondary market. NHS programs include a revolving loan fund to assist eligible persons with housing rehabilitation and mortgages. The Neighbourhood Reinvestment Corporation, a public corporation receiving federal grants and governed by a board consisting of the heads of the federal financial regulatory agencies in the U.S., has funded a loan purchase pool operated by the Neighbour-

hood Housing Services of America (NHS). Its purchases help meet the liquidity needs of NHS programs across the country. In 1978, the Equitable Life Assurance Society purchased \$1 million in NHS notes with the NHS original loans acting as collateral. This was followed in 1980 by a \$2 million purchase which enabled NHS to replenish all local NHS loan funds. More recently, the Prudential insurance concern has committed \$5 million in low interest loans to help create a new secondary market for first mortgages administered by NHS programs. This will enable NHS to offer below-market loans to buyers of properties that are impeding neighbourhood renewal (e.g., abandoned buildings, vacant lots, under-maintained rental units).<sup>77</sup>

As the Neighbourhood Housing Services illustrates, a wide variety of actors can be involved in securing and targeting existing funds for community initiatives. This approach allows substantial flexibility in establishing objectives, funding criteria and procedures. Funding participants can be any agency with investment funds or savings (i.e., pensions, insurance corporations, churches, government, foundations). But, as discussed in Section 3.3, there are significant issues to be addressed before many of these potential participants will make funds available for community-based economic development.

#### 4.1.1 Pension Funds

Pension assets in Canada and the U.S. have grown significantly in the past 20 years, spurred by new public programs, legislative changes, labour-management agreements, and heightened social awareness of the importance of preparing for security in retirement. Several issues have arisen as a result of the magnitude of these funds:

1. effectiveness of their reinvestment
2. the need to diversify their reinvestment
3. the role of these large institutional investors in capital markets, and the potential controls they can wield in terms of ownership and economic activity
4. what role, if any, they might have in more direct economic development and social investment.

At least three characteristics of pension funds make them attractive prospects as sources of support for economic development:<sup>78</sup>

1. Because they generally are sizeable portfolios, they could commit significant absolute dollar amounts to such investment, especially to higher risk or less liquid investments, without compromising overall liquidity and rate of return.
2. Pension funds have long investment time horizons and thus are a source of long-term investment which may gain favourable returns over time but be relatively illiquid in the short term.
3. Because their liabilities tend to be only partially indexed, such funds are more able than some other sources of development financing to make medium or long-term investments.

Traditionally however, management of these funds has been conservative and has tended to opt for low-risk investments such as blue-chip stocks and bonds, and government securities. The lack of innovation relates to the purposes of the funds - to preserve the capital base, produce attractive returns on that capital, and protect the interests of present and future beneficiaries.<sup>79</sup> The objectives and management of specific plans within the private and public sectors may vary but, generally, prudence dominates.

The need to diversify investment, coupled with modern portfolio management techniques, encouraged some recent shifts in the U.S. to housing, real estate and venture capital investments. A number of states have moved to lift restrictions on the use of public pension funds. Unions and local governments similarly are showing increased interest in targeting investments of their pension monies.

In Canada, two examples of pension fund use come from Québec. By retaining control over the Québec Pension Plan and merging its assets with those of other plans under the Caisse de dépôt et placement du Québec, the province has accumulated one of the largest pools of capital in the country and has been able to direct investments to several hundred Québec and other Canadian firms.<sup>80</sup> More recently, the Québec Federation of Labour formed the Fonds de solidarité des



travailleurs du Québec to invest in enterprises in the province to create and safeguard employment. One of the options offered to individual investors is to place their shares in a registered retirement savings plan established by the fund.

#### 4.1.2 Community-Based Investment Funds

Community-based pools attempt to attract locally-available capital and reinvest it according to certain principles and goals. Communities, organizations or individuals are usually targeted. Social funds are another capital pool. They draw on a wide range of investors interested in certain social goals. Examples include:

1. The Fund for Social Responsibility in New York is designed to invest only in companies that have appropriate records in labour relations, human rights, job opportunities and environmental protection. It is a mutual fund and requires minimum investments of \$100,000 (i.e., institutional investors).
2. The Calvert Social Investment Fund in Washington attracts investments from individuals and organizations and redirects the funds to enterprises that produce safe products and services, operate on a participative basis, have progressive employment practices, or meet other social objectives. Two investment options are offered: a managed growth portfolio of stocks, bonds and money market holdings, and a money market portfolio of high-quality liquid assets for short-term cash management. (81)

Community development corporations offer an example of a community-based pool of capital. Their intent is to accumulate sufficient earnings or other income to support reinvestment activity in the locality. These organizations find, however, that they must build a significant investment base of their own before they can begin to obtain earnings that would support major reinvestment efforts. Thus, they tend to rely on funds from foundations or governments for seed capital for their trusts.<sup>82</sup>

United Ways are another common example of community trusts. However, in

the U.S. at least, grassroots organizations have found it difficult to obtain access to United Way funds. As a result, there has been successful pressure in several cities to open work-place charitable solicitation to other organizations.<sup>83</sup>

In both Canada and the U.S., a number of educational trusts or foundations have been established in the wake of budgetary limitations which have affected the ability of school districts to engage in innovative projects or programs. In Canada, the first such organization, the Learnxs Foundation, was established by the Toronto Board of Education in 1974. It became a model for subsequent foundations in York (Learning Enrichment Foundation), North York, Ottawa-Carleton, and Nanaimo, B.C.

Jackson has suggested that consideration be given in Canada to use of local, elected investment boards which would combine municipal funds with local savings, and would direct investments to community economic self-help ventures.<sup>84</sup>

#### 4.1.3 Investments from Workers

In addition to worker cooperatives, a number of other vehicles have been implemented or proposed to involve workers in investment and ownership of economic ventures.

An innovative Canadian investment fund is the Québec Federation of Labour-initiated Fonds de solidarité des travailleurs de Québec established under provincial legislation in 1983 and supported by financial assistance from the Québec and federal governments. The fund stacks certain income tax credits to entice share purchases from union members and the general public for the purposes of:

1. investing in Québec enterprises and providing help to such enterprises to create, maintain and safeguard jobs
2. encouraging the economic awareness and training of workers, and increasing their influence on economic development in Québec

3. stimulating the Québec economy by means of strategic investments
4. encouraging the development of Québec business enterprises by promoting worker participation in such development
5. realizing a reasonable yield on the savings invested in the fund. (85)

The fund has authority to invest in all undertakings, but by fiscal year 1987-88, must devote on average at least 60 per cent of assets to investments in undertakings that do not entail any guarantee or security (i.e., risk capital). It is to invest mainly in small or medium-sized firms (assets less than \$25 million or net worth less than \$10 million) whose employees in the majority are resident in Québec. The fund is to avoid concentration of investments in any one sector of the economy or the province. It cannot invest more than five per cent of its assets in any one enterprise and its subsidiaries.

In Sweden, wage earner or employee investment funds have been debated for some years. Proposals vary but seem to entail some form of compulsory contribution from workers, businesses/employers, and/or the state. Investments may be restricted to new ventures, or may have broader parameters to enable workers to obtain equity in their own places of employment.<sup>86</sup>

The U.S. provides employee share ownership plans, which are benefit plans for employees and a financial mechanism to permit full or partial employee purchase of a company's stock. About 5,000 such plans were in operation in the early 1980s, spurred by favourable tax incentives and greater accessibility to capital than would occur if a worker cooperative were pursued instead. A number of states have legislation to further facilitate employee ownership, with incentives ranging from technical assistance to financial assistance and tax relief.<sup>87</sup> Canada, in contrast, offers little legislative incentive in this regard.<sup>88</sup> However, other assistance is available. In 1982, for example, workers purchased National Hardware Specialities Ltd. in Dresden, Ont. with assistance from the United Auto Workers of America, special loans from the Ontario Development

Corporation, and a worker-controlled small business development corporation (minimum investment of \$1000 per worker) which was then eligible for a 30 per cent rebate from the Ontario government.

#### 4.2 Bonds

The use of government bond financing for local economic initiatives is currently receiving serious consideration in the U.S. Congressional proposals to abolish tax exempt bonds and the Reagan administration's interest in restricting the uses of bond financing, due to the cost of this tool to the federal government, makes the future of this financing tool unknown.

Nonetheless, bond financing has been a key tool used by U.S. states and municipalities for physical development and renewal projects.

Two types of tax exempt bonds are commonly used: (industrial) revenue bonds and general obligation bonds. Revenue bonds are more commonly used due to their limited security requirements and since the recipients of the financing, usually corporate interests, repay the cost of the bond issue. For private sector recipients, the appeal of revenue bond financing is the lower financing costs. Because the bonds are tax exempt, they generally carry a lower interest premium (20 to 30 per cent below prevailing market rates for long-term securities). The cost of the tax subsidy is borne by the federal government which foregoes the collection of tax on the interest payments.

A common type of arrangement to implement revenue bond (IRB) financing is for the issuing agency to become the owner of record of the property involved. This is then leased to the private developer/manager with the lease payment retiring the bond. Once the debt is paid, the property is transferred for a nominal sum. In effect, the public agency is a legal shell which makes low-cost financing possible.

Almost all U.S. states authorize use of IRBs, although only about one-quarter of these attempt to target bond proceeds even partially to blighted or economically distressed areas.

The popularity of the IRBs has encouraged their spread to smaller municipalities through the use of small-issue IRBs (i.e., pooled issues) and to smaller firms through the use of Umbrella Revenue Bonds (URBs). The use of the small issues is facilitated in some states by municipal bond banks which pool the issues to tap national credit markets, and offer technical and packaging expertise. The URBs are available in about one-third of U.S. states. Proceeds are allocated to the group of firms or projects which stand behind the bond. URBs are designed to assist small, higher-risk companies that would not qualify for traditional IRBs and, thus, are perceived as a potentially important tool for community development organizations. A state agency or bond facility is required to assist in issuing URBs.

Revenue bonds have been subject to criticisms:

1. It is argued that their orientation to 'bricks and mortar' projects requires major modification to provide useful incentives to people- and systems-oriented service industries. Many service industries have relatively low ratios of real property investment to volume of business compared, for example, to manufacturers. Thus, their financing requires different capital mixes and credit guarantees. (89)

2. Barbe and Sekera argue that the bonds

- a) tend to favour rapidly urbanizing or suburbanizing areas over smaller towns or inner cities
- b) favour regional shopping centres, well-organized national chains, and secondary retail and service sectors
- c) favour larger, often outside firms over smaller, local firms
- d) favour the interests of legal and financial counsel and developers over local community interests
- e) are most effective when they are part of some state-wide program to effectively serve the development needs of all areas (e.g., state-wide programs in Colorado, Connecticut, Massachusetts, Montana, Nebraska, New Jersey and New York). (90)

While bond issues are a common development tool for locally-based economic initiatives, few community development corporations in the U.S. have made use of them. The primary reason is a lack of sophisticated business development techniques among CDCs and, therefore, a tendency to emphasize more commonly-available forms of financing such as loans. Moreover, the costs of issuing bonds are high and are fixed regardless of the size of the issue. CDC needs are often much less than what would be required for an efficient issue. As well, the risk perceived to be associated with CDC ventures will affect the marketability of bonds issued for these purposes.<sup>91</sup> Nonetheless, proposals have been made in the U.S. for some sort of federally-backed development bonds to take a key role in providing capital for community economic development.<sup>92</sup>

A means of addressing the criticisms/limitations of tax-exempt bonds and to make the tool more responsive to local economic development needs may be the use of quasi-public authorities. American experience provides several examples of authorities with geographically-targeted, physical redevelopment mandates and where an initial injection of funds, through a bond issue, is being recycled through land purchases/sales and capital lending. These include:

1. Philadelphia Industrial Development Corporation
2. Port Authority of the City of St. Paul
3. Baltimore Economic Development Corporation.

Moving away from the use of bonds for projects and to financing of an authority with a range of economic development objectives could result in opportunities for non-traditional development activities (community economic development initiatives) as well as traditional private sector actors to receive bond financing. Also, the initial financing need not be lost following completion of a single project. Funds can be recycled and can be used to lever additional private sector financing, thus extending the usefulness of the financing to the community.

#### 4.3 Tax Increment Financing (TIF)

This U.S. tool allows municipalities to designate districts for special tax treatment. The enabling state legislation gives municipalities a means of manipulating their tax base in order to generate funds for a pre-determined development.

This mechanism depends on the use of projected increases in property tax revenues in the development area over a specified time period to back bonds which are used to finance improvements in that area. Only the tax base - not the tax rate or the tax revenue - is frozen during the years when a tax increment program is used. All tax increments realized during that time by all taxing entities with jurisdiction in the development area are turned over to the local development agency to be used to retire tax increment bonds.(93)

The process generally involves:

1. defining a special district
2. assessing the costs of improvements and, in particular, projecting what the real tax increment revenues will be following improvements
3. determining what portion of costs can be supported by issuing municipal bonds
4. issuing bonds, with repayment to be made by funds raised as a result of the difference between pre-improvement property/business tax revenues and the post-improvement levies based on increased assessments

5. retiring the bonds and dissolving the special district. The increments are then distributed among all affected tax jurisdictions. In essence, the mechanism requires municipalities and any other overlapping tax jurisdictions to forego the increments for the life of the bonds.

In the City of Milwaukee, TIF has been applied to a large section of the downtown retail district allowing acquisition of land; development of parking, public areas and skywalk connections; and improvement of infrastructure associated with several private sector developments. Other inner city and suburban locations have been designated for TIF.

Despite a legislative requirement to designate blighted areas, TIF has been applied to undeveloped suburban sites. Other concerns include: that it has been used to finance projects that otherwise would have occurred privately; and that it replaces local improvement or user fees for financing public works. In some states, TIF legislation has been subject to court challenge because it uses future revenues to finance existing projects.<sup>94</sup>

#### 4.4 Targeted Purchases/Sheltered Markets

Government and private-sector procurement practices have long been considered in the U.S. to be important development tools, although the actual impact of such practices is subject to differing assessments.<sup>95</sup>

In the case of targeted purchases, both the public and private sectors attempt to stimulate or support minority enterprises, or infuse capital into economic endeavours in stagnant or faltering micro-economies. A variety of strategies may be pursued -- e.g., the public sector may forego competitive bidding, or may set aside a certain portion of purchases to be targeted to specific types of enterprises or areas; the private sector may orient its purchasing policy to include certain types of enterprises but make actual purchase decisions on a case-by-case basis. The private sector may also play an active brokering role by bringing together suppliers and buyers through



trade fairs or through an information/referral-type service. Both sectors may face criticism from traditional suppliers, and may have to absorb added marginal costs if prices are not competitive.

Sheltered markets usually entail some greater level of commitment to a particular enterprise than do targeted purchases. With the exception of the public sector's relationship with defence industries, sheltered markets appear to be the purview of the private sector in the U.S. Again, the strategies employed can vary. Sheltered markets might entail a near-subsidary status for the assisted enterprise (i.e., its entire output may be devoted to the firm providing the shelter). Such captive suppliers may be used by established firms to farm out routine work while retaining control over quality and scheduling. Another option would be for an existing firm to contract for only part of a production run, or to set a short-term time limit on the life of the sheltered market.

These kinds of arrangements could have advantages for a fledgling firm in terms of the technology transfers and managerial/technical assistance that may also be offered. In addition, the private market provides wider potential and flexibility than the public sector. Moreover, risk is reduced during the life of the shelter, and a new enterprise or neighbourhood development corporation has the opportunity to establish credibility and attract new markets. However, critics in the U.S. have argued that the overall record of sheltered markets has been one of tokenism, and fledgling ventures have often found it difficult to break from or establish new markets to replace the shelter.

#### 4.5 Linked Deposits

In the U.S., the public sector, foundations, and church and educational endowments have used linked financial deposits to: (a) encourage/penalize certain investment actions by established deposit-taking institutions; (b) to 'compensate' these institutions for participation in some form of high-risk investment pool, or other activity which they normally would not undertake

without subsidization; or (c) support new credit unions, minority-owned banks or other types of deposit institutions. A city, for example, may agree to deposit its Community Development Block Grants with a select institution; or it may deposit certain funds in low or non-interest bearing accounts/certificates. The Opportunity Funding Corporation in the U.S. has targeted deposits to minority-owned commercial and savings banks to strengthen their capital structure.<sup>96</sup> Assuming the depositor has carefully weighed any risks associated with the security of the deposit, this can be an effective yet very basic means of development finance leverage.

#### 4.6 Innovative Cash Management

Creative use of short or longer-term cash reserves may provide a productive means of filling a development financing gap. In 1985, for example, the State of Illinois proposed to undertake a demonstration project to provide short-term, interim construction loans using federal funds granted to the state but which generally would lie dormant for some time before being fully drawn down. The objective was to offer the subsidized loans to one or two carefully selected locating or expanding firms which would be generating a large number of jobs in the state. First priority was export-oriented firms which would attract dollars from outside the state. The program was to operate in conjunction with the banking system and another, related program. It was to be governed by an 'iron-clad' contract between the local government, business and bank to ensure repayment of the state funds.<sup>97</sup>

A second example is a 1985 proposal by the Corporation for Enterprise Development encouraging U.S. states to explore creation of housing trust funds as a means of securing an annually renewable and predictable source of low and moderate-income housing finance. Suggested capital sources included escrow deposits, mortgage property tax and property insurance pre-payments, commercial and residential tenant security deposits, municipal surety bond deposits, and water, sewer and and public utility deposits.<sup>98</sup>

#### 4.7 Historical Funds

Heritage Canada's Main Street program is one example of the important catalytic role historical funds can play in commercial and neighbourhood revitalization which, concurrently, seeks to preserve the historic architecture and character of a locality.

The Main Street program is aimed at smaller urban centres faced with the cumulative problems of declining downtowns or central business streets. It is designed to stimulate cooperative merchant/business action to improve the physical condition, amenities, marketing, retail/service mix, and other features of the target area. The program itself offers a limited amount of seed capital and staffing/technical assistance, relying essentially on local ability to organize and to lever other private or public resources.

In the U.S., the National Trust for Historic Preservation has established the Inner-City Ventures Fund to counter the effects of resident displacement due to gentrification or other problems associated with living in historically-significant neighbourhoods. The fund provides grants and loans on a matching basis -- recipients must raise an additional \$5 for every \$1 the fund provides. The fund itself was established in 1981 with grants from the U.S. Department of Interior, the National Trust for Historic Preservation, and several national foundations and trusts.<sup>99</sup>

#### 4.8 Public Subsidies

Direct and indirect public subsidization pervades economic development activity in both Canada and the U.S. It involves governments at all levels, working individually or collectively; and it involves all kinds of projects, from national mega-projects to community-based development. Much of the subsidization does not appear in the public accounts as development-related (e.g., the various organizations designed to facilitate development; the technical assistance supporting development activity; the provision of infrastructure;

and an array of regulations and programs which provide the context for economic development). More apparent are the uses of the powers of the state to tax, give grants, and expropriate property. All three types of powers are essential to locally-based development initiatives and frequently are used in combination on single projects. For community-based development, especially in Canada, the granting power is essential. The taxation power applies in two main ways: (a) the non-profit (income-tax-exempt) status of most community development organizations; and (b) tax incentives provided to organizations and/or individuals to encourage certain kinds of investment.

The individual types of subsidies are unimportant relative to what are increasingly being recognized, in the U.S. at least, as the key issues in public development finance and support:<sup>100</sup>

1. What are the development goals and objectives?
2. What is the state's or municipality's urban development strategy?
3. Are there adequate and effective systems in place to implement the strategy?

