Revitalizing American Cities: Do Community Development Corporations Matter?

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Abstract

Policy makers have been faced with identifying solutions to address poverty and other social problems facing U.S. cities. Community development corporations have emerged as major players in the rebuilding of cities across America. Research has shown that CDCs have been successful in their quest in the revitalization of neighborhoods and communities (Vidal, 1992). However, little research has focused on the success of their efforts on a city level. This study seeks to address this gap in the literature. Using data collected from the American Community Survey and Guidestar on U.S. cities and CDCs, this paper examines to what extent are CDCs revitalizing U.S. cities by developing three models of city revitalization. The study finds a negative relationship between the amount of monies spent by CDCs on programs and administration, and the amount of people living below poverty. Additionally, a negative relationship is also found between CDC expenditures and the percentage of vacant housing in U.S. cities.

For more than half a century urban poverty has been on the agenda of political actors. This issue received much attention in the 1960's when Lyndon B. Johnson declared a war on poverty and signed the Economic Opportunity Act. This law created social programs aimed at creating jobs, providing adequate housing, and increasing access to education for the poor (Peterson, 1991; Winter, 1987). Today, the inner city remains a place where income inequality, crime, and other social cataclysms have become the norm. (Bennett and Giloth, 2007; Zielenbach, 2000) In response to these problems U.S. cities have initiated a number of programs in an effort to revitalize such areas. These programs have been in the form of tax abatements and incentives, and the designation of depressed areas as empowerment zones (Dalehite et al, 2005; Sands, et al, 2006, Olden and Mueller, 1999; Greenbaum and Engberg, 2000). Cities have also developed anti-poverty initiatives that provide services that address homelessness, aide arriving immigrants, and empower residents to change their communities. (US Conference of Mayors, 2009; Sawhill, 2007) Despite the positive results of these efforts, cities are still faced with trying to develop a model for revitalization that will have a long range effect on the calamities facing many communities. One such model that has evolved overtime as a catalyst for change is the community development corporation (CDC). This institution has served as a local service delivery mechanism and has demonstrated the ability to create programs, draw funds, and gain the trust of local officials and citizens in the community (Ford foundation, 1973).

The first cohort of CDCs came about in the early 1960s as a part of the war on poverty, and civil rights movement. (Ford Foundation, 1987; Johnson, 2004; Gittel and Wilder, 2004; Rubin, 1995; Blakely and Leigh, 2010). During their peak in the 1980's CDC's were successful in their quest of revitalizing neighborhoods. They were producers of housing for low to moderate income individuals, and made significant strides in addressing poverty in the inner city (Grogan and Proscio, 2001; Vidal, 1992). During this era there was a belief that CDCs were hero organizations that could correct the failures of the private market. Herbert Rubin (1995p.129) in an interview with a CDC director noted that, “nonprofit development corporations…can do the deals that might be marginal. Can do the deals that can save the neighborhood, and can do the deals to lead the way and provide the window of opportunity for private development to take place…because we are not in it soley for the tangible numbers or profit”

While research related to the impact of CDCs has expanded in recent years, there remains a significant gap in the literature, particularly related to the revitalization of cities. In theory, CDCs are supposed to invest significant amounts of resources in communities, work with local governments, businesses, and citizens to foster economic growth (Berndt, 1997; Blakeley and Leigh, 2010; Faux, 1971). However, there is a distinct lack of research specifically examining their level of impact on the city level. Much of the research on community development corporations uses the neighborhood as the unit of analysis (Berndt, 1977; Silverman, 2001; Smith, 2003; Urban Institute, 2005; Vidal, 1992). Traditionally, CDCs have served the most distressed areas in the urban core of a city. However, CDC activity is not restricted to any one geographical area. At times the services they provide extend outside their service area into other neighborhoods within the city (Smith, 2003). As one CDC executive director noted,

> The CDCs serving the city have informal designated areas, but are not restricted to any geographic area. We are clearly a place based model in which we initiate partnership with underserved neighborhoods or have neighborhoods coming to us that do not have any CDC activity. Once contact has been initiated we then assist in developing a master plan for that particular neighborhood. We work in all types of neighborhoods across the city ranging from all Latino to all African American and eastern European communities consisting of young white hip artists (Wilson, Wendy (2010, April). Executive Director, Rosedale Community Development Corporation)

Furthermore, Examining the literature on favorable claims made by community development corporations, Rohe concluded that “there has been no direct comparison of the areas and population groups served by public agencies and CDCs. Moreover, the degree to which CDCs are assisting the very poor is not known” (Rohe, 1998, p. 194). My paper offers a starting point for addressing this gap in literature by examining the relationship between community development corporations and their impact on the revitalization of U.S. cities.

I examine the question to what extent can CDCs impact city revitalization to bring about city wide change, by developing and testing three paradigms using data collected from the American Community Survey and Guidestar on 1,691 CDCs in 58 U.S. cities from 2002 to 2007. By using this method I also make a unique contribution to the research on community development corporations, as most studies are based on one or few organizations using the case study method (Berndt, 1977; Faux, 1971; Rohe, 1998) or are descriptive studies (Garn et al; Vidal, 1992; Urban Institute, 2002, 2005). Additionally, large-scale quantitative studies are also lacking in the literature on the impact of CDCs, as Rohe (1998) finds that the majority of these studies have been evaluative in nature.

Before turning to the empirical analysis, I will offer a discussion of government failure and market failure theory and make some observations about how these failures might explain the reliance on CDCs for service delivery. I will next highlight some of the literature linking CDCs to the revitalization of cities, and test three models in which the unemployment rate, percent of vacant housing and the amount of people living below poverty are each explained by using one key measure for CDCs, while controlling for standard environmental demographic factors. The paper concludes with a discussion of the implications of the findings for both CDC leaders and for public managers who do business with CDCs.