In Canada, the need for a comprehensive approach, well-targeted and combining the abilities of the larger community with the needs of the disadvantaged, was recognized in a limited way in the proposal by Brodhead, et al. for a national community development corporation, local corporations, support services, and a development bank.<sup>101</sup> In general, however, there is no federal or provincial system of development support for locally-based initiatives but rather, discrete and not always compatible programs, tax credits, grants, and other assistance which must be packaged on a project-by-project basis. Moreover, there is no particular urban strategy to direct the various types of assistance available.

In the U.S., in contrast, several states have been pursuing urban development strategies or policies (e.g., Pennsylvania, Massachusetts, Connecticut, Michigan, California, New York and Florida). Massachusetts and Connecticut have the most

extensively developed strategies, both focussed on urban revitalization and economic development. Massachusetts and, to a lesser extent, Connecticut also have an extensive system of state agencies to support community-based or locally-based economic development.<sup>102</sup> In addition, there has been a persistent U.S. federal focus on urban areas, although its consistency and effectiveness as a strategy might be open to debate.

#### 4.8.1 Direct Subsidies

Common forms include grants (full or, less frequently, matching); land transfers; interest-rate subsidies; and loans with favourable terms or which absorb risks the capital markets will not take. None of these are exclusive to any one level of government although some municipalities may be prohibited from making loans.

Grants and land transfers are important forms of assistance for community-based economic development groups, especially in Canada where there is not the same degree of foundation, private-sector, or investment-pool support as exists for CED activity in many areas of the U.S. Land and buildings, in particular, provide immediate equity as well as development potential. Grants may be more problematic. They tend to be short-term and the programs they represent non-continuous, with negative impacts on planning and priority-setting by community groups. In Canada, they tend to be designed at the senior levels of government. From the local perspective, they may be inflexible and inappropriate to needs. The project or short-term employment orientation of many grants and other forms of subsidy make long-range, comprehensive economic development less attainable.<sup>103</sup>

The use of federal block grants for community development in the U.S. represents an effort to decentralize decision-making and increase responsiveness at the state and local levels. In practice, the efficacy of this approach is subject to dispute as lack of planning or targeting, local restrictions, politics and other factors may intervene in negative ways. Nonetheless, block-funding enhances accountability at the local level. At the same time, accountability

between the local and senior levels may be strained, and apparent inconsistencies or inefficiencies at the local level may lead to pressure for greater senior government control over criteria and/or implementation.

During the early stages of the CED movement in the U.S., it was argued that the only reliable, regular source of capitalization for community economic development would be access to tax revenues -- i.e., retention and administrative control over taxes which otherwise would flow to local, state and federal governments.<sup>104</sup> More recently, the argument has been one of 'privatizing' certain local government service functions to neighbourhood development organizations.

#### 4.8.1.1 Property Tax Abatement

This is one of the more significant tools available to local governments, and one which is associated with considerable controversy especially in relation to equity considerations.

One common form is to provide a full or partial property tax exemption on new physical development, redevelopment or rehabilitation, for a specific number of years after which full assessment would take effect. Another approach is to gradually increase assessment, perhaps beginning with a full exemption.

Property tax abatements are perceived by some to discriminate against existing businesses/owners, and to exacerbate what already is a regressive form of taxation. Others argue that it is very difficult to assess the effectiveness of this kind of incentive on business location or growth performance. It is more important, they suggest, to ensure that there is a strong, overall economic development framework in place.<sup>105</sup> At the same time, it has been argued that for certain types of businesses such relief can be a key factor, including the activities of community development corporations in commercial and residential revitalization. For individual residential property owners as well, property tax relief may remove a disincentive to rehabilitation activity,

especially in housing markets where recovery of the rehabilitation investment through sale of the property may be difficult.

Preferential tax treatment can occur on a property-by-property basis or in designated districts. Enterprise zones, an approach well-used in the U.K., is an example of the latter and is discussed later in the report. In the U.S., the Economic Recovery Tax Act (1981) is used to conserve buildings having some degree of historical significance. Experience with this legislation has demonstrated that not only are significant properties preserved but that the rehabilitation of these properties has important short-term job creation potential. The long-term stabilizing impact on older urban areas is also beneficial.

#### 4.8.2 Indirect Subsidies

Corporate and personal income tax credits are a common form of indirect subsidy. Unlike grants and other direct subsidies, tax credits may be less well targeted geographically (unless a municipality has a local income tax). Rather, they are intended to encourage particular forms of investment and/or investment in particular types of activity or industry.<sup>106</sup> The range of credits available or proposed is broad (e.g., from the more traditional accelerated depreciation allowances and deductions for charitable donations, to the concept of 'investment expensing' - tax deductions equal to the amount of a corporate or individual investment in small and new enterprises, or deep capital gains tax relief on such investments<sup>107</sup>).

A number of U.S. states have adopted variations of the neighbourhood assistance program first introduced in Pennsylvania in 1968 to offer tax credits to businesses that contribute funds, goods, and services to approved community projects.<sup>108</sup> The state provides a 50 per cent tax credit toward state corporate income taxes, with a 70 per cent credit for priority projects identified by the state. An annual ceiling is placed on the allowable aggregate total of credits

(\$8.75 million in 1980); a maximum claim also is set for businesses (250,00 per firm in 1980). Unused credits may be carried for five years.

There are a number of alternative versions in other states. Some support only development projects; others limit grant eligibility to community service efforts. Most involve some kind of targeting to distressed communities or projects for low-income individuals. Michigan offers a 50 per cent cash rebate, but other programs operate on a tax credit basis. Wisconsin and Indiana permit individual as well as corporate contributors to qualify. Administration usually involves submission of the proposed project and workplan for state approval prior to allocation of the credit. Most programs are not as generous as Pennsylvania's in terms of the annual state tax expenditure or the per corporation maximum claim.

Barbe and Sekera suggest that state governments generally have not vigorously promoted their neighbourhood assistance programs. The analysts also raise a number of questions about the effectiveness of the programs, especially given more attractive federal tax credits (including deductibility of state taxes and tax deductions for corporate contributions to non-profit groups). The program probably is most effective for large firms with substantial state corporate tax liabilities. Because they do not pay such taxes, proprietorships and partnerships receive no incentive unless they could be offered a cash rebate. The analysts suggest, however, that neighbourhood assistance programs may be a useful means of introducing corporations to involvement with community-based economic development from which might build a more substantive relationship. <sup>109</sup>

#### 4.9 Summary

To achieve dynamic, self-sustaining economic development, localities must entice investment from both indigenous and external sources. They must:

- . lever sufficient financial capital, probably from several investment actors
- . stack and merge these resources in ways that will maximize their impact and attract additional investment



- . attempt to remove or minimize impediments to investment and development, and to pool and spread risk
- . apply resources in ways that will keep them working and recycling in the community.

Three issues arise in this context:

- . availability and types of investment capital
- . terms and costs
- . local capacity (actors, organizations and processes) to effectively attract, combine and retain financial capital for continued development (refer to Sections 3.0 and 5.0).

Conventional local initiatives have accessibility to greater levels of investment and a broader range of financial tools/sources than CED. They can draw on private-sector loans and equity financing, and public-sector incentives such as property tax abatement, urban renewal powers, personal and corporate tax credits, tax-exempt public bond issues (U.S.), and tax increment financing (U.S.). Costs may reflect a risk premium, and seed and venture capital may be scarce. But, in general, terms are likely to be conventional and negotiable.

Community-based initiatives, in contrast, tend to rely on public grants and other forms of subsidy. In the U.S., foundations, educational and church endowments, and the private (mainly corporate) sector have diversified the types and sources of financing available to CED. Nonetheless, this financing may be short term; small scale; limited in its flexibility to allow CED organizations to build and retain equity; and associated with terms that reflect sponsors' needs and priorities. Conventional private financing may not be available due to perceived risks of investment, and the non-traditional nature of CED organizations and activities. Some tools (such as bonds) may require repackaging in innovative ways to be available on a scale and cost compatible with CED needs. As well, debt or equity financing may not match the financial management capabilities of CED organizations, unless it is a

'patient' or subsidized form of investment.

In this context, CED organizations tend to be undercapitalized, and their ability to build equity for reinvestment in the community is constrained. At the same time, some innovative financing initiatives and partnerships have been associated with CED such as: community, social and worker investment funds; linked deposits; the Neighbourhood Housing Services' network of primary and secondary financing; and organizations such as the Community Initiatives Consortium.

In general, locally-based economic development is looking to continued innovation in the establishment and use of investment pools - in particular, by tapping pension fund investments and program-related investments by endowments; and through more innovative use of reserves or other pools of capital held by governments. Access to financial equivalents, such as donation or token leasing of publicly-held land, comprises another set of development tool options of interest.

In terms of public subsidies, increasing importance is being attached to the strategic context in which such assistance is designed and implemented, and issues such as effectiveness; equity considerations; and the impact of assistance programs on local development objectives, priorities and organizations.

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## 5.0 OTHER DEVELOPMENT TOOLS

Direct financial incentives are the mainstays of economic development programming, but other measures and assets have roles in supporting local initiatives. Early tools included land bonuses, voluntary labour, provision of public infrastructure, and development of industrial parks. More contemporary tools feature business incubators, new product and market development, and enterprise zones. For CED in particular, these tools can be vital because they offer a means of capital substitution.

Specially-designated urban districts are the most specific form of spatial targeting. They are designed to focus objectives and activities, concentrate programs/resources, coordinate actors, and/or raise special revenues. Special districts are perceived to be very useful mechanisms to implement narrowly defined programs such as storefront and local improvements in a commercial area, or tax increment financing. However, differences of view arise over districts intended to encompass a broader set of goals and programs. These differences relate to the debates over place-oriented targeting discussed in Section 2.4.1, and concern issues such as: the limitations of place-oriented policies in addressing national-level economic trends; the tendency of such policies to not incorporate means of dealing with structural unemployment and underemployment; the problems of setting appropriate boundaries and dealing with the equity concerns of those outside the district; and potentially negative impacts on non-designated places.

### 5.1 Enterprise Zones

In an attempt to arrest economic and social decay in inner city areas as well as depressed rural areas, the Thatcher Government in the United Kingdom introduced measures which are designed to eliminate government red tape and create an atmosphere that is conducive to industrial development.

The 1981 measures allow enterprise zones (EZs) to be established throughout the country for a period of ten years. The aim is to restore private sector activity within designated districts by removing tax burdens and relaxing or streamlining the application of certain regulatory and development controls.<sup>110</sup>

The benefits of the zones are deemed to be many and varied and are outlined below:

1. exemption from taxes on industrial and commercial property
2. exemption from Development Land Tax
3. 100% allowances on corporate and personal income taxes for capital expenditures on industrial and commercial buildings
4. employer exemptions from industrial training levies and from the requirements to supply information to Industrial Training Boards
5. greatly simplified planning regime - developments that conform with the published scheme for each zone will not require individual planning permission
6. applications from firms in EZs for certain customs facilities will be processed as a matter of priority and certain criteria relaxed
7. government requests for statistical information will be reduced.<sup>111</sup>

Ten EZs have been established in the U.K. and the results are inconclusive. Monitoring reports done since the program's inception have had difficulty assessing the overall net effects of the zones. Critics such as O'Dowd and Rolston state:

....the difficulties of evaluation and comparison, allied to the resistance of good public relations to 'bad news' suggests that there is ample scope for 'success stories' to be highlighted as bearing out enterprise zone philosophy, while failures are attributed to particular factors such as lack of local enterprise. (112)

In the U.S., efforts to pass federal EZ legislation have not yet succeeded. Advocates of the EZ concept state that it has the potential to be the catalyst for neighbourhood regeneration and revitalization. They also suggest that EZs will be competitive with their counterparts in other countries that are becoming focal points for world-wide manufacture. In this context, competitive means low

wage, non-union labour, and unregulated and tariff free conditions of production and trade.<sup>113</sup>

The disadvantage that surfaces most often in the literature is the idea that rather than creating new jobs, employment would merely be shuffled around in metropolitan areas with non-zone areas being unable to take advantage of tax breaks. Furthermore, unionized workers in non-zone areas and the possible gains they had made would be jeopardized by the proposal to offer reductions in social security contributions and a sub-minimum wage within EZs.<sup>114</sup> The concern of many critics is that the Act's original goals - support of small business, the poor and unemployed - will be transferred to those least in need of the special treatment, namely, large corporations.<sup>115</sup>

A number of states have proceeded with EZ legislation although only about one-third of these had implemented their laws as of 1983. Tax exemptions and regulatory relief comprise the most common forms of assistance, but there are various other provisions as well:

1. Ohio permits employer tax credits for reimbursement to employees for day care.
2. In Connecticut, business and residential property owners are eligible for incentives. As well, an EZ Capital Formation Revolving Loan Fund, capitalized at \$1 million from bond issues, provides venture capital and small business loans.
3. Maryland's legislation provides for a guarantee fund to ensure loans are made to zone-based businesses.
4. Kentucky offers relief from taxation on interest earned to those who lend funds to zone businesses, while Illinois offers personal income tax credits for investments in EZs.
5. Kentucky, Ohio and Minnesota include provisions for improvements in the levels and efficiency of municipal services.

Most EZ provisions or proposals include consideration of citizen participation and dislocation of residents. In Kentucky, the legislation encourages



formation of Neighbourhood Enterprise Association Corporations. They are to obtain 99-year leases for a token sum of money for state and local government property in EZs which is not being used by government. It is expected these corporations would develop the land for revenue purposes and to minimize any resident displacement problems. In most other states, however, requirements for citizen involvement are less well developed or are considered to be formalities.<sup>116</sup>

Some sources do perceive a potential for CED activity, especially in taking over services previously rendered by local governments and providing these on a for-profit basis.<sup>117</sup> Smith, however, urges caution. He argues neighbourhood development organizations function more effectively as development intermediaries than as entrepreneurs in the classic competitive mold.<sup>118</sup>

## 5.2 Business Improvement Districts

A dilemma that can arise in an aging area is that no one property owner is prepared to invest in improvements unless he/she is assured that others will follow suit. For commercial areas in particular, this has led to a variety of voluntary, mandatory and incentive schemes to encourage storefront, interior space and/or hard service improvements.

Voluntary schemes, for example, have been attempted by merchants<sup>1</sup> and historical groups. The Norwich Plan for Downtown Restoration, developed with private sector assistance in the United Kingdom, is one model of cooperative, collective action to produce plans and designs for coordinated restoration of storefronts and buildings in a given commercial area. The more common contemporary option in several Canadian and U.S. jurisdictions is the business improvement area/district (BID) or special services district. These build on the principles of local improvement legislation, mainly that those who benefit from local improvements should fund them. Thus, the relevant legislation enables businesses to assess themselves additional property or business taxes.

These are collected by local government and returned to the business persons to be allocated to planned improvements. Legislation will specify the activities that can be undertaken, what kind of body is to plan and administer the district, and the relationships between this body and the local government.

BIDs can incur opposition because of their mandatory aspect. Concerns may arise about the potential for increased rents, or businesses leaving the district. Impact may be uneven as some businesses (e.g., retailers) may capture greater benefits from revitalization and increased sales volumes than others (e.g., office renters involved in activities which do not rely on consumer traffic). Moreover, in itself, a BID cannot overcome the competitive and management problems that older, often strip, commercial areas face. A strong and innovative association of business persons is a key factor in effective planning and implementation of a BID and other supporting activities.<sup>119</sup> One common objective is to attempt to replicate the funding system and activities of shopping mall merchants' associations in order to make the BID more attractive and competitive.

In the U.S., legislation similar to the BID concept exists in a number of jurisdictions. The Nicollet Mall project in downtown Minneapolis, for example, required changes in state legislation to permit construction and operating costs to be financed by special assessment levied on mall frontage and adjacent property owners.<sup>120</sup> However, there also is a broader range of commercial revitalization programs and incentives such as:

1. In Massachusetts, designated Commercial Area Revitalization Districts (CARDs) are eligible for project financing through industrial revenue bonds or the Massachusetts Industrial Finance Authority. Retail stores and office buildings are eligible only if they are in CARDs which are designated locally and approved by the state (i.e., areas characterized by declining or depressed commercial centres with physical blight, loss of business activity, high retail vacancies, and out-migration of firms). As of mid 1982, 150 districts had been approved, \$250 million in bonds issued, and \$250 million in private investment leveraged. (121)

2. Tennessee's Central Business Improvement District Act, implemented originally at the request of Memphis in the early 1970s, provides for bond financing for commercial, hotel, motel and apartment projects; and a 15-year property tax freeze, followed by a 10-year phase-in period to full assessment, for apartment, commercial and office development. A 1981 ruling by the Internal Revenue Service, requiring 20 per cent of any housing to go to low and middle-income residents, reduced the attractiveness of bond financing in Memphis since housing development was more up-scale. However, the incentives have decreased in importance relative to the increased attractiveness of the redevelopment area to 'blue-chip' developers. (122)
3. Various tax rebate or credit schemes have been implemented. Michigan's Commercial Redevelopment Districts Act permits property tax exemptions for renovation or construction of commercial buildings in declining or redevelopment areas. (123) In Chattanooga, Tennessee, the city government has used federal Community Development Block Grant funds for a storefront renovation program targeted to specific areas. The program provided a \$1 rebate for every \$3-\$4 of private funds for renovation. (124)

In Canada, several provinces have enacted legislation allowing the establishment of BIDs.

#### 5.2.1 Ontario

In Ontario the establishment of the initial Business Improvement Area (BIA) took place in 1970 under Section 217 of the Municipal Act. The Act allows the BIA to undertake the following: the improvement, beautification and maintenance of municipally-owned lands, buildings and structures in the area beyond that normally provided at the expense of the municipality; and the promotion of the area as a business or shopping district. <sup>125</sup>

Since 1970, 175 BIAs have formed. Depending on the BIAs' motivations and goals, a variety of initiatives can be undertaken. Some include:

1. generate greater community interest and pride in the downtown area;
2. improve the overall appearance of the area;
3. serve as a lobby group with the municipality;

4. promote the entire area in competition with other centres;
5. develop effective cooperation within the business community;
6. attract and maintain customers for the area.<sup>126</sup>

Research indicates that a successful BIA must have:

1. collective, co-operative efforts
2. full-time management
3. a business-like management approach
4. a medium-term strategic focus
5. a view of downtown as a community resource
6. an emphasis on early, visible improvements.<sup>127</sup>

In regard to management techniques there are several components that must be an integral part of any downtown management operation.

1. organization and staffing
2. activities and programs
3. budgeting and finance
4. policy development and maintenance
5. coping with limited resources.<sup>128</sup>

#### 5.2.2 Saskatchewan

Saskatchewan introduced the Urban Municipalities Act in 1978 that allowed for the establishment of Business Improvement Districts (BIDs). In addition, under the Main Street Program, grants are made available for private business façade improvements and public area improvements in small to medium size communities. Cities greater than 35,000 in population, are expected to fund improvements on their own. Ninety-seven BIDs have been formed throughout the province.

### 5.2.3 Nova Scotia

Probably the most complex system for establishing downtown improvement organizations exists in Nova Scotia. Firstly, the legislation is found in two acts: the Town Act (Section 220) and the Municipal Act (Section 202). The legislation permits the establishment of three types of entities: a BID Committee; a BID Commission; and a Downtown Development Corporation. The role of each entity differs:

1. the BID Committee's main function is to administer the Main Street program;
2. the Commission is formed to create a budget and to tax its members; and
3. the Downtown Development Corporation acts as a body to give the private sector direction in its revitalization endeavours. (129)

There are 53 BID committees, 12 commissions and 15 development corporations in the province. One half of these groups are found in municipalities under 5,000 and the other half in municipalities between 5,000 and 10,000 people. An interesting umbrella organization called the Downtown Community Development Association has been formed to exchange ideas and information through newsletters and seminars.

### 5.2.4 Quebec

As early as 1979, the Province of Quebec was considering legislation, similar to Ontario's, to allow the creation of BIDs. It was not until late 1982 that provincial legislation was adopted under the Cities and Towns Act (Bill No. 103).

The districts, known as SIDACs, give downtown businesses a means to finance their organizations; a vehicle through which to voice their opinions

to municipal council; and financial capability to undertake activities to establish an equilibrium between the downtown business district and shopping centres. Currently, there are 30 SIDACs in Quebec. The average size of the municipality having a SIDAC is 27,000 people.

#### 5.2.5 British Columbia

British Columbia has not enacted provincial legislation to permit the establishment of BIDs. Instead, the provincial Department of Municipal Affairs, by way of their Downtown Revitalization Program, invites municipalities to establish what are called "economic blocks". Block representatives meet and discuss problems with government in an attempt to reach solutions to problems.<sup>130</sup>

The merchant associations established in municipalities are ad hoc organizations that generally do not receive 100% participation from the particular area. Forty of 140 municipalities in B.C. that have merchant organizations have well established economic blocks.

#### 5.2.6 Manitoba

The Municipal Act provides for the establishment of Business Improvement Areas outside the City of Winnipeg. To date, two BIDs have been established. Many municipalities are pursuing BID-type objectives using the Main Street Program which is also available outside the City of Winnipeg.

The City of Winnipeg Act is currently under review and part of this review has involved examining the BID concept. Both the Downtown Winnipeg Association, and more recently the Executive Policy Committee of the City of Winnipeg, have requested that the Act be amended to enable BIDs to be established in the City.

### 5.3 Technical Assistance

Having or securing access to appropriate expertise is an essential part of locally-based economic initiatives. Two interrelated facets are involved:

- All local development organizations try to incorporate such expertise on their boards and staffs, and on a project basis. For CED organizations, however, an added dimension may be required - assistance to build community and organizational capacity for economic development.
- Most local development organizations become providers of assistance (to other organizations, entrepreneurs, or residents).

The public sector in both Canada and the U.S., especially at the federal and provincial/state levels, has become increasingly involved in technical assistance in recent years. This may be provided through participation in partnership organizations; membership in essentially private or third-sector organizations; and various government programs and agencies (e.g., in Canada, the Federal Business Development Bank's CASE program and the Canadian Executive Services Overseas program applicable to Indian bands and businesses; in the U.S., Massachusetts's Community Economic Development Assistance Corporation or Wisconsin's Community Development Finance Authority.<sup>131</sup>) At the state level in particular, the building of local capacity has become a key function of departments of community affairs or economic development.<sup>132</sup>

Mayer and Blake suggest that neighbourhood development organizations must

...learn to control the use of outside technical aid. Technical assistance is generally most valuable when an NDO itself has identified, carefully defined, and contracted for specific technical services. NDO staff must have the confidence and knowledge to insist, throughout the contract, that technical assistance providers deliver the specific products promised and operate within the stated guidelines of community goals....Second, many types of technical assistance must be designed for gradual elimination. Successful, mature

NDOs perform much or all of their proposal writing, day-to-day project implementation, fundraising strategizing, and other tasks in-house, although these NDOs may have formerly received a great deal of technical aid. NDOs must structure the delivery of early technical assistance to result in the training of their own staffs (and sometimes board membership) and find aid sources who are willing and able to contribute to that process.(133)

In a more recent study, Mayer found that NDOs were particularly weak in business planning and financial analysis, and that these shortcomings were more critical in economic and commercial development than in housing projects. His research also showed that reliance on outside assistance in these matters was inadequate because it left NDOs without ready staff capability to quickly assess project or financial opportunities.<sup>134</sup> At the same time, Mayer found that a key element of any assistance program for NDOs should be to encourage "learning by doing":

Actually doing real development projects with at least reasonably adequate support provided an excellent opportunity for growth. Funders should recognize the importance for long-term growth of aiding NDOs' early projects and of being patient about early performance.(135)

### 5.3.1 Business Incubators

The business incubator is one of several forms of external assistance which attempts to foster experiential learning within a supportive environment. Business incubators provide space, common service facilities, on-site management, professional assistance and, in some cases, financing for small businesses. Traditionally, they have been established by the public sector to develop entrepreneurs. They offer the potential, however, for use by third-sector subsidiaries or projects supported by third-sector financing. More recently, both the private and third sectors have become involved in providing business incubators (i.e., the Entrepreneurial Training Centre established by the Learning Enrichment Foundation in the City of York: and Control Data's business incu-



bators in Minneapolis/St. Paul). These incubators are intended to function as transition points, providing those services and facilities necessary to establish a small business and allow it to move on to a more independent stage.<sup>136</sup>

CED organizations have been involved in three related types of facilities. One is to transform unused or underused community buildings into space for cottage industries operated by artisans and residents who lack mobility. A second 'greenhouse' concept is for CED organizations to engage in enterprises as much for the job-training or social benefits they can provide as for products and profits.<sup>137</sup> A third initiative was shopping centre development undertaken by a number of the major American community development corporations in the 1960s and 1970s to provide inner city facilities and encourage minority businesses.<sup>138</sup>

Establishing and managing business incubators is an attractive opportunity for CED organizations. Functioning as an intermediary the organizations can bring together the technical and professional support needed by new business activities. In exchange, the organization's community gains new economic activity with associated jobs. Another interesting connection can be made with cooperative educational programs offered by school divisions. These programs, in some inner city areas, are a means of retaining students in school while offering them an opportunity to earn wages and gain practical work experience.

The Minneapolis Education Recycling Centre has proven very successful in this regard and has also created a viable supply of and market for recycled glass. Now under the shelter of the school division and Honeywell Corporation, the Centre may find the business incubator a means of 'spinning-off' a private sector business operated by graduates of the cooperative program.

### 5.3.2 Other External Support Models

1. A number of early American CDCs obtained franchises for fast-food restaurants and other services. One

objective was to gain access to marketing, management and other forms of assistance. Franchises also offered the opportunity for minority entrepreneurship and a quasi-monopoly market position. However, franchise arrangements may not be fully compatible with CDC goals. Many franchises retain a high degree of control over operations. Management training may be the minimum necessary to maintain efficiency. Control also is exerted through charges for advertising, consulting and required use of franchise-supplied goods. These can cut into the equity-building potential of the operation. Franchise organizations also may not wish to deal with a corporation. (139)

2. Turnkey or spin-off operations were utilized in the early American CDC experience. These involved transfer of control over an enterprise from an established firm to a CDC or minority entrepreneur. The enterprise may have been nurtured by the established firm (often, these ventures involved new products), or it may have been a project set up jointly by the established firm and the CDC. The objective was to shelter the venture, using the established firm's finances and expertise, until such time as the operation became profitable and stock had been transferred to the CDC under a pre-arranged turnkey agreement. Generally, these projects were not considered successful. Some argued the concept was flawed and that very few of the arrangements were true partnerships. Others have suggested the problems related to execution rather than to the concept. (140) Today, turnkey operations tend to refer to construction or rehabilitation activities whereby, for example, a CDC undertakes the construction and turns over the completed project to another organization.
3. American firms also experimented in the 1960s with establishment of new, wholly-owned branch plants in ghetto areas as a means of providing employment, training for workers and managers, and to support various corporate goals (i.e., increasing the purchasing power of ghetto residents; extending the free enterprise system; protecting prior investments; and combating the decline that had led to ghetto rioting). Some of these have continued to function well, but the experience with many others was mixed and, in terms of technical development/transfer, became a long-term process. (141)

#### 5.4 Regulatory Reform

Local development initiatives face a complex, often conflicting array of public, quasi-public and private (e.g., professional) regulations. Some of these accompany use of particular programs or other development tools. Others

are intended to encourage or dissuade certain activities by functioning in their own right. In both Canada and the U.S., frequent criticisms are levelled at the extent of regulation stating: that it unnecessarily delays and raises the costs of development; that its burdens fall unduly on small businesses which face high information and transaction costs in using public development tools; that regulations such as those concerning pollution and affirmative action add disincentives to projects in distressed areas where development already is seen as very costly and risky. At the same time, regulations provide a certain clarity and predictability to decision-making which private sector developers may welcome because it reduces the uncertainty of case-by-case decisions.<sup>142</sup>

There have been two general responses to the criticisms:

1. regulatory reform (to ensure desired activities are not impeded or to encourage new activities).
2. use of new regulatory measures to extract concessions from the private sector in exchange for new market privileges, or development rights, or public financial or other assistance.

'Deregulation' of certain sectors of the economy is an example of the former; exchanging public development assistance for first-source hiring agreements (as is done in Minneapolis-St. Paul) is an example of the latter.<sup>143</sup>

#### 5.4.1 Controlling Investment

There are three general thrusts to legislation/regulation to control investment.

1. One involves constraining or denying certain investment opportunities. As part of Connecticut's urban strategy, for example, controls have been placed on new shopping centre development where population and retail sales growth does not justify such development, and the market is adequately served by existing centres of nearly identical variety and scale of stores. (144)

2. A second thrust involves disinvestment. The United Kingdom, West Germany and Sweden, for example, have legislation to deal with plant closures (i.e., requiring advance notice, programs to retrain and re-employ workers, and other measures to cope with the negative effects of the closures). (145)  
Another regulatory initiative concerned with disinvestment is use of accelerated tax default periods in some U.S. cities to deal with the problem of abandoned buildings. (146)
3. The third general thrust of investment regulation involves means of overcoming dual lending markets - i.e., those areas where governments or private sector firms will not invest, lend financial capital or provide insurance because of perceived risks (red-lining). In the U.S., the federal government and some states have passed reinvestment legislation to combat red-lining and, in some instances, provide new vehicles (e.g., bank CDCs) for investment. The federal Community Reinvestment Act (CRA) requires lending institutions to meet the credit and loan needs of its depositors and to actively promote and market these services in the community. The act emphasizes the role of lending institutions in low and moderate-income areas and it promotes the use of public-private partnerships in the development of projects able to meet lending criteria. Technical support is also to be made available from lenders.

Public disclosure requirements for certain types of lending also have had some effect in supporting community pressure for changes in practices. Generally, however, reinvestment legislation is perceived to lack adequate incentives to ensure resources will be allocated to neighbourhood development. Thus, there are arguments to link regulatory and charter privileges in the case of banks, and to promote alternatives (e.g., cooperatives) that would develop better relationships between citizens and lending sources. (147)

#### 5.4.2 Land-Use Regulation

Land-use zoning, especially when accompanied by a comprehensive development plan, can be an effective means to direct urban growth. It may not be as effective in restraining growth or facilitating redevelopment, however. Similarly, subdivision design and control implemented in a previous period of development may be obsolete for contemporary land-use purposes, especially where small lots and a fragmented pattern of land ownership are involved.

Issues such as these have prompted a number of local governments in the U.S. to undertake comprehensive revisions of ordinances that appear to impede redevelopment and to seek innovative ways to alter densities and other characteristics of land use. In addition, some governments have done extensive assessments of the re-use market to determine the competitiveness and infrastructure needs of specific neighbourhoods.<sup>148</sup>

The single-use zoning system has come under review as a result of criticisms that it limits the economic development potential of neighbourhoods. It is argued that this system disregards the interaction and diversity of activity which characterized traditional neighbourhoods with multiple land uses.<sup>149</sup>

A number of U.S. localities also have experimented with transferable development rights as a means of encouraging and controlling development/redevelopment. Initially this mechanism was applied to preserve historic districts and beach-front environments, but it also has been used in instances of intensive development or redevelopment.

The various impediments to land assembly and re-use have made the power of expropriation (or eminent domain) an increasingly important development tool for local authorities and quasi-public agencies in both Canada and the U.S. Urban renewal schemes in the post-1945 period have relied on this means to acquire tracts of land for redevelopment by the public or private sectors. The New York State Urban Development Corporation, for example, was formed in 1968 and initially given extensive powers over urban development including eminent domain and the ability to override local zoning and building codes.<sup>150</sup> Missouri and Chicago have enabled private developers or neighbourhood corporations to exercise certain powers to assemble land and implement a redevelopment plan.<sup>151</sup>

The individual and social costs of large-scale urban renewal have been well documented and have contributed to considerable debate over the conflicts

between private land ownership and public powers of expropriation for the public interest. It is argued that in inner city areas the process of urban renewal tends to break down in market or mixed economies. The private sector withdraws leaving areas to become essentially public-sector 'habitat'.<sup>152</sup> If public intervention is not used to stimulate reinvestment, an alternative is to apply different forms of social ownership - cooperatives, neighbourhood development organizations, CDCs - to animate the development process by taking initial risks and, if successful, capturing for community benefit some of the positive externalities of redevelopment.<sup>153</sup> It is assumed these alternative forms of social ownership will function in ways that minimize individual and social costs.

#### 5.5 Socioeconomic Development, Training and Employment

Employers and others involved in conventional economic development have long been concerned about linkages between education, job training and employment. The advent of community-based initiatives has broadened the debate to encompass concerns about the continuing separation of, and lack of coordination between education, training, community and economic development.<sup>154</sup> As a result, CDCs and other similar organizations usually attempt to transfer funds from short-term, limited-purpose public programs into projects with multiple-purpose goals - to encourage individual and community self-development and self-help; to train and provide long-term jobs for residents; to build assets and retain earnings for community reinvestment; and to fill infrastructure or service needs. Such efforts may meet with mixed success.<sup>155</sup> Fledgling projects or organizations may find it difficult to incorporate job training with the other imperatives of new economic development activity; and they may not be able to fully capture the benefits of their efforts if trainees use their marketable new skills to move on to other, frequently better-paying employment. At the same time, such 'greenhouse' activities may be undertaken precisely for their educational and training values, as opposed to production efficiency or profit motivations. They also reflect an investment rather than social service approach to community problems:

Organizers of the CDC movement consider that social service programmes in communities where there is no sound economic base are useless. Such programmes necessarily increase dependency. Recent government job creation efforts such as LIP and Canada Works fall within the social services category, at least in their implementation. The CDC approach sets out to combine the social and economic concerns as two dimensions of one reality. (156)

In the U.S., one approach by the federal government has been to increasingly decentralize socioeconomic and manpower programs in an effort to encourage responsiveness, targeting and coordination at the state and local levels. The means have included replacement of categorical grants with block funding, and decentralization of allocative and administrative responsibilities.

#### 5.5.1 Transfer Payment Reinvestment (TPR)

TPR schemes are designed to decentralize training, education, and development decisions to individuals and community organizations rather than public agencies. The objective is to redirect individual transfer payments to socioeconomic development purposes.<sup>157</sup> Four uses of the funds are generally advocated:

1. To finance training/retraining of recipients.
2. To subsidize a recipient's employment with an existing business.

In New York State, for example, a Temporary Employment Assistance Program was introduced to permit transfer of an individual's welfare grant to an employer who contracted to hire and train the person in positions paying prevailing wages. After a training period of up to six months, the employer was expected to retain the employee in an unsubsidized job.

3. To provide capital to new enterprises owned (wholly or in part) by recipients.

In this case, transfer payments would be used by individuals to lever other investment funds to support new business ventures. It is probable that other investment would be comprised of debt capital from a public or quasi-public development finance intermediary, at least until a positive business record had been established.

In the United Kingdom, an Enterprise Allowance Scheme begun in 1982 permits recipients of unemployment compensation to enroll in a parallel program to start their own businesses while continuing to collect certain weekly benefits for one year. Participants also must contribute the equivalent of \$1,500 (U.S.) to the business. In 1983, 25,000 persons opted for the scheme; the ceiling was raised to 35,000 in 1984. One evaluation found that the new businesses generated on average 1.5 jobs each, with 90 per cent surviving at least a year.

In France, some 73,000 persons participated between 1979 and mid 1982 in an Unemployed Entrepreneur Program permitting recipients of unemployment compensation to opt to collect six months of benefits in a lump sum for investment in a business.

In Canada, the Local Employment Assistance Program provided funds to individuals or groups to create businesses or projects to provide jobs for the chronically unemployed.

4. To provide capital to new enterprises operated as subsidiaries or under the guidance of community-based organizations.

The Human Resources Development Association (HRDA) in Halifax is considered a primary example of this concept. In 1978, the three levels of government agreed to participate in a plan to divert \$600,000 in transfer payment monies over a three-year period to HRDA in return for new business and job creation for at least 15 recipients annually. HRDA proceeded to create five businesses, mostly involved in training and employing welfare mothers, as well as a sheltered workshop for former mental patients. HRDA was formed as a non-profit organization while HRDA Enterprises Ltd. was formed as a for-profit holding company to operate the businesses. HRDA held all the shares in HRDA Enterprises. Between 1978 and 1980, the organization was able to reduce its dependency on government funds from 94 per cent of budget requirements to 56 per cent.

In general, it is expected that TPR would be feasible for only a minority of transfer recipients, at least in those instances where a venture was not assisted or backed by the resources of a community-based development organization. Moreover, the involvement of such organizations is thought to reduce concerns over the use of public resources for potentially private gain. Risks of TPR include:

- the potential of undermining benefit levels and necessary services, or perceptions that benefit levels are being reduced



- the potential that the program would become workfare, or that, without careful design and business management assistance, would be ineffective
- unless accompanied by tax reform and measures to continue certain other benefits (e.g., medical benefits in the U.S.), TPR will not overcome major impediments to breaking dependence on income transfers.

## 5.6 Summary

Access to appropriate levels and types of financing is a pre-eminent condition for local economic initiatives, but other development tools also have essential roles in targeting and enhancing the impact of capital investment.

Four such tools have been reviewed:

- .designation of special districts to concentrate resources and activities to achieve development objectives in specific geographic areas
- .the role of technical assistance in supporting initiatives and building local capacity for self-development
- .regulatory reform, especially involving land use, disinvestment and 'red-lining'
- .improved integration of education, job training, community and economic development.

Special districts can have limited purposes, or be the focus of comprehensive efforts to undertake development/redevelopment. BIDs, for example, concentrate on merchant organization, physical improvements, and area/commercial promotion, funded on a local improvement basis. EZs, in contrast, tend to involve a more complex set of objectives, activities and incentives (financial subsidies, regulatory relief and other measures exclusive to the zones), financed largely by governments. The efficacy of special districts is subject to differences of view over

place-oriented development strategies, as discussed in Section 2.0. In particular, EZs raise concerns about equity; unfair competition for non-EZ businesses and labour; displacement of economic activity from non-EZ to EZ areas without net economic gains; and the potential for concessions to induce speculative rather than productive investment. Special districts tend to be a tool for conventional economic development; in the U.S, however, some provisions have been made to involve community-based organizations in EZs.

In terms of technical assistance, there is continuing interest in innovative methods to support development of new products, entrepreneurs and organizations. Business incubators are one example. They foster experiential learning within a supportive environment by providing space, common service facilities, professional assistance and - in some cases - financing to assist small businesses to develop to a more independent stage.

Technical assistance also is essential in fostering CED by building local capacity to plan, undertake and manage socioeconomic projects. As with business incubators, an important issue is finding an appropriate balance to avoid over-reliance on outside aid and to ensure such aid is compatible with the goals and scale of operation of the recipient organization. A number of U.S. states have developed comprehensive CED program packages which include technical as well as financial assistance (see Section 3.0).

Two contemporary trends in regulation and regulatory reform concern:

- .the use of legislation and regulation to control disinvestment, and to overcome dual lending markets (i.e., red-lining), and
- .reform of zoning and subdivision controls, and use of transferable development rights, to remove impediments to urban renewal and/or control development/redevelopment.

Long-standing interest in ways to better integrate education, job training and development has taken on a new dimension with the emergence of CED organizations which have made this kind of integration within specific projects a fundamental part of their rationale. One means of financing such activity is to redirect individual transfer payments for socioeconomic development purposes (e.g., to finance recipients' training/retraining, or to subsidize their employment, or to provide them with seed capital to establish their own businesses, including as subsidiaries of community-based organizations).

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## 6.0 CED IN WINNIPEG

Winnipeg's economic development primarily is the cumulative outcome of external events/conditions, decision-making by external corporate and government actors, and discrete undertakings by locally-based entrepreneurs. Unlike examples cited elsewhere in this report, Winnipeg in general has not demonstrated a commitment to collective pursuit of economic strategies. Collective efforts have focussed on sociocultural development while economic initiatives have tended to be the purview of market forces and senior government policy-making. Recession and the impacts of continued economic restructuring at the national and international levels have stimulated reassessment of approaches to development activity in Winnipeg. This has contributed to experimentation with structures and programs in the public sector, some reorientation of corporate planning and activity, and the emergence of community-based initiatives.

The following discussion of economic development in Winnipeg is based primarily on interviews conducted in August 1985 with representatives of the organizations listed in Appendix A "Winnipeg Interviews." The intent was to assess local interest and readiness for community economic development.

### 6.1 Context

Winnipeg's most dynamic period of growth occurred in the 1880s to 1920s and built on locational advantages and certain aspects of national policy (e.g. construction of the Canadian Pacific Railway and rapid settlement of western Canada).<sup>158</sup> Winnipeg became the dominant regional centre in transportation; warehousing, wholesaling and retailing; manufacturing; financing; construction; the grain trade; and public administration. The local economic/political leadership sought to exploit these opportunities through collective actions such as ensuring that the CPR route would go through the city, and to stimulating associated industrial development, and committing public resources to hydroelectric and water-supply projects.



The aggressive promotion had a strong external orientation given Winnipeg's role as a 'gateway' and its dependence on staples production, trade, and transport. Despite notable exceptions in insurance, investment, the grain trade and wholesaling, Winnipeg did not become a major site of corporate headquarters.

The city's regional status began to erode in the post-1918 period due to temporal economic conditions precipitated by depression and war, and due to the competition of other western settlements and their particular resource/location advantages. Over the next 50 years, there were significant developments in the aerospace industry, trucking, the expanding tertiary sector, and the cooperative movement. Other key activities, however, experienced absolute or relative decline as markets and technology changed, functions shifted to other centres, and corporate consolidation terminated activities or removed local control. Winnipeg also remained vulnerable to its reliance on staples production, especially in the context of weakening agricultural markets.<sup>159</sup> The imbalanced nature of development in Manitoba created further economic pressures as the city became a primary target for rural-to-urban population shifts. Within Winnipeg, suburbanization of residential, industrial and commercial development, coupled with the aging and sometimes obsolescent infrastructure of the inner city, contributed to physical decline.<sup>160</sup>

Local efforts to counteract the erosion relied mainly on conventional development initiatives: efforts to retain or expand existing businesses and industries; to promote Winnipeg and attract new economic activity; and to provide industrial parks and other infrastructure. In the downtown, public sector stimuli were offered to encourage redevelopment: public building projects; large-scale expropriation to make way for private developers; and some property tax relief. These efforts occurred in the context of federal and provincial interest in stimulating regional or sectoral economic growth, but without the dynamism of a rapidly expanding frontier or its equivalent.

During the 1960s, community activism was sparked by urban renewal projects and the problems of physical and social decline in the inner city. Much of the activity was of a community or social development nature, but some projects, such as the Winnipeg Home Improvement Project, had training and economic development components. Several cooperatives also were established, mainly in the areas of housing and food distribution. This activity subsequently declined; it only recently began to revive, partly due to provincial incentives for cooperative housing development.

Community-oriented initiatives in the 1970s tended to focus on housing, neighbourhood improvement and education, mainly through the financial and regulatory support of the public sector (e.g., the Residential Rehabilitation Assistance Program; the Neighbourhood Improvement Program with its unrealized potential for linking residential/community improvements with local business improvements; municipal building and occupancy by-laws; community schools; and projects such as the Winnipeg Education Centre).

The catalyst for community economic development and for innovation in more conventional local initiatives was the Winnipeg Core Area Initiative (CAI). Many of its programs are traditional in substance (e.g., small business incentives, storefront improvement assistance, an industrial park, housing construction and improvement subsidies). The significant departures lie in the tri-level structure for program development and delivery, and the packaging and targeting of programs in order to concentrate resources, encourage mutual impact, and draw in other, complementary assistance/activities.

Not all components of the Initiative have proceeded as planned, nor has there always been consensus on its direction. During the most recent recession, however, it was the main source of capital infusion into the inner city. It spawned experimentation with a public development corporation charged with responsibility for redevelopment of part of the downtown, and

several community-oriented development organizations. The latter CED thrust is embryonic and exhibits variability in terms of focus and organizational structures. Nonetheless, it has rekindled and broadened interest in community development in Winnipeg, including approaches to the integration of social and economic goals in development activity.

#### 6.1.1 Strengths and Weaknesses

With the exception of its boom period, Winnipeg has not exerted particularly aggressive or coherent local economic development initiatives. Even the public-sector-led activity in the downtown in the 1960s and 1970s was marked by lack of consensus among key actors.

Winnipeg has remained oriented to conventional large-scale, mainly externally-based projects, and to public sector assistance to retain or establish economic activity. It also has relied on its economic diversity and relatively stable, if modest, growth performance to forestall major, long-term crises. This has prevented the wide booms and busts experienced by some sister Prairie cities, with the associated external pressures that these entail. However, it also has meant the absence of capital infusions, innovation and risk-taking that can accompany a boom. While there are subsectors of innovation and risk-taking, there is perceived to be a lack of venture capital for such efforts and a generally conservative environment which counteracts their potential for success. Moreover, the city's economic diversity is perceived to lack depth and to be susceptible to government, corporate and market changes that lead to disinvestment or loss of local control. Yet, Winnipeg also is perceived to have several strengths:

- . a relatively stable and wage competitive labour force
- . relatively low land costs
- . proximity to certain U.S. markets, and locational advantages in terms of eastern and western Canadian growth poles
- . research and development capacity in the fields of medicine, agriculture, transportation and microelectronics, among others
- . cultural diversity, with the potential this offers for development of distinctive local economic activities

- . a tradition of community-based, collective efforts to develop the arts and professional sports
- . organizations that have access to significant capital pools should the appropriate opportunities for investment be created.

The absence of significant external development pressures, coupled with renewed local interest in community-based initiatives, provide opportunity for reassessment, redirection and broadening of the economic development framework now contained in Plan Winnipeg.<sup>161</sup>

One of the most consistently perceived weaknesses has been Winnipeg's failure to rebound from the erosion of its regional status, and to redefine and pursue a distinctive economic niche to counterbalance its dependence on staple-based growth. Despite this awareness, no consensus has yet emerged on what that niche could or should be, beyond suggestions that the foci likely will involve the tertiary and quaternary sectors and small and medium-sized endeavours. Nor has consensus emerged on whom should take the leadership role in defining and pursuing a new vision. Among those who favour redirection and innovation, there is agreement on the need for the municipality to take the lead in establishing a policy and strategic framework that is supportive of local and community-based initiatives. However, there also is a desire for flexibility and decentralization of resources to enable neighbourhoods to effectively plan and implement development activity.

There is long-standing acceptance of place-oriented approaches to planning and development at the neighbourhood level in Winnipeg, but these have not occurred within comprehensive urban or economic development strategies on the part of any level of government, or the private sector, or some mixed-sector partnership. The will to now pursue such strategies must bridge a divergence of views on such issues as:

- . the appropriate range and types of approaches to local economic development
- . the appropriate scale of development to achieve needed job creation

- . the respective roles, responsibilities and financial capabilities of the private, public and third sectors
- . the necessity and desire to build a locally-controlled, indigenous economic base (i.e., the city's vulnerability to externally-determined disinvestment and dislocation)
- . the efficacy of CED to achieve economic development, as opposed to functioning in a more limited social development role among the disadvantaged in distressed areas of the city.

## 6.2 Actors and Activities

Three essential elements underlie the concepts and case studies of locally-based economic development discussed in previous sections of this report.

1. There is sustained, collective pursuit of certain common goals. These goals are explicitly stated. They may reflect an overall strategy or they may be area or project specific. Commitment is required from a recognized and credible community leadership, usually composed of actors from the private, public and third sectors.
2. Consensus and commitment are advanced through formal agreements, organizations and/or processes.
3. There is a supportive environment for local initiatives. Cities with a significant corporate and/or public sector presence appear to have some advantage in this regard due to the decision-making linkages and marshalling of resources that can occur among these actors. In the American context, decentralized financial institutions are important. In Winnipeg, credit unions provide a community base to what otherwise is a concentrated, national banking system. (However, credit unions in the urban context are not perceived to function in the same community-based mode as they do in smaller centres. Nor are a number of the policies and practices of credit unions perceived to differ significantly from those of externally-based financial institutions.) One factor common to American and Canadian local initiatives is the necessity of a supportive public policy environment, in terms of development strategy, planning and regulation as well as fiscal or other incentives.

It is through interorganizational relationships and systems of mutual support that other localities have been able to marshall resources; optimize their use; create and exploit development opportunities; and broaden the base of actors involved in local economic initiatives and control.

Winnipeg's experiences and performance in terms of these elements have been mixed and inconsistent. One result is that formal manifestations of collective local initiative tend to be underdeveloped, or focussed on non-economic matters, or discrete in their operation and impact. Actors from the private sector, and the provincial and federal governments, are responsible for most of Winnipeg's contemporary economic development. Their actions reflect conventional approaches and a continued reliance on external conditions and decision-making. (See Appendix G for discussion of conventional development activities.)

This is changing with the recent establishment of organizations such as the North Portage Development Corporation; non-profit corporations under the Main Streets program of the Core Area Initiative; the Logan Community Committee, Inc.; Nouvelle Economie Urbaine Francophone Inc. operating in east Winnipeg; and several native planning and development groups. However, with the exception of the geographic and programmatic foci of the Core Area Initiative, these organizations are functioning without a common civic development orientation or framework. Nor are their interorganizational linkages well established, especially between those involved in more conventional forms of economic development and those pursuing CED. Moreover, many of these initiatives remain highly dependent on public financing or other types of support. To make the transition to greater self-reliance, there is a need to not only successfully pursue viable development projects, but to also broaden the range of actors involved in development and the linkages between them (i.e., to include greater participation of labour unions, church organizations, cooperatives and community-controlled pools of capital, and to establish new linkages with actors in the private sector).

#### 6.2.1 Community-Based Development

NPDC and the Core Area Initiative essentially are organizational experiments. They are new ways to gather and apply those actors and

resources that are traditionally associated with economic development. They are an attempt to achieve collectively projects or programs that individual actors cannot or will not do or could not accomplish with the same level of impact that can occur with combined, complementary effort. As experiments, these initiatives may be expected to modify prevailing concepts about economic development in Winnipeg. Nonetheless, they have functioned primarily within a conventional framework as to the appropriate objectives, approaches, activities and scale of development.

The North Portage project is an attempt to reverse or reorient a previous planning/development focus on the area south of Portage Avenue. It is the outcome of public sector planning and stimulus; 'partnership' with the private sector has been a subsequent process of proposal calls and development/leasing agreements. While there is provision in the covenants of the corporation for pursuit of socioeconomic goals (e.g., affirmative action in hiring), the project to date has been pursued primarily with a physical renewal orientation and an intent to attract the most suitable development proposals whether from locally- or externally-based actors. No specific objectives have been announced concerning affirmative action in employment, or local purchase of goods and services, or other linkages that could optimize community recycling of the investments in the project.

In contrast, the rejuvenated interest in community-based initiatives reflects a critique of the conventional framework, a need to pursue alternative approaches, and a desire to introduce new actors. It also reflects pragmatic acknowledgement that traditional approaches to social/community development are being challenged, and that public policy and funding may be reoriented to initiatives that contain a broader mix of social and economic goals.

Winnipeg's emerging CED organizations and activities are diverse in origin, objectives, foci, composition and stage of development. Unlike the experience in some other Canadian centres, they are evolving from roots quite distinct from the cooperative movement even though Winnipeg has a

fairly extensive body of experience with cooperatives, and the provincial government has implemented measures to support worker, housing and other types of co-ops. The history of some of the CED organizations also precedes the Core Area Initiative, but that tri-level agreement has provided impetus for further pursuit of CED, partly in response to the conventional orientation of the first CAI projects and programs. On one hand, the Logan Community Committee Inc. arose from intensive community efforts to oppose a CAI proposal to displace a residential area for industrial park purposes. On the other hand, the CAI's designation of 'Main Street' key sites, and its small business and storefront improvement programs, gave rise to, or helped revitalize, some of the business-oriented development groups.

Appendix H outlines the nature of key organizations directly active in community-based planning and development as of August 1985. Absent from the table are organizations involved primarily in community advocacy which either do not wish at this time to pursue a more direct planning and development role (e.g., the Wolseley Residents' Association), or have been unable to sustain support and funding to undertake such a role (e.g., the Central Park/North of Portage Neighbourhood Council).

As indicated by Appendix H, what is perceived to constitute CED in the Winnipeg context differs from the 'pure' or 'ideal' model of CED discussed earlier in this report. There is clearly a grey area between CED and more conventional local initiatives; however, in the Winnipeg case there also is common support among organizations for the pursuit of mixed economic and social objectives. More broadly stated objectives are being pursued despite poorly developed support systems. Funding, for example, is dependent on adaptation of public programs, especially job creation grants and CAI program funds, to organizational objectives and plans. Those organizations highly dependent on the CAI are attempting to diversify their funding base, primarily through the Local Employment Assistance and Development Program (LEAD) of the Canada Employment and Immigration Commission. The St. Boniface LEAD corporation has pioneered application of this program in an urban context,



partly due to the complementary presence of the CAI. None of the current Winnipeg initiatives have been able to function without some form of subsidy; at the same time, CED organizations have been constrained by the lack of continuity, delimiting criteria and design, and lack of core funding that accompany public subsidies. No substantive alternative source of financial capital has yet emerged although there are some small pools (e.g., PLURA) that will provide modest seed money for innovative, community-based development.

Similarly the activities of CED actors tend to be rather conventional, reflecting the available range of financial support as well as development opportunities. Housing and commercial building renovation, property management, planning, consulting, community promotion, social services, and assistance to new commercial or other development have been predominant.

The absence of a proactive supportive environment is not necessarily negative since it permits diversity and experimentation. This may not occur where there is reliance on one program or capital pool. At the same time, networks and other interorganizational linkages may develop more slowly. For example, formal links between the cooperative and CED movements appear to be underdeveloped, as do links between initiatives in the native communities and those by other groups or neighbourhoods. One exception may be drawn from the St. Boniface experience where organizations such as NEUF, L'Association des Commerçants du Vieux Saint-Boniface, and La Société Franco-Manitobaine have been involved in pursuit of LEAD and other measures in order to develop a complementary set of CED organizations - a CDC (NEUF), a funding agency that is project specific (LEAD), and a planned, third component (a private investment corporation). The St. Boniface experience also indicates the importance of a cadre prepared to advance a coherent vision; to mold existing programs as best it can to its needs; to be innovative in the search for alternatives to conventional forms of development support; and to actively seek to link private, public and third-sector actors in the community.

Growing interest in CED among agencies that traditionally have pursued social service and community development mandates adds to the diversity of the movement in Winnipeg. Firstly, the agencies tend to be at the preliminary stages in their exploration of CED and how it may apply to opportunities or needs they have identified. Secondly, their conceptual approach to the CED mix of social and economic objectives may differ from groups that have more business-oriented roots. Thirdly, the activities, development tools, and forms of support and networking associated with such organizations may differ, at least initially. There may, for example, be ideological or other impediments to efforts to link these CED activities with support or involvement from certain private sector sources. There also will be a need for any supportive framework, offered by the public sector or some mixed-sector partnership, to be sensitive and adaptable to the range of CED actors, and their variable stages of development.

#### 6.2.2 Testing the Waters

With continued interest and activity in CED, three types of organizations may experience pressure to evolve their mandates and functions - credit unions, foundations, and United Ways or other community agencies fundraising for social development purposes.

In Winnipeg, there is recognition and interest in some of the non-conventional activities undertaken elsewhere in Canada and the U.S., especially by foundations and credit unions. But a sufficiently strong motive or incentive has not yet appeared to spur modification of investment or assistance criteria. In the case of the United Way of Winnipeg, there is a desire to become more proactive in issues such as youth unemployment and families in stress. However, the organization has yet to define what this non-traditional role might entail.

While adjustments to investment and philanthropic criteria may be a longer-term prospect, these types of organizations can readily perform other supportive functions especially in terms of technical assistance for CED

planning and organization; networking between the private, public and third sectors; educational functions (within the voluntary sector, or directed at the general public); legislative and policy review to determine where impediments might be removed or incentives offered to encourage CED; and re-examination of the extent to which their own purchasing and other operations support local suppliers and producers.

It should also be noted that philanthropic activities of private sector actors are coming under scrutiny. Similarly to foundations, corporate entities have a history of giving for social and cultural development in the community. They also have business expertise which is vital to the success of CED organizations. The potential for financial and other types of partnerships currently exists but requires stimulation and facilitation.

#### 6.2.3 Non-Winnipeg Initiatives

Three general thrusts occurring in the provincial context extend experience with local economic development and offer other models or concepts of potential relevance to the Winnipeg situation.

1. The provincial government, especially through its Department of Business Development and Tourism, has been involved in efforts to assist, and in some cases revitalize, regional development corporations in Manitoba and community development corporations, often with service- or resource-based functions, operating primarily in remote northern communities.
2. The province and the federal government also have pursued options for single-industry communities; most recently, through a joint study of innovative financial mechanisms for addressing the problems of development in mining communities. Among the options reviewed were several types of investment funds to be used to diversify local economic and counter-balance the cyclical nature of resource-based industries. 162 Mechanisms to accumulate and operate such funds would be relevant as well to similar urban-based initiatives.
3. Native communities, such as those involved in the Dakota Ojibway Tribal Council in southwestern Manitoba and the recently-established Manitoba Metis Community Investments

Inc. (MMCII), also are active in local economic development. MMCII intends to operate province-wide to promote Metis economic development, and Metis-owned and controlled businesses and financial institutions. Three subsidiaries already have been formed in the housing, construction and consulting fields, with a number of other subsidiaries proposed in tourism, services and agriculture. Impetus and support for establishment of community development corporations in a number of Metis communities also are being provided. Primary funding sources are expected to be the Native Economic Development Program, Special ARDA, and the Northern Development Agreement.

### 6.3 Development Tools

Local and community-based initiatives in Winnipeg rely on a more limited range of development tools than that discussed in previous sections of the report. This is partly a function of availability and applicability - not all tools are necessarily relevant or readily adaptable to the Winnipeg context -- but also of the ways actors think about tools and organize to use tools. Several types of tools are commonly used in local economic development in Winnipeg:

- . conventional financing from conventional sources (e.g., loans, mortgages, equity investment, revenues, retained earnings)
- . public sector assistance for housing, employment, industrial location and expansion, small business development, and infrastructure or physical improvement purposes
- . externally-directed business promotion/market development
- . joint and place-specific public sector initiatives (CAI, North Portage development)
- . technical/professional assistance through the Federal Business Development Bank, Winnipeg Enterprise Development Centre, and other formal agencies or informal linkages.

Recent energy and attention have focussed on:

- . renewal of the CAI

- . legislative changes to support introduction of business improvement districts in the city, and
- . pursuit of LEAD funding for existing and emerging community-oriented development organizations.

Recent public hearings and statements by policy-makers have indicated general support for renewal of the CAI and continuation of its place-oriented approach to problems of the core area. However, divergent views are held on priorities for renewal. Community organizations have argued for a stronger neighbourhood orientation, emphasizing economic, social, physical and organizational renewal including support for community development corporations. Others, such as the Winnipeg Chamber of Commerce, have called for a physical renewal emphasis (i.e., the North Portage redevelopment model). There also is interest in replicating the NPDC form of organization for large-scale downtown renewal projects. While rhetoric about the importance of public-private partnerships is common, there has been no apparent pressure to alter the relationship that has persisted under the CAI where the public sector provides the lead or incentive and the private sector responds.

One of the key lessons to emerge from experiences elsewhere with policies and programs for community-based initiatives is the importance of flexibility and responsiveness in design, criteria and implementation. By these means, variations in community objectives, and in levels of organizational development and capacity, can be recognized. For emerging community-based organizations, in particular, there needs to be a delicate balance ensuring, on one hand, a supportive environment but, on the other hand, that assisted organizations are capable of evolving to more self-reliant and economically viable levels of operation backed by sustained community-based commitment. This includes consideration of issues such as the appropriate mix of technical and other types of assistance; mechanisms to ensure organizational development is not force-fed or overextended; incentives to wean organizations from reliance on a particular policy/program; and mechanisms to replicate for collective endeavours the kinds of stimuli and stakes that are assumed to motivate individual entrepreneurs to create and operate successful enterprises.

To overcome the constraints associated with programmatic approaches to local economic development assistance, one of the more commonly perceived needs in Winnipeg is the establishment of a pool or pools of financial capital, preferably decentralized and under community control but, at the very least, targeted to community economic development activities.

Business improvement districts would represent some movement in that direction in commercially-developed areas since BIDs involve self-taxation to create capital for designated purposes. Their efficacy as tools of local economic development depends in part on whether the authorizing legislation defines potential uses of the funds narrowly or flexibly. The BID concept promoted by the Downtown Winnipeg Association has achieved municipal support, but must await legislative change at the provincial level to enable implementation. While the concept has the interest of several key site organizations, not all have necessarily evolved to a point where a BID is an option they can readily adopt.

Three additional development tools perceived to be important to local initiatives in Winnipeg are:

- . speedy updating of property assessments in light of recent court and research findings about the inequities facing inner city property owners
- . property tax relief to encourage renovation/rehabilitation of older residences and businesses
- . planning reforms. Two objectives of such reforms would be to decentralize planning authority to the community level; and, in the downtown, to provide a common coherent framework for the various key site initiatives.

### 6.3.1 Potential Tools

#### 6.3.1.1 Capital Pools

There is a perceived need to create additional pools of capital for development purposes in the city, especially to provide revolving loan funds targeted to specific communities. Proponents tend to look to the CAI or

some other public sector source for initiation and capitalization of such pools. However, as outlined in Sections 3.0 and 4.0, there are a number of other approaches to their formation (e.g., consortia of business, pension fund and other investors; special deposit programs by credit unions; use of linked deposits from governments and the third sector to support financial institutions that participate in non-conventional or more risky enterprises; community or social investment funds; and secondary markets to help replenish and revolve the original funds). State tax credits and bond issues have also been adopted as tools for capitalizing investment pools in the U.S. The key elements of such pools are:

- . to sufficiently spread and pool risk that no one participant is overexposed
- . to match the design of such pools with the motives and imperatives of investors (e.g., for liquidity, minimum levels of return, fund objectives and criteria)
- . to proceed on essentially an investment basis, as modified by fund objectives, so that the decisions of investors and fund recipients may be guided by the kinds of risk-reward considerations that are assumed to serve conventional economic development so well.

Also important is a solid rationale in order to encourage consensus and commitment for establishment and maintenance of the capital pool. This involves not only the fund's objectives and orientation, but also the general context in which it will function and the extent to which public policy, and other public, private and/or third sector initiatives, are supportive and complementary.

Capital pools ideally would involve net new funds in a community, but initially they may depend on redirecting existing funds to a new purpose. Three other types of development tools can take the same initial tact:

- . establishment of forward and backward local market linkages as means of import substitution, encouraging sheltered markets, or establishing enterprise federations

- . brokerage to overcome key impediments to development--lack of coordination among actors and programs, inadequate information and lack of awareness of available development tools, the complexities of regulatory processes, and the high information and transaction costs that may impede access by small concerns to financial capital and other development tools
- . technical assistance to build the capacity of local and community-based actors to undertake effective economic development.

#### 6.3.1.2 Business Incubators

Business incubators are one tool that could combine all four types of initiatives by:

- . functioning as a pool of financial, technical, equipment, facility and other resources
- . providing a supportive, sheltered environment for fledgling businesses/industries--an environment that can provide support services as well as the brokerage functions noted above
- . encouraging and identifying complementary production, business, and marketing activities among participants within the incubator, and between them and established external operations
- . building the capacity of local actors (e.g., CDCs, cooperatives) to undertake economic development through their ownership and/or management of incubators.

#### 6.3.1.3 Sheltered Markets

Sheltered markets, perhaps in conjunction with business indicators, also combine certain advantages of market linkages, potential technical and financial or other capital assistance, and technology transfer. It is a tool which can be immediately used in the Winnipeg context if the private sector chooses to direct specific product needs to CED organizations. It is also an approach which existing organizations can effectively pursue.



#### 6.4. Conclusion

Winnipeg has experienced and is expected to continue to experience a slow-growth economy. While the city continues to dominate Manitoba's economy, its "gateway to the west" functions have greatly diminished. The relative importance of government, service industries and small and medium-sized businesses is increasing as large-scale, and often national, manufacturing interests reduce activities in Winnipeg.

What may appear as negative economic trends - slow growth, reduced government intervention, and limited national/international investment - can be viewed as positive impetus for local economic initiatives, and particularly, community economic development. With the reduction of external actors making decisions concerning the Winnipeg economy, local actors can exert greater control and, in fact, must do so to counteract negative external forces.

Conventional local economic initiatives are being pursued by the Winnipeg Chamber of Commerce, Winnipeg Business Development Corporation and Downtown Winnipeg Association. These activities are supported/complemented by various municipal, provincial and federal government agencies. While traditional tools - promotion, land development, service provision, location incentives - still predominate, a shifting perspective is evident. Cognizant of the competition for new manufacturing operations, greater emphasis is being placed on retaining and expanding existing businesses and attracting tertiary and quaternary sector activities. To this end, a quality environment, offering attractive business and living opportunities, is being promoted.

Community economic development organizations are appearing and are endeavoring to integrate social and economic objectives. This integrated approach which also emphasizes decentralized planning and control represents a significant departure from traditional community development and economic

development approaches. The private and public sectors have not adjusted to this approach and the third sector, including the CED organizations, has yet to demonstrate its efficacy. Traditional sources of funding and conventional development approaches dominate their activities.

Innovation in several areas is required:

1. community-based planning and implementation
2. linkages between private, public and third sectors
3. sources of funding for core and capital activities
4. identification of market opportunities
5. business creation and employment training.

FOOTNOTES

158. See, for example, Alan F. J. Artibise, Winnipeg: An Illustrated History (Toronto: James Lorimer & Company and National Museum of Man, 1977); and R. Bellan, Winnipeg First Century: An Economic History (Winnipeg: Queenston House Publishing Co. Ltd., 1978).
159. Derek Hum, Winnipeg's Challenge: Adjustment to Post-Staple-Led Growth (Winnipeg: Institute of Urban Studies, 1984).
160. Deborah Lyon and Robert Fenton, The Development of Downtown Winnipeg: Historical Perspectives on Decline and Revitalization (Winnipeg: Institute of Urban Studies, 1984).
161. Sections 34-44 of the draft by-law on this general development plan contain a limited, conventional orientation to economic development: industrial land use; servicing and environmental controls; commercial development; public sector employment; and tourism.
162. Canada, Department of Energy, Mines and Resources, and Manitoba, Department of Energy and Mines, New Financial Mechanisms for Addressing Mining Community Problems ([Winnipeg]: The authors, September 1985).

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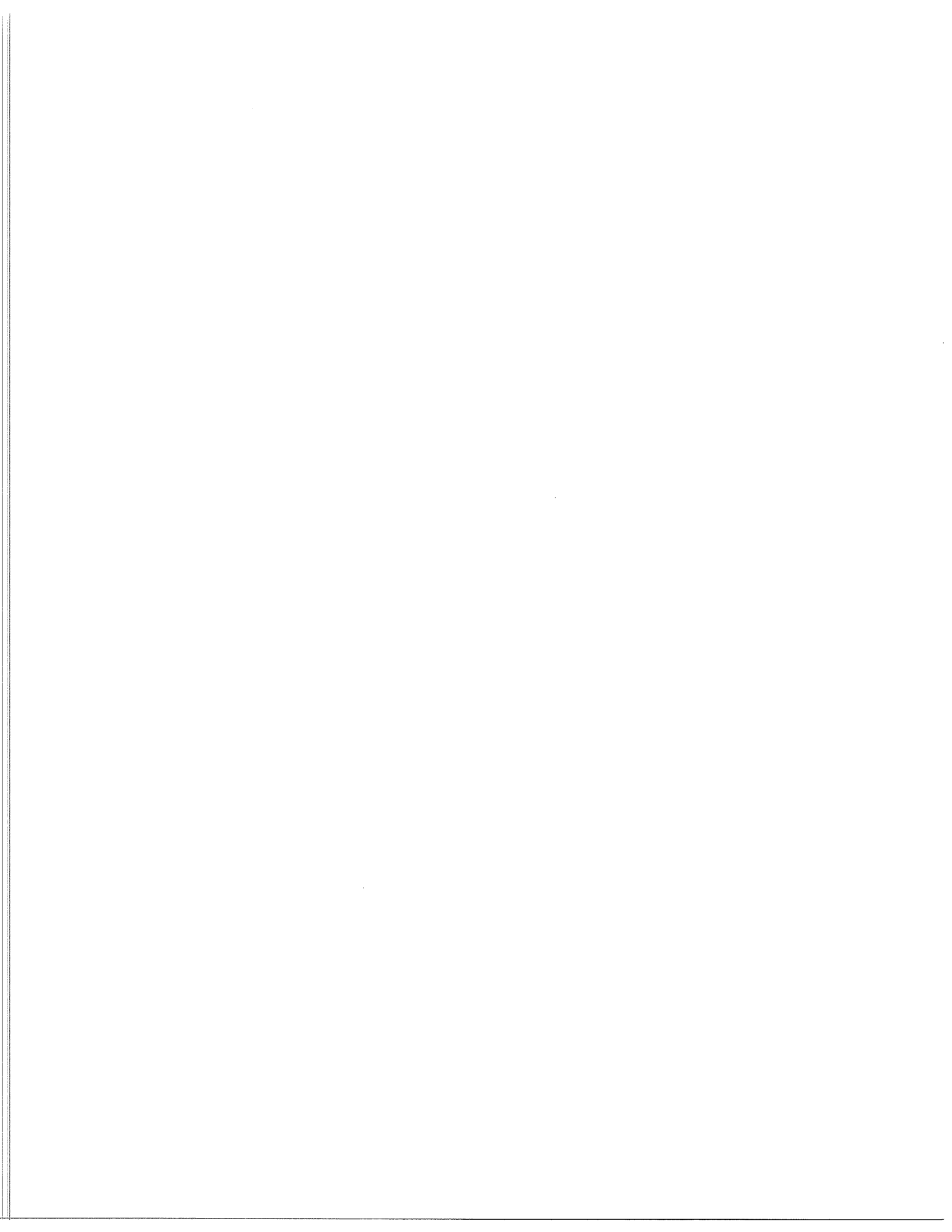
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APPENDICES



Appendix A

1. <u>Letters of Inquiry/Telephone Interviews</u>	<u>Response Received</u>
Canada - British Columbia Development Corporation	
Community Improvement Corporation, Fredericton, N.B.	X
Waterfront Development Corporation Ltd., Halifax, N.S.	
Ontario Development Corporation	X
Charlottetown Area Development Corporation	
Summerside Waterfront Development, Summerside, P.E.I.	
Sask. Department of Co-operation and Co-operative Development	X
Sask. Tourism and Small Business Department	X
Morris Development Corporation, Morris, Manitoba	
St. Jean Baptiste Development Corp., St. Jean, Manitoba	
Selkirk Waterfront Development Corporation, Selkirk, Manitoba	X
Centre for Community Economic Development University College of Cape Breton	X
Federation of Community Development Corporations of Canada, Sydney, Nova Scotia	
Montreal Economic and Development Research Bureau Montreal, P.Q.	
Communitas Inc., Edmonton, Alberta	
Canadian Alternative Investment Corporation, Victoria, B.C.	
United States	
- Connecticut Products Development Corporation	X
Minneapolis Community Development Agency	X
New York State Urban Development Corporation	
The Rensselaerville Institute, Rensselaerville, N.Y.	
Massachusetts Community Development Finance Corporation	X
Office of Neighbourhood Associations, Portland, Oregon	
Institute for Local Self Reliance, Washington, D.C.	X
National Center for Economic Alternatives, Washington, D.C.	
National Community Development Assistance Centres Inc. Washington, D.C.	
National Congress for Community Economic Development Washington, D.C.	

	<u>Response Received</u>
United States (cont'd.)	
Chicago Association of Neighbourhood Development Organizations, Chicago, Illinois	
Institute for New Enterprise Development, Cambridge Massachusetts	
Center for Community Self-Help, Durham, North Carolina	X
Community Economic Development Assistance Centres Boston, Mass.	X
Office of Community Economic Development, Boston, Mass.	X
National Council for Community Economic Development Washington, D.C.	X
Neighborhood Reinvestment Corporation, Washington, D.C.	X
Centre for Neighborhood Technology, Chicago, Ill.	X

2. List of Agencies/Organizations Contacted by Telephone

Sabre Foundation, Washington, D.C.  
Canadian Centre for Philanthropy, Toronto, Ontario  
International Downtown Association, Washington, D.C.  
Local Initiatives Support Corporation, Chicago, Ill.  
Kansas City Neighborhood Alliance, Kansas City, Missouri  
Real Estate Research Corporation, Chicago, Ill.  
Indianapolis Economic Development Corporation, Indianapolis, Ind.  
U.S. Department of Housing and Urban Development,  
- Washington, D.C.  
- Chicago, Ill.  
City of Halifax Social Planning Department, Halifax, N.S.  
National Council for Community Economic Development, Washington,  
D.C.  
Social Planning and Review Council of British Columbia,  
Vancouver, B.C.

	<u>Response Received</u>
3. <u>Mail-Out Questionnaire</u>	
Canada - Vancouver Economic Development Office	
HUB Co-op, Nanaimo, B.C.	X
The Calgary Chinatown Development Foundation	
Calgary Economic Development Authority	

Response  
Received

Canada (cont'd.)

Calder Action Committee, Edmonton	
Edmonton Economic Development Authority	X
Moose Jaw Main Street Project (Downtown M.J. Business Improvement District)	
City of Regina Economic Development Department	X
Economic Development Corporation, Thunder Bay, Ontario	X
Downtown Business Association of Windsor	
Sarnia Downtown Improvement Area	
City of London Economic Development Division	X
City of Hamilton Community Development Department	
City of Guelph Economic Development Department	
St. Catherines Downtown Association	
City of Niagara Falls, Business & Industrial Development Division	
Downtown Belleville Association B.O.M.	
Oakville B.I.A.	
Is-Five Foundation, Toronto	
Learning Enrichment Foundation, Toronto	X
Bloor-West Village Association, Toronto	
Downtown Oshawa Board of Management	
Self-Reliance Volunteerism Project, Ignace, Ontario	
City of Ottawa Economic Development Department	X
Glance Bay Downtown Development Corporation	X
Ville de Montreal Commission d'initiative et de developpement economiques de Montreal (CIDEM)	X
City of Halifax Planning Department (Human Resources Development Association)	X
New Dawn Enterprises Ltd., Sydney, Nova Scotia	
District of Guysborough Community Employment Strategy Association, Guysborough, Nova Scotia	
Moncton Central Business Development Corporation	
Saint John Fundy Region Development Commission Inc.	X
St. John's Development Corporation Ltd.	

Response  
Received

United States - Brightwood Development Corporation, Springfield, Mass.	
City-Wide Development Corporation, Dayton, Ohio	
Hough Area Development Corporation, Cleveland	
Greater Cleveland Growth Association, Cleveland	X
Bedford Stuyvesant Restoration Corporation, Brooklyn, New York	
Enterprise Development Corporation, Columbia, Maryland	
Chicago Economic Development Corporation, Chicago	
Dearborn Park Corporation, Chicago	
Eighteenth Street Development Corporation, Chicago	X
South Shore Bank, Chicago	
Pyramid West Corporation, Chicago	
The Woodlawn Community Development Corporation, Chicago	
Lawrence Avenue Development Corporation, Chicago	
Bucktown Business Association Local Development Corporation, Chicago	
Great North Pulaski Development Corporation, Chicago	
First Chicago Neighborhood Development Corp.	X
Greater Southwest Development Corporation, Chicago	
Lawndale Local Development Corporation, Chicago	X
Boston Redevelopment Authority	
East Boston Community Development Corporation, Boston	
Greater Roxbury Development Corporation, Boston	
Jamaica Plain Neighbourhood Development Corporation, Boston	
Roxbury Action Program, Boston	
Port Authority of the City of St. Paul	
St. Paul Department of Planning and Economic Development, Community Development Division	
Lowertown Redevelopment Corporation, St. Paul	
American Indian Business Development Corporation, Minneapolis	
Downtown Development Corporation, Minneapolis	X

Response  
Received

United States (cont'd.)

Elliot Park Neighbourhood Improvement Association, Minneapolis	
Phillips Neighbourhood Improvement Association, Minneapolis	
Project for Pride-in-Living, Minneapolis	X
Stevens Square Community Organization, Minneapolis	
Whittier Alliance, Minneapolis	X
Old Philadelphia Development Corporation	
Hartranft Community Corporation, Philadelphia	
Zion Non-Profit Charitable Trust, Philadelphia	
Opportunities Industrialization Centre Inc., North Philadelphia	
Indianapolis Economic Development Corporation Inc., Indianapolis	X
United Northwest Area, Indianapolis	
Neighborhood Housing Services Inc., Pittsburg	X
Inner City Business Improvement Forum, Detroit, Michigan	X
Kansas City Corporation for Industrial Development	X
Chicago Department of Economic Development	X
Kansas City Department of Housing and Community Development	X

## Winnipeg Interviews

Included representatives from:

### Federal Government Agencies

- CEIC (LEAD Program)
- DRIE
- DRIE (NEDP)
- FBDB

### Provincial Government Departments

- Business Development and Tourism (Regional and Community Development)
- Urban Affairs
- Co-operative Development

### Municipal Government

- Environmental Planning
- Environmental Planning (Community and Neighbourhood Improvement)
- Winnipeg School Division #1 (CEDA)

### Other Government/Quasi-Government

- Core Area Initiative
- North Portage Development Corporation

### Council of Inner City Neighbourhoods

- Riverborne Development Association
- Selkirk Avenue 100+ Group
- Main Street Revitalization Group
- Winnipeg Chinatown Development Corporation
- Logan Community Development Corporation
- Association Des Commerçants Du Vieux Saint-Boniface
- Old Market Square Association (The Exchange)
- Central Park/North of Portage Neighbourhood Council
- Wolseley Residents Association

### Community Development Organizations

- NEUF Inc.
- Saint-Boniface L.E.A.D. Corporation

### Business Community

- Downtown Winnipeg Association
- Chamber of Commerce
- Winnipeg Business Development Corporation
- Imperial Group

### Community Organizations/Non-Profits/Co-operatives

- La Société Franco-Manitobaine
- Inner City Committee for Rail Relocation



Native Community

Ma Mawi Wi Chi Itata Centre  
Metis Economic Planning Group  
Urban Indian & Metis Planning Group  
Indian Business Development Group Inc.  
Friendship Centre  
Neyanun Development Corporation

Financial/Philanthropic/Insurance

Great-West Life Assurance Company  
Credit Union Central of Manitoba  
Assiniboine Credit Union  
United Way of Winnipeg  
Winnipeg Foundation

Others

Michael Decter  
Tom Owen

Appendix B

Minneapolis Interviews

1. Office of Mayor Donald Fraser
2. Minneapolis Community Development Agency
3. Downtown Council of Minneapolis
4. Community Initiatives Consortium
5. McKnight Foundation
6. Minneapolis Education Recycling Centre
7. Whittier Community Development Corporation
8. Phillips Community Development Corporation
9. American Indian Business Development Corporation

St. Paul Interviews

1. Office of Mayor George Latimer
2. City of St. Paul Planning and Economic Development Department
3. Minnesota Department of Energy and Economic Development
4. Port Authority of the City of St. Paul
5. Lowertown Redevelopment Corporation
6. St. Paul Downtown Council
7. Women's Economic Development Corporation

Milwaukee Interviews

1. U.S. Department of Housing and Urban Development (City of Milwaukee Division)
2. Office of Mayor Maier
3. Milwaukee Department of City Development
4. Milwaukee Economic Development Corporation
5. City of Milwaukee Common Council
6. Milwaukee Redevelopment Corporation
7. Trammell Crow Development Corporation
8. Eastside Housing Action Committee
9. Westside Community Development Corporation
10. Northwestside Community Development Corporation

Minneapolis-St. Paul

- combined population of the two cities totals 645,000 (Minneapolis - 375,000; St. Paul - 270,000).
- both cities have a wide diversity of vehicles in place undertaking CED.
- state and local agencies along with numerous community-based organizations are operating with varying mandates related to CED.
- corporate and foundation involvement in the Twin Cities is of great assistance to the CED movement both from a financial and technical standpoint.
- urban redevelopment in the two cities has been carried out with a significant amount of public-private co-operation.
- political representatives of both cities have generally been very supportive of CED.
- Minneapolis has established an economic development department with numerous programming tools and professional resources available to the community.
- St. Paul has a strong neighbourhood planning/citizen participation department which emphasizes integration of citizen input into municipal budgeting and development processes.
- although organized very differently in the two cities, neighbourhood-based organizations are having a great deal of impact in terms of directing development and rehabilitation within their areas of concern.
- both the Downtown Council of Minneapolis and the St. Paul Downtown Council give their respective business communities a voice and a vehicle to determine the direction downtown development should take.
- vehicles gearing their interests towards specific target populations have been very successful in Minneapolis-St. Paul, i.e., Women's Economic Development Corporation, Minneapolis Education Recycling Centre, and the American Indian Business Development Corporation.
- both cities boast extensive downtown skyway systems and large tracts of land fronting on the Mississippi River.
- Minneapolis has used a great array of financing tools, of particular interest is the Community Initiatives Consortium, a voluntary coalition of insurance companies who provide loans for community economic and private business projects.
- St. Paul has adopted a Homegrown Economy policy which was developed with the assistance of the Institute for Local Self-Reliance.

Milwaukee

- city population of approximately 650,000.
- whereas Chicago and Minneapolis-St. Paul are considered transactional hubs in the upper Midwest, Milwaukee serves only a small regional hinterland composing most of southeastern Wisconsin.
- the public-private partnerships that have been established in Milwaukee have been used as models by other cities in the U.S.
- the Milwaukee Economic Development Corporation, a public-private partnership with its roots in the public sector, and the Milwaukee Redevelopment Corporation, a private-public partnership established through the initiative of the private sector, have undertaken several urban redevelopment projects that have in turn levered nearly a billion dollars of private sector investment in recent times.
- tools used include tax increment financing districts and industrial revenue bonds.
- community-based CDCs are quite active with their mandates focussing mainly on housing and employment creation.
- Milwaukee has benefited from substantial Federal aid over the years mainly due to its distressed condition but also has used many innovative methods for financing its projects.
- the importance of public-private partnerships in Milwaukee is evidenced by the fact that two prestigious U.S. development companies (the Rouse Corporation and Trammell Crow) have made this city part of their plans.

## Appendix C

### Examples of Public and Private Intermediary Organizations to Facilitate Local Economic Development - Canada and the United States

<u>Type/Country</u>	<u>Financial and Related Assistance</u>	<u>Direct Development</u>	<u>Other</u>
<u>A. Public/Quasi-Public</u>			
A1. Canada	<ul style="list-style-type: none"> <li>- Federal Business Development Bank (FBDB), a crown corporation providing financial and managerial assistance to businesses that lack other sources of financing on reasonable terms and conditions; loans, loan guarantees, interim or equity financing, or some combination of these may be provided</li> <li>- provincial crown corporations or agencies providing financial (and often technical assistance) to new and expanding enterprises, usually in designated sectors (e.g., small business, or manufacturing, resource processing and tourism, etc.)--Alberta Opportunity Company; Communities Economic Development Fund (Manitoba); Nova Scotia Resources Development Board; Nova Scotia Small Business Development Corporation; Ontario Development Corporation; Northern and Eastern Ontario Development Corporations; Saskatchewan Economic Development Corporation</li> </ul>	<ul style="list-style-type: none"> <li>- federal special project organizations such as:               <ul style="list-style-type: none"> <li>. Canada Harbour Place Corporation to develop the Canada Place multi-purpose waterfront project in Vancouver</li> <li>. Harbourfront Corporation to undertake a multi-purpose redevelopment project on Toronto's waterfront</li> <li>. three Canada Land Companies to direct development at Mirabel airport and the ports at Quebec City and Montreal</li> </ul> </li> <li>- provincial special project organizations such as:               <ul style="list-style-type: none"> <li>. British Columbia Place, a multi-purpose development of the False Creek area of Vancouver</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Cape Breton Development Corporation, a federal crown corporation to operate the coal industry, and to encourage industrial development on Cape Breton Island, N.S.</li> <li>- Community Improvement Corporation in New Brunswick, to plan, negotiate, administer and co-ordinate implementation of subsidiary agreements under a federal-provincial general development agreement --including the Saint John Market Square Development and Moncton Core Revitalization</li> </ul>

Type/Country

Financial and Related Assistance

Direct Development

Other

A2. U.S.

- IDEA Corporation, an Ontario crown corporation established to invest in technological projects on a basis that will make the corporation self-sustaining by the late 1980s; may provide seed capital to new projects, act as a technology licensing broker or participate in syndicated pools of venture capital in cooperation with private investors

- Business and Industrial Development Corporations (BIDCOs), public or private financial institutions chartered by the State of California to use a full range of debt and equity financial tools to assist small business
- Small Business Administration (federal), provides a number of programs of financial assistance for establishment and development of enterprises -- see SBICs, MESBICs, LDCs below (B1)
- state, county or municipal Economic Development Corporations (EDCs), to manage revolving capital funds and leverage private dollars into projects sponsored by public programs -- e.g., the Dayton City-Wide Development Corporation (Ohio)

- . Ontario Place Corporation, development of a cultural, leisure and entertainment parkland on man-made islands in Lake Ontario along the Toronto waterfront
- . tri-level development organizations--e.g., North Portage Development Corporation

- some EDCs are involved in direct development (e.g., the public-private Philadelphia Industrial Development Corporation)
- New York State Urban Development Corporation, a super-agency formed in 1968 to streamline the state level of government to deal with housing and urban redevelopment; to undertake planning and development; and to enter into partnerships with other public and private organizations; had powers of expropriation, to override local housing and zoning codes

- regional development corporations (Manitoba) to plan and encourage industrial and other forms of development

Type/Country

Financial and Related Assistance

Direct Development

Other

specializes in creative legal and financial arrangements to encourage private investment, especially use of tax incentives and critical equity injections, and to function as a development broker

- state industrial development authorities, capitalized through tax revenues or bond issues and utilizing various long-term financing instruments to stimulate economic development
- municipal LDCs (see B1 below)
- National Consumer Cooperative Bank, established by the U.S. Congress to make loans to consumer and worker cooperatives, and provide working capital to low-income cooperatives; converted to private ownership in 1982
- state-supported venture capital funds-- e.g., Connecticut Product Development Corporation, Massachusetts Technology Development Corporation, Louisiana Small Business Equity Corporation
- private EDCs (usually have some form of public assistance -- tax incentives, operating funds, etc.)

(later removed), to form subsidiaries, and to issue its own bonds; could undertake commercial, residential and industrial development including new towns - in town (e.g., the Roosevelt Island Project in New York City)

- project-specific organizations -- e.g., the Charles Center/Inner Harbour Management Corporation formed by the City of Baltimore to manage land acquisition, site preparation, construction and packaging of development deals for the mainly private sector Charles Center office, residential and commercial redevelopment and the mainly public sector Inner Harbour redevelopment (harbourfront upgrading, convention facility, museum, planetarium, community college, etc.)
- special state/municipal authorities -- e.g., port authorities -- with powers of expropriation and other quasi-government authority

B. Private

B1. U.S.

Type/Country

Financial and Related Assistance

Direct Development

Other

- Business Development Corporations (BDCs), privately capitalized and managed lending institutions chartered by states and usually operating on state-wide basis to make capital available to credit-worthy firms otherwise unable to obtain financing on acceptable terms from conventional lenders; usually assistance is targeted to small and medium-sized enterprises and to particular types or sectors of investment as specified in their charters; BDCs may provide junior, long-term financing in conjunction with senior short-term financing from conventional sources; initial BDC capitalization is usually through private placements to financial institutions, corporations, quasi-public development organizations and individual investors
- Small Business Investment Corporations (SBICs), licensed by the U.S. SBA, and usually privately capitalized and managed, to provide equity and debt capital to smaller enterprises as defined by the SBA; SBICs that meet specified types of investment (i.e., in venture capital) can lever up to four times their private equity in SBA loans; may be subsidiaries of CDCs, corporations, or other development organizations

- private EDCs (usually with some form of public assistance)
- community development corporations (CDCs)
- Bank Community Development Corporations, authorized by federal regulatory authorities; mostly for-profit, wholly-owned subsidiaries of national banks or bank holding companies; national bank CDCs may acquire, lease, own, rehabilitate and resell real estate, make contributions to or equity investments in CDCs, and provide technical assistance; bank holding companies' CDCs may be permitted to engage in non-banking activities determined to be closely related to banking and to have net public benefits
- project-specific organizations funds such as:
  - Chicago Area Renewal Effort Service Corporation (RESCORP), owned by 55 savings & loan institutions, and designed to rehabilitate older, walk-up apartment buildings through its own initiatives,

- technical assistance organizations such as the Hispanic American Coalition for Economic Revitalization, a coalition of CDCs in the southwest U.S.; national CDC organizations or organizations interested in alternative economic activities; private sector corporations and foundations; etc.



Type/CountryFinancial and Related AssistanceDirect DevelopmentOther

- Minority Enterprise Small Business Investment Corporations (MESBICs), also licensed by the SBA, and dedicated to providing debt and equity capital to small businesses owned by the socially and economically disadvantaged; MESBICs have some advantages over SBICs in terms of subsidization on government-borrowed funds and ability to make larger investments in any one enterprise; may be subsidiaries of corporations, CDCs, or other development organizations -- some may invest in a particular geographic area, or particular type of business (e.g., fast food franchises)
  - Local Development Companies (LDCs), investment companies formed under SBA guidelines to finance small businesses in a specific geographic area by borrowing from the SBA or using SBA loan guarantees to help businesses build, expand or convert plants, purchase land, or acquire machinery and equipment; local sources are expected to fund 20 per cent of a project's cost, or 10 per cent in ghetto or 'special' areas; LDC portion may be raised by selling stock, memberships, and/or debt securities, by obtaining grants, or by contributions from individuals, governments, corporations, etc.
  - Opportunity Funding Corporation, established originally through the Office of Economic Opportunity and recipient of significant levels of federal funding; incorporated as a private, non-profit organization to increase the flow of capital to depressed
- and partnerships with other organizations (CDCs, private corporations, etc.)
- The New Center Revitalization Program by General Motors in Detroit involving the New Center Development Partnership, a privately-financed consortium to create a residential development (New Center Commons); New Center Neighbourhood Services Corporation, a non-profit to facilitate funding and operation of community improvement projects; and the New Center Community Corporation, a wholly-owned GM subsidiary to carry out GM's involvement
  - The Purdue Square Neighbourhood Development Corporation, a partnership of GM and the J.L Hudson Company to revitalize a deteriorating neighbourhood in Pontiac, Michigan
  - The Lowertown Redevelopment Corporation, St. Paul, Minnesota
  - Milwaukee Redevelopment Corporation, Wisconsin

Type/Country

Financial and Related Assistance

Direct Development

Other

areas through risk reduction and secondary financing techniques, including a loan guarantee program operated through local and regional partners (CDCs, local or regional associations and other designated agencies)

- Local Initiatives Support Corporation, a non-profit founded by the Ford Foundation with support of six national corporations and another foundation, to raise capital on a national level and distribute this through local LISCs to areas that can raise matching funds for investments in ventures or projects that produce equity and revenue for the community-based organizations undertaking the initiatives; LISC will use grants or loans, preferring to invest the latter
- some CDCs -- e.g., the Kentucky Highlands Investment Corporation
- Centre for Community Self-Help Credit Union in Durham, North Carolina, provides membership equity loans to worker cooperatives to maximum \$5000/worker; a separate but related organization provides technical assistance and a revolving loan fund to assist the low-income worker or with high-risk ventures; a third related organization, Corporation for Cooperative Business, sells public securities to raise funds for small businesses unable to obtain private sector financing

<u>Type/Country</u>	<u>Financial and Related Assistance</u>	<u>Direct Development</u>	<u>Other</u>
<u>C. Public/Private</u>			
C1. Canada	- joint public-private venture capital organizations involving some form of public funding -- e.g., Manitoba's Venture Capital Program; and the Nova Scotia Venture Corporations Board		
C2. U.S.	- public-private EDCs	- Neighbourhood Housing Services Corporations, joining residents, local government authorities, local financial institutions and other businesses in projects to rehabilitate residential neighbourhoods	
		- joint public/private EDCs	

SOURCE:

Compiled by IUS from bibliographic sources.

APPENDIX D

Examples of Special Development Agencies and Partnerships -- U.S.

Type/Organization	Actors	Organizational Features	Funding	Projects
<u>A. Public/Quasi-Public</u>				
1. Dayton City-Wide Development Corporation (1976) (1)	<ul style="list-style-type: none"> <li>- 28-member board of trustees, 22 of whom are appointed by the city commission and six by neighbourhood priority boards (elected citizen policy groups)</li> </ul>	<ul style="list-style-type: none"> <li>- non-profit</li> <li>- own staff</li> <li>- wholly-owned Minority Enterprise Small Business Investment Corporation under a voting trust agreement</li> </ul>	<ul style="list-style-type: none"> <li>- begun 1972-73 under the federal Planned Variations Program with initial capitalization of \$3.75 million (from city and federal funding)</li> </ul>	<ul style="list-style-type: none"> <li>- a real estate development and investment corporation designed to develop the city's economic base, mainly through central business district and neighbourhood renewal</li> </ul>
2. Hartford Economic Development Corporation (1976)	<ul style="list-style-type: none"> <li>- board of 13 executives from the private sector and five public sector officials</li> <li>- appears to be essentially a self-selecting board</li> </ul>	<ul style="list-style-type: none"> <li>- non-profit</li> <li>- linked to the city's development commission and redevelopment agency through board appointments, and a contract with the development commission to carry out an economic development program</li> </ul>	<ul style="list-style-type: none"> <li>- initial funding from the Economic Development Administration</li> <li>- contract with the city</li> <li>- ability to use several financing tools in conjunction with the development commission (bonds, tax abatement, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>- expected to undertake/stimulate long-range development projects</li> </ul>
3. Charles Centre/Inner Harbour Management Corporation, Baltimore (1982)	<ul style="list-style-type: none"> <li>- information incomplete</li> </ul>	<ul style="list-style-type: none"> <li>- established by the city as a quasi-public, non-profit corporation</li> </ul>	<ul style="list-style-type: none"> <li>- contract with the city</li> </ul>	<ul style="list-style-type: none"> <li>- established to manage land acquisition, site preparation, construction, and packaging of development deals for the</li> </ul>

Type/Organization	Actors	Organizational Features	Funding	Projects
<u>B. Private</u>				<p>Charles Centre and Inner Harbour central city redevelopments</p> <ul style="list-style-type: none"> <li>- Charles Centre, a 33-acre integrated residential-office-retail-hotel project undertaken essentially through the private sector</li> <li>- Inner Harbour, a chiefly public sector waterfront and neighbourhood rehabilitation scheme (including convention and trade centres, museum, community college, etc.)</li> </ul>
1. Purdue Square Neighbourhood Development Corporation, Pontiac, Michigan (1983)	<ul style="list-style-type: none"> <li>- J.L. Hudson Company</li> <li>- General Motors Corporation</li> <li>- Dayton-Hudson Foundation</li> </ul>	<ul style="list-style-type: none"> <li>- private corporation in which Hudson and GM executives serve as two of the four officers</li> <li>- long-term goal is to be a self-supporting housing rehabilitation/rental agency</li> </ul>	<ul style="list-style-type: none"> <li>- revolving equity capital development fund created by sale of equity shares to local businesses, and \$100,000 investment from the Dayton-Hudson Foundation</li> <li>- Dayton-Hudson also shares annual operating costs with GM</li> </ul>	<ul style="list-style-type: none"> <li>- corporation makes loans to residents of target area for housing improvements, and buys and renovates houses for resale</li> </ul>

Type/Organization	Actors	Organizational Features	Funding	Projects
2. Old Philadelphia Development Corporation (1973,1976)	<ul style="list-style-type: none"> <li>- 64-member board drawn from major businesses and industry</li> <li>- criterion for membership: that a director be a president or chairman of his/her own firm</li> </ul>	<ul style="list-style-type: none"> <li>- non-profit</li> <li>- board supported by 27 member executive and standing committees</li> <li>- own staff</li> </ul>	<ul style="list-style-type: none"> <li>- operating costs supported by private subscription</li> </ul>	<ul style="list-style-type: none"> <li>- to assist in redevelopment of the centre city by co-ordinating joint public/private programs or projects, and functioning as a communications link, as well as undertaking its own projects</li> </ul>
3. Central Atlanta Progress (1982)	<ul style="list-style-type: none"> <li>- formed in 1967 by a merger of two business/property-owner associations concerned with the central city/downtown</li> <li>- membership limited to chief executive officers of businesses, and commercial property owners</li> </ul>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p>Central Atlanta Progress (private, nonprofit) 175 ± Members 15 Officers (meet monthly) 35 Executive Committee (meet quarterly) "Big Board" (102 directors) (meet annually)</p> </div> <div style="margin-left: 40px;">↓</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; display: inline-block;"> <p>Capacity, Inc. (charitable)</p> </div> <div style="margin-left: 40px;">↓</div> <div style="margin-left: 100px;">Owns 100 per cent</div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p>Central Atlanta Civic Development, Inc. (nonprofit, 1973) Board of Directors composed of representatives from: Citizens and Southern National Bank, First National Bank of Atlanta, Trust Company of Georgia, Bank of the South, National Bank of Georgia, Citizens Trust, Coca Cola Company, Rich's, Central Atlanta Progress</p> </div> <div style="margin-left: 40px;">↓</div> <div style="margin-left: 100px;">Owns 62.5 per cent of</div> <div style="border: 1px solid black; padding: 5px;"> <p>Park Central Communities, Inc. (for profit) Other stockholders (6.25 per cent each): Ackerman Company, Carter and Associates, Inc., International City Corporation, Phipps Land Company, Inc., Portman Properties, Inc., H.J. Russell Company</p> </div>	<ul style="list-style-type: none"> <li>- dues</li> <li>- sometimes general fundraising</li> <li>- the six banking institutions in Central Atlanta Civic Development, Inc. provided a \$10 million line of credit to Park Central Communities, Inc., and carried the Bedford-Pine project for five years until first land parcel obtained and development could begin (property was held by the Atlanta Housing Authority under an old urban renewal scheme)</li> </ul>	<ul style="list-style-type: none"> <li>- began by preparing a comprehensive area development plan under contract from the city; the plan served as the basis for a continuing series of public-private partnerships</li> <li>- served mainly as a planning/technical body and mechanism for linking diverse interests (public and private)</li> <li>- mid 1970s, became more directly active, promoting a new town-in town renewal scheme (Bedford-Pine) through its subsidiaries</li> </ul>

Type/Organization	Actors	Organizational Features	Funding	Projects
4. Allegheny Conference on Community Development, Pittsburgh (1982)	<ul style="list-style-type: none"> <li>- became operational at the end of the Second World War with actors from the city, key corporations, and connected to the Mellon family</li> <li>- continued as a body representing primarily the private sector</li> </ul>	<ul style="list-style-type: none"> <li>- non-profit educational and charitable trust</li> <li>- two planning and research affiliates - the Pittsburgh Regional Planning Association and Western Division of the Pennsylvania Economy League</li> </ul>	n/a	<ul style="list-style-type: none"> <li>- a major stimulus and a major source of plans for Renaissance I, 1945-60s, a period of significant public-private partnerships in projects to improve the city's environment, rebuild the CBD, and undertake general economic and physical development in the Pittsburgh region (including the Point Park and Gateway Centre Developments completed in the mid 1970s and 1960s respectively)</li> <li>- involved in several minority business development programs, 1960s-1970s, and social development in 1970s (education and health care planning)</li> <li>- influence over urban planning and development declined in 1970s with a more activist public sector, and different views/agendas held by the mayor and ACCD</li> <li>- did, however, continue to play a role, but not as a dominant partner, in Renaissance II (which featured new development actors (public and private) and a social development component)</li> </ul>

<u>Type/Organization</u>	<u>Actors</u>	<u>Organizational Features</u>	<u>Funding</u>	<u>Projects</u>
<u>C. Public/Private Partnerships</u>				
1. Philadelphia Industrial Development Corporation (1976,1977,1979)	- 30-member board of directors, eight of whom are selected by the Chamber of Commerce, seven are city officials, and 15 are private citizens selected jointly by the city and the Chamber of Commerce	- non-profit - two affiliates for which PIDC has responsibility: Philadelphia Authority for Industrial Development, and PIDC Financing Corporation (both involved in development financing)	- public sector (city, state) - private sector (Chamber of Commerce) - own revenues from property transactions and management fees, etc. - access to development tools such as IRBs, subsidized land sales, etc.	- is the economic development corporation for the city, having expanded its former role as an industrial development corporation - administers the city's land bank; is landlord of several commercial buildings; administers a public capital improvement fund; has the authority to renovate space, or build to specifications, for rental or sale
<u>D. Project-Specific Partnerships</u>				
1. Northpoint Project, Chicago (1983)	- Chicago Area Renewal Effort Service Corporation (RESCORP) - Standard Oil Co. (Indiana)	n/a	- estimated project cost = \$19.5 million - \$13.2 million in below-market-rate interim and mortgage financing from Illinois Housing Development Authority - \$3.4 million loan from City of Chicago, plus relocation assistance for affected tenants - \$2 million-plus in risk capital from Standard Oil and RESCORP	- renovation of some 304 units in 12 multiple-family housing structures with minimal tenant displacement



<u>Type/Organization</u>	<u>Actors</u>	<u>Organizational Features</u>	<u>Funding</u>	<u>Projects</u>
2. New Centre Revitalization Program, Detroit (1983)	<ul style="list-style-type: none"> <li>- New Centre Development Partnership</li> <li>- New Centre Neighbourhood Services Corp. (non-profit)</li> <li>- General Motors Corporation through wholly-owned subsidiary, New Centre Community Corporation (NCCC)</li> </ul>	<ul style="list-style-type: none"> <li>- partnership arrangement with GM (NCCC) as the general partner and 14 other Detroit firms as limited partners</li> </ul>	<ul style="list-style-type: none"> <li>- \$1.3 million of initial capitalization of \$2.85 million provided by GM; remainder from the 14 partners</li> <li>- total estimated cost to be financed from public and private sources = \$15 million</li> </ul>	<ul style="list-style-type: none"> <li>- renovation of 125 houses and townhouses and 175 apartment units, as well as street- and landscaping</li> <li>- adjacent private housing and commercial development, including a GM-Trizec Corp. office/retail complex</li> </ul>

FOOTNOTES:

1. The years in brackets refer to the dates of the sources from which the information was taken.

SOURCE:

Compiled by IUS from bibliographic sources.

APPENDIX E

New Dawn Enterprises Limited, Nova Scotia

New Dawn Enterprises Limited is a community economic development organization based in Sydney and targeting its efforts to socioeconomic development in industrial Cape Breton. It is self-described as an attempt to combine moral purpose, social justice and technical competence in comprehensive community development planning and activity; and to integrate economic development with the broader concerns of the community. It also is considered part of the cooperative tradition which believes ordinary citizens can influence their community's fate by controlling local economic institutions.

Four contextual factors influenced New Dawn's formation:

- economic decline and high unemployment in Cape Breton, particularly in the coal and steel industries
- outmigration as an "official" solution to economic problems
- private sector centralization of economic activity coupled with federal government policy to promote selected growth centres outside Cape Breton
- citizen organization and lobbying to retain and enhance certain educational institutions in Cape Breton, as well as a perceived desire to establish alternative economic structures and become more self-reliant.

New Dawn was preceded by the Cape Breton Association for Co-op Development (CBACD), formed as a non-profit society in 1973, and the Shining Waters Housing Association, incorporated in 1975. CBACD projects involved building renovation and rental, and jobber training. Provision of renovated space for a local crafts school, which involved a complex arrangement of short-term, mortgage and member financing, was among the major projects. Shining Waters was formed to build houses under the federal assisted home ownership program.

In 1976, New Dawn was incorporated as a non-profit organization after it was determined that the cooperative model lacked sufficient breadth and flexibility (especially on the question of use of dividends) to undertake desired actions. Health and Welfare Canada agreed to fund five core staff positions for a three-year period as a demonstration project.

The organization's early structure consisted of a coordinative/administrative core, as well as business, social and cultural divisions. The business division included construction and property management departments. In addition to the board chairman, key management officers were the general manager and social development director.

CBACD and Shining Waters became subsidiaries governed by interlocking boards of directors and a management contract with New Dawn. Affiliated organizations were the Cape Breton School of Crafts, a senior citizens' resource centre, and groups using the multipurpose metrocentre operated by New Dawn in Sydney.

Subsequent restructuring led to three divisions (management services, business development, and social-cultural development) and four subsidiaries: CBACD which has ownership of New Dawn's housing properties and undertakes non-profit housing development; New Day Ventures Ltd., which owns all land holdings; Highland Resources Ltd., a consulting firm; and Tex Auto Parts Ltd., a retail outlet for used car parts.

New Dawn's board is comprised of 14 directors selected by the organization or delegated by certain community-based organizations. The board is supported by volunteer committees which oversee specific activity areas or projects. Some 50-70 specialists and other volunteers generally are active in this way.

Responsibility for community control of New Dawn rests with the board and committees since the organization has not sought a broadly-based membership. It is argued by representatives of New Dawn that the organization's economic emphasis makes it an unsuitable instrument for mobilizing mass participation; nor does New Dawn have the necessary resources to undertake the education and animation required to ensure such participation is more than tokenism. It is considered incumbent on the board and committees to thoroughly understand the community, be responsive to legitimate needs, evaluate the social as well as commercial viability of projects, and ensure New Dawn does not become dominated by staff-initiated direction/projects.

Sources provide very little detailed financial data on New Dawn. In addition to the early federal core funding, the organization relied on job creation grants, federal non-profit housing programs and conventional financing of business enterprises. As of 1984, the organization had real estate assets of some \$7 million in value. The 1983-84 operating budget, including subsidiaries, was \$1.2 million. Its business projects generally were said to be self-supporting and, by 1981-82, New Dawn apparently had accumulated equity of about \$250,000. However, it had not become independent of the need for some public assistance to undertake projects, nor had it been able to generate sufficient internal funds for the social development and venture capital activities it wished to undertake.

New Dawn's early activities continued the property acquisition - construction/renovation foci established by its predecessors. Projects were sought that met unfilled needs; were not of interest to other companies; could incorporate several objectives (job training, provision of housing and equity-

building, for example); could convert short-term grants into something of longer-term community benefit; and would be self-supporting. Projects included:

- provision of facilities and recruitment of tenants for for three dental clinics
- construction and renovation of housing in several communities (as of 1983, New Dawn had a rental portfolio of 95 units with 36 others under construction)
- establishment and operation of a seniors' residence, and involvement in organizing and providing facilities for four group homes
- establishment of the subsidiaries noted above as well as a pottery studio in the Sydney Mines area
- provision of community information, referral and counselling services
- promotion of local culture and artists
- organizational and technical assistance to other local groups.

By 1983, New Dawn was providing direct or indirect full-time employment to 35 persons, and part-time or temporary employment to an average of 65 persons annually. Additional employment occurred through construction contracts.

Key problem areas for New Dawn have included the following:

- Concentration on real estate development, coupled with restraints on earnings and cost recovery associated with federal non-profit housing programs, meant the organization was not able to create sufficient short-term internal funds for social development or high-risk business projects. Concerns also occurred because of a lack of diversification of business projects, and reliance on the cyclical, competitive business of construction. New Dawn began examining formation of a local venture capital fund as one option to help it diversify and undertake additional projects.
- The rapid growth of the organization in the latter 1970s left little time for long-range planning and effective policy development. Concerns were raised about the potential for haphazard attempts at expansion to areas that might conflict with stated goals or create the impression that ventures were poorly planned.

-- A number of organizational problems were associated with the rapid growth as well:

- internal conflict over, and difficulty of managing, decentralized operations, authority and responsibilities - including issues such as the appropriate role of field management, and the appropriate relationships between New Dawn and its subsidiaries
- internal conflict over business and social goals, and how they may best be integrated and pursued
- apparent lessening of board control over organizational initiative and management, as the staff role grew increasingly influential
- lack of authority for committees, coupled with unclear reporting lines to the board and uneven committee performance.

New Dawn faced initial opposition from certain private sector and labour organizations. However, its greatest difficulties in external relationships stemmed from restrictive and fragmented public sector programming and administration.

SOURCE:

Compiled from bibliographic sources.

APPENDIX F

Key Evaluation Findings from Selected Studies  
of U.S. Community-Based Development Organizations<sup>1</sup>

Source, Nature and Target of Study	Findings Re:				
	Planning/Policy	Organization	Operations/Activities	Funding	Outputs/Performance
<p>-Mayer, <u>Neighbourhood Organizations and Community Development: Making Revitalization Work</u> (1984)</p> <p>-based on a comparative analysis of the work of 99 urban neighbourhood development organizations that received 1980 Neighbourhood Self-Help Development Grants, and case study visits to a representative sample of 30 of these NDOs</p>	-	<p>-lack of staff technical and financial expertise; although many NDOs successfully drew on external assistance, most needed to generate additional forms of cooperation, especially with the private sector</p> <p>-most significant contributors to good performance were: a broadly-skilled executive director; a key staff member with project experience and responsibility; understanding of the issues of project financial feasibility; and a track record that attracted outside support and skills</p> <p>-in specific situations, management, teamwork, staff skills and board participation also were important</p>	<p>-largest group concentrated on housing activities and were best categorized as non-profit housing corporations</p> <p>-project experience tended to be limited to a few projects in a narrow spectrum of fields</p> <p>-most consistent geographic pattern was that NDOs functioned in troubled neighbourhoods</p> <p>-external economic and policy factors, coupled with the problems of working in depressed/declining communities, placed a continuing drag on NDO activities/achievements</p> <p>-most important aspects of NDO relationships with other organizations were: level of support for the NDO from its community; the quality of working relationships with local government; and access to competent technical assistance where required</p>	<p>-median organizations generated other monies equal to three times the amount of their NSHD grant; the most successful group achieved ratios with a value of over nine</p> <p>-on average, NDOs were able to garner their targeted additional funding, but nearly one-quarter of the projects achieved only half or less of their goal</p> <p>-one-quarter of the supplementary funds were from the private sector</p> <p>-volunteer components comprised an estimated 10% of total project resources</p>	<p>-on average, NDOs completed 65% of tasks they laid out for themselves by end of Mayer's two-year study (figure is adjusted for those projects not intended for completion by end of study)</p> <p>-finished and in-progress projects = 1,800-plus renovated housing units, more than 200 weatherized* homes and solar installations, 125-plus new housing units, four community facilities, nearly 80 permanent jobs as a result of economic development projects, more than 80,000 square feet of renovated or new commercial space, 11 new NDO-owned ventures, and assistance to nearly 50 businesses</p> <p>-above outputs= 50% of intended new housing units and commercial space, 80% of renovated housing units, 40% of targeted jobs and assistance to businesses</p> <p>-were consistently able to direct project benefits to neighbourhood residents and businesses</p> <p>-was evidence of significant capacity-building internally and in external NDO relations, but considerable advances still required for NDOs to expand scope and scale of efforts</p>

Source, Nature and  
Target of Study

Findings Re:

Planning/Policy

Organization

Operations/Activities

Funding

Outputs/Performance

Source, Nature and Target of Study	Planning/Policy	Organization	Operations/Activities	Funding	Outputs/Performance
<p>-Mayer and Blake, <u>Keys to the Growth of Neighbourhood Development Organizations</u> (1981)</p> <p>-field studies of 12 NDOs, combined with literature review and interviews with recognized experts in area of neighbourhood development/organizations</p> <p>-a number of findings were reaffirmed by Mayer (1984) and are noted above</p>	<p>-one-time process leading to a long-term, comprehensive plan less useful than a continuing, informal process for developing organizational focus and strategy</p> <p>-importance of flexibility and resourcefulness -- to identify opportunities, and respond and adjust to changing conditions</p> <p>-important to find strategies that build on opportunities and reduce constraints</p>	<p>-important to control work levels for key staff to avoid overload and permit time for careful planning, project preparation, etc.</p> <p>-clear, internally agreed upon role definitions for board and staff (policy and administration) required, as well as efforts to maintain good communications and consensus re direction between the two</p> <p>-close parental control of spin-off organizations required to better exploit available resources and opportunities, avoid internal conflict, and maintain common direction</p> <p>-careful attention required to build organizational capacity and internalize</p>	<p>-inappropriate project choices made some NDOs vulnerable to deteriorating economic conditions, and to projects too large and complex for their capabilities or access to resources</p>	<p>-necessary to pursue long-term development of linkages with funding sources; creation of wide networks especially important for NDOs with less positive relations with their local government</p> <p>-securing early risk-takers of regional or national prominence can help legitimize an NDO</p> <p>-important to seek alternatives to capital assistance, especially where private sector is reluctant to make loans (e.g., title to land, foreclosed or abandoned buildings; technical assistance; etc.)</p> <p>-importance of diversifying sources of funding and developing a level of financial self-sufficiency</p> <p>-important to be selective re funding opportunities to ensure these are compatible with organizational goals and capabilities</p>	<p>-</p>

Source, Nature and Target of Study	Findings Re:				
	Planning/Policy	Organization	Operations/Activities	Funding	Outputs/Performance
		<ul style="list-style-type: none"> <li>project skills/knowledge needed for continuing success</li> <li>-membership on board of directors a crucial element in NDO-community relationships</li> </ul>		<ul style="list-style-type: none"> <li>-those NDOs most successful in taking advantage of fund inflow were those whose capacities had kept pace with or exceeded previous funding levels</li> <li>-projects generally were underfunded, especially by government, which created difficulties in implementation and meant limited discretionary resources were allocated to supposedly fully-funded projects</li> </ul>	
<ul style="list-style-type: none"> <li>-Mier and Wiewel, in <u>Journal of the American Planning Association</u> 49,3 (Summer 1983): 316-325.</li> <li>-based on authors' work with, or case studies of, 19 community-based organizations, 14 of which were in Chicago</li> <li>-focus was the experience of businesses established or planned by these organizations (22 projects)</li> </ul>	<ul style="list-style-type: none"> <li>-primary reason for contemplating or undertaking business development was job creation in 14 of 17 projects in Chicago; in more than 50% of these cases, funds for training programs were expiring and organizations wished to retain trainees</li> <li>-in some cases, community service was an important consideration</li> </ul>	<ul style="list-style-type: none"> <li>-desire to maintain parental control reflected in predominance of three models: wholly-owned or majority controlled subsidiaries, and operation of the venture as a program of the founding organization</li> </ul>	<ul style="list-style-type: none"> <li>-significant nurturing period (one for four years) required to develop revenue-generating ventures (to enable organizations to adjust scale and complexity of operations, and develop new functions)</li> <li>-time required also to develop a niche in the market</li> <li>-two potential risks were identified: without conscious and continuous efforts, community organizations can become strikingly similar to other busi-</li> </ul>	<ul style="list-style-type: none"> <li>-formation of equity pools can be a key catalyst by which public bodies, or public-private partnerships, could stimulate new business ventures</li> <li>-greatest probability of success was associated with mixed models where revenues for the venture could be derived partly from the market and partly from subsidies</li> <li>-success defined as the generation of significant profits was least likely to be achieved</li> </ul>	



Source, Nature and Target of Study	Findings Re:				
	Planning/Policy	Organization	Operations/Activities	Funding	Outputs/Performance
<p>-Cunningham and Kotler, <u>Building Neighbourhood Organizations</u> (1983)</p> <p>-based on studies of 15 organizations, 1977-82</p> <p>-several findings with regard to organization and funding are similar to those in the above three studies</p>	<p>-most significant difference among organizations was that of strategy -- whether to be a pressure/advocacy organization, a service organization, or to combine the two; the majority of neighbourhood organizations do not move beyond the stage of low-budget, volunteer-based advocacy groups</p> <p>-all the organizations reviewed required improved research and planning, especially as they became involved in more complex issues and activities</p>	<p>-the big-budget, service and economic development organizations all required more active members but had given away their strongest lever to gain them -- i.e., they gave away their services without requiring active membership in return</p> <p>-organizations, however, faced a dilemma re involvement of people in decision-making without having the process impede decision-making and efficiency</p>	<p>nesses (e.g., a CDC which hired a prominent anti-union law firm during a 1982 strike by employees); and projects which are progressive and positive at a small scale may not be at a larger scale (e.g., may result in job displacement)</p> <p>-</p>	<p>-</p> <p>-case studies indicated neighbourhood organizations seldom made money through economic development</p> <p>-organizations tended to be undercapitalized, ineptly managed, and dependent on federal programs</p>	<p>-</p>

Source, Nature and Target of Study	Findings Re:				
	Planning/Policy	Organization	Operations/Activities	Funding	Outputs/Performance
<p>-Woodstock Institute, <u>Evaluation of the Illinois Neighbourhood Development Corporation (1982)</u></p> <p>-INDC is the holding company for South Shore Bank, Chicago (SSB)</p> <p>-evaluation focus was the fate of community banks and role of bank-sponsored CDCs (i.e., lessons from the South Shore Model)</p> <p>- data covered the 1974-80 period</p>	-	-SSB's relationship with associated INDC and other neighbourhood organizations (including a MESBIC, an LDC and a real estate development company) enabled complementary actions to address local problems and SSB to undertake riskier loans (especially to small business)	<p>-SSB had adopted several different underwriting standards for both mortgages and business loans compared to other Chicago banks, with a resulting emphasis on finding ways to make loans work as long-range investments in the community</p> <p>-SSB's business lending was selective, reached businesses that otherwise might be unable to get loans, and was profitable -- but not as profitable as the industry average due to the high transaction, information and technical assistance costs associated with this function</p>	<p>-use of longer-term development deposits by non-community organizations supportive of SSB helped make a dramatic turnaround in the bank's health after its purchase from private interests in 1973</p> <p>-nonetheless, both SSB and INDC were considered undercapitalized, and INDC was severely constrained by its debt payments for the bank's acquisition</p>	<p>-South Shore Bank and related organizations had demonstrated:</p> <p>a) it is possible to be a sound risk and operate profitably serving lower income neighbourhoods</p> <p>b) good customers are to be found among business and property owners in lower income neighbourhoods</p> <p>c) a bank holding company can operate community development subsidiaries and undertake riskier endeavours without impairing the basic banking business</p> <p>d) the combined commitment of a holding company and its subsidiaries can make a visible impact on neighbourhood problems, although this may entail higher operating costs and lower profits, at least initially</p>
<p>-Perry, <u>Building a Model Black Community: The Roxbury Action Program, Boston (1978)</u></p> <p>-an historical outline of RAP's activities with some evaluative commentary</p>	<p>-planning and energy vulnerable to external events beyond local control, especially political disputes among local government agencies, changes in government programs, and economic conditions</p> <p>-RAP's emphasis on housing makes it particularly vulnerable to changes in public housing policy</p>	<p>-RAP able to draw in a wide range of support through use of the professional planning group technique to find and match the right people to the right tasks at the right time</p>	-	<p>-example of an organization which deliberately avoided government core funding, preferring its own ability to acquire private gifts, other resources and public funding for specific projects</p>	<p>-has made ground-breaking use of innovative ways to finance housing activity -- including the use of limited dividend, limited partnership, tax-sheltered development, and functioning as a turnkey developer for the local housing authority</p> <p>-RAP's business ventures, in contrast, generally unsuccessful due to insufficient priority, lack of skilled</p>

Source, Nature and  
Target of Study

Findings Re:

Planning/Policy

Organization

Operations/Activities

Funding

Outputs/Performance

-Ahlbrandt and Brophy,  
An Evaluation of  
Pittsburgh's Neigh-  
bourhood Housing  
Services Program  
(1975)

-covers period 1968-  
74 and compares  
neighbourhoods in  
the area of NHS  
operation with con-  
trol neighbourhoods

-this was the model  
project for NHS cor-  
porations subsequently  
established across  
the U.S.

-

-able to draw in as  
board members banking  
and other business re-  
presentatives, citizens,  
public officials, and  
representatives of  
community organizations,  
which in turn facili-  
tated code enforcement,  
increased conventional  
lending activity, and  
improved public ser-  
vices for the community

-replication of the proj-  
ect dependent on neigh-  
bourhood conditions/  
reasons for decline, and  
ability of citizens to  
coalesce and be motivated  
to upgrade and preserve  
the community -- this  
citizen role was essen-  
tial to NHS's success as  
a self-help project

-code enforcement an  
essential corollary  
to neighbourhood  
stabilization to spur  
improvements unlikely  
to occur on a vol-  
untary basis

-able to success-  
fully attract  
contributions to-  
taling \$600,000  
from a locally-  
based foundation  
to establish a  
revolving loan  
fund available  
on a subsidized  
interest-rate  
basis to non-  
bankable home-  
owners, mostly  
for housing  
improvements

-additional con-  
ventional lend-  
ing activity and  
public sector  
service improve-  
ment/investment  
were crucial  
elements of  
success

-NHS was able to  
garner sufficient  
contract/management  
fees to support oper-  
ations without tap-  
ping repaid loan  
principal and interest

staff, and problems related  
to specific ventures

-overall achievements relatively  
small compared to goals;  
greater staffing, expertise  
and level of activity, as well  
as financial reorganization,  
required to do the kind of  
comprehensive revitalization  
RAP seeks

-condition in the community  
had improved relative to con-  
trol areas but change was not  
uniform throughout the com-  
munity

-in the neighbourhood in which  
NHS concentrated resources/  
effort, it had significant  
impact and complemented code  
enforcement which might other-  
wise have led to displacement  
or housing abandonment

-NHS's presence provided finan-  
cial and psychological support  
in motivating attitude change  
about the future of the com-  
munity among residents, and  
private- and public-sector  
officials

-loan default/delinquency  
experience of NHS fund was  
acceptable and below bankers'  
estimates at outset of program

Source, Nature and Target of Study	Findings Re:				
	Planning/Policy	Organization	Operations/Activities	Funding	Outputs/Performance
<p>-Garn, et al. <u>Evaluating Community Development Corporations - A Summary Report</u> (1976)</p> <p>-a two-year study (1972-74) to explore quantitative evaluation measures for CDCs and assess three CDCs supported by the Ford Foundation (The Woodlawn Organization, Bedford-Stuyvesant Restoration Corporation, and Zion Non-Profit Charitable Trust)</p>	<p>-the CDCs studied experienced increasing need for formal planning to account for possibilities of joint action across subsidiaries and to minimize conflicts among objectives</p>	<p>-the organizations studied tended to adopt increasingly formal structures, and to more clearly delineate responsibilities and goals of each subdivision</p> <p>-joint venture arrangements appeared to be more effective alternatives to technical assistance where the return to external actors was tied (with positive incentives) to successful outcomes</p>	<p>-the organizations concentrated on real estate development (housing, business development and commercial development) with mixed results, especially in rehabilitation, shopping centre development, and co-ventures with external construction firms</p> <p>-efforts to diversify, especially into manufacturing, were mixed and relatively modest</p>	<p>-dominant role of project specific v. discretionary funding constrains the range of CDC activities and requires inordinate time and energy to mobilize resources</p> <p>-if community needs and interests contrast too sharply with those of funding sources, a CDC may not be able to become self-sufficient even if most programs are devoted to revenue generation -- continued separation of resource suppliers and community will perpetuate dilemmas re resource mobilization and program allocation strategies</p> <p>-each CDC would require continued subsidy over a 5-10 year period to just sustain existing programs and activity levels, especially in social development/services</p>	<p>-effects of external events and policies, and urban change, are probably greater for CDCs than other organizations</p> <p>-the subsidiaries of the study CDCs fell short of objectives set for the study period due to overly optimistic expectations, unanticipated events, and low performance in some cases</p> <p>-relatively few of the for-profit subsidiaries were able to move from potential to actual profit centres during the study, but all were able to generate 'own' revenues</p>

FOOTNOTES:

1. The selection is from third-party evaluations or reports only. Bibliographic sources contain several self-generated evaluative or case study reports by CDCs, but these were not included above.

## Appendix G

### Conventional Economic Development in Winnipeg

The private sector is heterogeneous - ranging from the small entrepreneur, sometimes a recent immigrant attempting to adapt prior expertise to another socioeconomic system; to local or externally-controlled corporations operating internationally. Their actions reflect internal and external market conditions/prospects, as well as the environment provided by the public sector. The two senior governments have sought to stimulate net growth primarily through:

- . promotional activities (e.g., trade missions, fairs, support for market/product research and development)
- . financial assistance (e.g., locational and job creation incentives, subsidies for physical expansion)
- . technical assistance (especially for small business development)
- . infrastructure development/improvements (ranging from transportation projects to large-scale hydroelectric development in the north).

More direct government involvement has occurred through the decentralization of certain federal functions (e.g., the mint and the taxation data centre); locational decisions about the headquarters of certain public sector operations or agencies; and ownership or financial involvement/control in specific enterprises.

Both levels of government are responsible to constituencies extending beyond the City of Winnipeg. With the exceptions of the Core Area Initiative and North Portage Development Corporation, their policies and programs tend not to be exclusively committed to economic development in the city. Indeed, for purposes of more balanced provincial or regional development, efforts may be made to maintain or expand economic activity in non-Winnipeg locations, or to divert or decentralize development from Winnipeg. The senior governments tend to be responsive to regional,

sectoral or ad hoc needs given the absence of federal, provincial or civic policy frameworks for urban economic development.

The municipality's role has involved promotion; provision and servicing of infrastructure, including industrial parks; land-use planning; and regulation. Few direct financial incentives have been offered in recent years. However, the expropriation power has been exercised for several private and public downtown redevelopment projects. The city also has functioned as a direct developer (e.g., a commercial project as part of the underground concourse at Portage and Main). With the Winnipeg Square project, the city engaged in a process whereby it retained ownership of expropriated lands, leasing the air rights to the developers on a long-term basis. With appropriate planning and terms, such a process could produce revenues to support other types of economic development.

In contrast to the senior levels of government, there is no municipal department or officer with an exclusive economic development mandate. Some related functions are performed by the Department of Environmental Planning. The city also contributes financially to the Winnipeg Business Development Corporation.

The WBDC is one of a number of organizations with economic development interests. It, and preceding industrial/economic development boards, have focussed on attracting new business, especially manufacturing; retaining and nurturing existing businesses; and market development. Among current projects is an effort to stimulate local purchasing through an educational program on the local goods and services available for use by others in the community. WBDC was co-established by the city and the Winnipeg Chamber of Commerce. Its appointed board of directors consists of business, labour, university and government representatives. It does not receive specific policy direction from the city, nor are its general development objectives formally linked with industrial or other business programs of the Core Area Initiative.

Private-sector membership organizations--such as the chamber, the Downtown Winnipeg Association (DWA) and the Winnipeg Business Club --and promotional organizations--such as the Winnipeg Convention and Tourist Bureau and Winnipeg A.M.--also advance economic development interests. While most organizations have some permanent staffing, they generally also rely on volunteer initiative to undertake development-related programs within or outside their memberships. The DWA, in operation since 1955, has pursued promotional campaigns, aesthetic improvements, parking improvements, property taxation issues, and introduction of legislation enabling formation of business improvement districts within the city. However, the organization's active membership has not had the consistent involvement of major downtown owners/tenants; it also has not had a formal role within major downtown projects under the Core Area Initiative or North Portage Development Corporation.

#### North Portage Development Corporation

NPDC was incorporated in 1983 with the three levels of government as its shareholders; \$71 million in public capitalization; and a mandate to redevelop a defined area north of Portage Avenue in Winnipeg's downtown. Nearly three blocks of land have been expropriated and cleared, with construction to soon commence on an enclosed shopping complex, an office tower and the first stage of high-density housing. NPDC's responsibilities are land assembly; provision of public amenity space, parking facilities and skywalk links; infrastructure development and improvements; and overall coordination and implementation of development. NPDC has retained ownership of the land and, in the case of the shopping complex, has entered into a lease agreement providing for a guaranteed base rent plus participation in future project income.

This is not the first attempt to establish a public corporation to undertake direct development in Winnipeg's downtown. A similar concept was advanced by the provincial government in the 1960s in association with the Centennial Centre redevelopment. However, the realized scale of the

redevelopment fell short of original plans for the target area. In contrast, the initial experience with NPDC has been considered a welcome innovation and a model for implementation of other downtown renewal projects including proposed reclamation of the Canadian National Railways' East Yards on the fringe of the downtown.

Three elements of the NPDC model are perceived to be advantageous:

- . The substantial public capitalization, in the forms of expropriated land and financial capital, provided significant incentives to overcome impediments to large-scale investment and redevelopment in the target area. The NPDC, which was an off-shoot of the Winnipeg Core Area Initiative, has been capitalized to a level that is some three-quarters of that provided to the Core Area Initiative with its several key sites and wider range of programming.
- . The development corporation structure has removed project decision-making from direct involvement by the political and civil service components of government. This is perceived to encourage more flexible planning, decision-making and operation (within the context of regular zoning, subdivision and other controls), as well as provide private-sector actors with a single, consistent point of contact and negotiation. Concerns about public accountability are perceived to be addressed through the shareholder structure, government control of board appointments, and pre-designation by the shareholders of the overall components of the redevelopment.
- . Retention of land ownership by NPDC provides potential for public investment to be recouped and recycled for other development purposes, assuming the leasehold terms adequately provide for the realization of such returns and the project is viable.

In addition, efforts are underway in the adjacent North Ellice mixed-use area to undertake complementary housing and amenity development. This area is within NPDC's geographic mandate, but program implementation and planning responsibilities have remained with the Core Area Initiative.



APPENDIX H

Community-Oriented Development Organizations in Winnipeg, 1985

Orientation	Examples/Discussion
- business improvement, economic development	<p>L'Association des Commerçants du Vieux Saint-Boniface - was formed in 1980 to promote and develop the commercial and other economic aspects of Old Saint-Boniface; in particular, to organize and develop the Provencher Boulevard 'Main Street'. Principal activities have been: attraction of businesses to the area, storefront and streetscaping improvements, area promotion, and organizational development. Also, the association is the main sponsor of the Saint-Boniface LEAD Corporation. CAI programs have been the main source of development assistance (i.e., the Small Business Assistance and Neighbourhood Main Streets Development programs). Evolution to broader socioeconomic objectives is perceived to require an educational process; interdependence with the local residential community is recognized, however.</p>
	<p>The Exchange (Old Market Square) Association - has its roots in the activities of local businessmen in the 1970s to revitalize the historic warehouse district by reintroducing its market function and re-using buildings for retail, office, cultural, service and other purposes. The association became part of Heritage Winnipeg along with the three levels of government. Its activities included area planning; involvement in streetscaping, signage and other physical improvements; historic building preservation; and organization of a summer, weekend, open-air market. However, the association had financial, staffing and other organizational problems. More recently, it has functioned mainly as an advisory and advocacy group, as well as continuing to organize the summer market. Direct responsibility for heritage area planning and development has been assumed by the CAI office. The association wishes to pursue funding under LEAD and, possibly, a BID. It is perceived to require permanent staff resources to be able to function more actively as a planning and development organization.</p>
	<p>Saint-Boniface LEAD Corporation - is currently in the planning phase of LEAD and, as such, is pioneering application of this program to an urban setting. LEAD objectives are permanent job creation and local enterprise development. In Saint-Boniface, the program's application is occurring in an interorganizational context that is oriented to a broader mix of socioeconomic goals. LEAD is perceived as one complementary tool or component to achieve those ends.</p>
- business improvement, economic development, but in transition to pursuit of additional socioeconomic objectives	<p>Main Street Revitalization Group Inc. - was established in 1982 with successful efforts to have the area included in the CAI's Neighbourhood Main Streets program. Its primary objective is to promote the social, economic and physical development of the group's key site area. Principal activities have included renovation of an area commercial building; planning; storefront and window display improvements; small business assistance; offstreet parking; and area promotion. Some effort has been expended on social services, community outreach (a summer fair), crime prevention, residential development and historic preservation. However, resource constraints, especially in staffing, have limited these kinds of activities. MSRSG wishes to pursue locally-based employment for the area's unemployed; it has applied for assistance under LEAD.</p>

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Orientation

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Examples/Discussion

- engaged in joint pursuit of economic and social objectives

Selkirk Avenue 100 Plus Group Inc. - was formed in response to plans to designate the area under the CAI's Neighbourhood Main Streets Development program. Its focus is on storefront renovations, streetscaping/public amenities, and small business assistance funded through the CAI. Effort also has been expended to define a role in employment creation, coordination of area housing activities, and as a broker in packaging various types of assistance and facilitating project approvals. At present, however, the principal orientation is commercial development and physical improvements on Selkirk Avenue.

Logan Community Committee Inc. - was born as a result of local opposition to plans to displace a residential area by a CAI-developed industrial park. The activism led in 1982 to revised plans for a mixed-use neighbourhood with residential, commercial and small business components. The community development corporation and provincial government agencies, with CAI financial assistance, undertook the relocation and renovation of structurally-sound houses within a new subdivision in the area; infrastructure redevelopment; construction of multiple- and single-family housing; renovation of a community facility (Logan House); associated attraction of adult education and other social development programs; and pursuit of commercial development. The CDC is the local housing authority (under the auspices of Manitoba Housing); it also is performing a broker function between governments and area residents who are perceived to distrust government as a result of their experiences. Because its geographic mandate is very limited, the CDC may engage in consulting and development activity beyond its boundaries. While the recent emphases were on physical redevelopment, important aspects of the CDC are perceived to be its role in community empowerment and capacity building, and as an organizational catalyst and advocate.

Nouvelle Economie Urbaine Francophone Inc. - was founded in late 1983 to promote and develop socioeconomic projects in the area east of the Red River including the communities of Saint-Boniface-St. Vital and Kildonan East-Transcona. As a CDC, it is a key component, along with the LEAD corporation, of the organizational framework for CED activity in the area. Primary activities have been planning and consultation with other groups, but NEUF also has been involved in housing projects, property management, social services and organizational assistance for a housing cooperative. It has raised its own internal revenues/resources for operations while capital financing has come from various sources including conventional loans and CMHC.

Winnipeg Chinatown Development (1981) Corporation - was established in response to CAI area designation, but had roots in plans and proposals since the latter 1960s to redevelop and revitalize Winnipeg's Chinatown. The WCDC currently is engaged in a multiple-use, housing, commercial and cultural redevelopment project, with complementary streetscaping and other amenities. Financial assistance has come from the CAI, Canada Mortgage and Housing Corporation (for the non-profit housing component), and Destination Manitoba (as well as property investments by the Chinese community and a government land lease). WCDC is actively pursuing offshore (Hong Kong) investment to fulfill other components of a plan to redevelop the eight-block Chinatown area. While the corporation has included cultural and housing objectives in the project, its primary orientation is business development and physical renewal.

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Orientation

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Examples/Discussion

- Riverborne Development Association Inc. - was established in 1980 to address perceived needs for social, economic and physical improvements in an inner city area characterized by a heterogeneous population/socioeconomic profile, and by private-sector pressures for redevelopment to produce higher density, upscale housing. It has a one-share subsidiary, the Riverborne Housing Corporation (non-profit) which undertakes mainly rehabilitation projects. With CAI assistance, the RDA secured a vacant gas station and parking lot at a key area intersection. The station was converted to a theatre/cultural centre, while the parking lot was used to lever a senior citizens' non-profit housing project with associated parking and commercial space. Other activities have included social services, advocacy, planning and consultation. Project management outside RDA's geographical area is an important component of revenue, and utilization of staff resources when RDA's other activities are less demanding. Various sources of financing have been used-- conventional loans, internal revenue generation, public-sector job creation and housing programs, some corporate assistance, and co-ventures with the public or third sectors. Current core administrative staff consists of five persons. The construction crew complement has averaged up to 50 persons.
- Native socioeconomic development organizations
- Several existing and emerging organizations are pursuing CED or are in transition to that kind of orientation. The movement is concurrent with that in the non-native community, and reflects a similar divergence in basic orientations-- i.e., some groups have a strong business/economic development orientation; others are coming from a social service/ community development background. However, the movement also is distinct from that in the non-native community. There are different funding sources which it may call upon (including the Native Economic Development Program); an orientation to target communities of people (vs. geographic areas); organizations which have Manitoba vs. exclusively Winnipeg mandates; and sociocultural motivations and life experiences which bring distinctive perspectives to objectives-setting, organization and operation. One of the most consistent perceptions to emerge from interviews for the Winnipeg case study was the view that application of this approach was most relevant to the Native community.
- emerging organizations with community-oriented, economic development as a goal
- One group of these is emerging out of the merchants' association - Main Streets model, and includes business-oriented organizations on Sargent and Broadway Avenues. The latter, in particular, appears to have active linkages with those engaged in community development in the Broadway area.
- provincially-based, umbrella organization promoting joint social and economic objectives
- La Société Franco-Manitobaine - promotes economic, cultural and educational development of the French-speaking population of Manitoba. Since 1980, it has had an economic development division that has functioned as a catalyst and source of technical assistance for the preparation and implementation of economic plans - and organizations such as NEUF and local investment clubs. It also has undertaken research projects to identify and assess the viability of development opportunities in Saint-Boniface and rural communities.

Source:

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