Government and market failure theory

A number of organizational characteristics explain why nonprofits often serve as mediating institutions in local communities. Historically nonprofits have been organized by citizens to address a need or lack in society because of the non-existence of a formalized government structure or the lack of trust in bureaucracy (Salamon, 2001) Since their inception in the U.S. nonprofits have taken the leading role in addressing many social problems (Rohe, 1998; Salamon 2002; Lipsky, & Smith, 1990). Nonprofits function as service providers, advocates, and community builders. Furthermore, the nonprofit sector comprises nearly fifty percent of America's hospitals and higher education institutions, and about eighty percent of human service agencies (Salamon, 2002). In addition to their roles and functions, nonprofits often establish better relationships with individual neighborhoods and have a better understanding of a community's need. CDCs a type of nonprofit has been cited as having the unique ability in fusing problems and garnering capital to deal with market failures. (Ford foundation, 1973; Rubin, 2001) Overall CDCs unlike other counterparts are able to "link planning to implementation, "transfer capacity among program activities" and "take a long term approach to redevelopment" (Blakely and Leigh, 2010, p.334).

In addition to the historical reasons for the existence of nonprofits, these organizations also exist because of the limitations of American market systems and the public sector. For example, the private sector meets the needs of consumers when it is accompanied by demand. This has several implications for consumers. First, only individuals who are able to pay will have their need met. Second, consumers who lack information will discover that the private market will not provide higher quality products when a lower quality good can be sold at a similar price. In addition to these limitations market failure also occurs as result of the behavior of consumers, and when something causes a disruption in the market, such as reduced competition, allowing firms to charge higher prices for goods causing the markets to fail in how they should operate (Ott, 2001).

Another reason for the existence of the nonprofit sector is due to the costs associated with information asymmetry. Weisbrod's (1988), notes that private sector businesses at times possess more information about a good then the consumer. Information is primarily withheld in an attempt to exploit the consumer. For example businesses may sell a product that one wouldn't normally buy if they knew the risks associated with it. In addition, Ott (2001) identifies three factors related to information asymmetries. They are "the complexity of goods, incompetence of those who receive goods, and goods that are consumed by people other than those who purchase them" (Ott 2001, p. 183). Furthermore, one way in which nonprofits and in particular CDCs prevent the cost associated with information asymmetry is by creating trust with residents.

Another factor of market failure theory that helps in explaining why nonprofit organizations exist is transaction costs. Transactions costs are linked to the amount it will cost a buyer or consumer to obtain the information needed to participate in a transaction. Even though some economists argue that transaction costs are nonexistent in the market, there are costs that do exist, but rarely have a large enough impact to stop market transactions. Nonprofit organizations aide in reducing transactions costs by obtaining, evaluating, and educating individuals about how to make decisions associated with the market. CDCs for example provide financial and credit counseling, and provide homebuyer workshops to individuals in the communities they serve.

The public sector also has limitations that prevent it from effectively meeting the demands of individuals. Weisbrod (1988, p.20) states, "the biggest principal limitation of government is its reliance on the political process." In comparison with other sectors of the U.S. economy that the "public sector has less incentive in responding to economic demands of its citizens and more incentive in responding to the demands of the political process"(p.21). Additionally, political leader's dependence on elections is not advantageous in solving long term issues in society. Furthermore, civil servants have less incentive to be productive and creative because of self interest and their focus on job security (Weisbrod, 1988; see Young, 2001).

There are also constraints associated with government failure theory identified in the nonprofit literature explaining the limitations of the public sector in meeting the demands of the under satisfied. Young (2001) identifies several sources of constraints. One constraint is the "size constraint" this is associated with the size of bureaucracy. Individuals tend to be intimidated by the size and scope of bureaucratic agencies and as a result do not interact with government. As a result nonprofit agencies then serve as intermediaries between government and citizens. (Leroux, 2005; McDermott, 2004). Another is the "majoratarian constraint" which reflects the inability of government to respond to a diverse group of needs. Because government at times responds to the needs of the majority, this allows nonprofit organizations to become specialized in responding to the concerns of the minority. The "catergorical constraint" suggests the need of government to only provide goods on a "universal and uniform basis" This allows nonprofit organizations to become experts in the provision of public services to the underserved.

Furthermore, government failure theory suggests that when government fails to respond adequately to market failure consumers are left unsatisfied. This provides an avenue for nonprofit organizations to partner with government in the provision of goods. CDCs have played this role for over fifty years and are providing collective type services as a result of failures in both the private and public sectors. Overtime CDCs have become major players in the real estate market and are partnering with local municipalities to provide services. In addition, government failure theory also informs us that nonprofits are most active in areas containing diverse populations and nonprofit organizations are vital in providing services to political minorities. This gives great insight to the importance of the existence of the nonprofit sector and CDCs. CDCs attempt to meet the needs of a diverse group of people. CDCs unlike many other nonprofits tend to work with several different ethnicities in an attempt to prevent conflict over the provision of government services.

When the market and government fail in providing goods, nonprofit organizations enter the market often diminishing the effectiveness of both sectors. Nonprofits aide consumers and sellers by reducing transactions costs such as providing information to aide consumers in making decisions in the market and overcome and prevent market failure by creating trust (Ott, 2001; Weisbrod, 1988). CDCs have the ability to consolidate problems within a community and organize capital to deal with market failures in low to moderate income neighborhoods. CDCs are also successful because they are sensitive to business and political practices, which allows them to adequately "mobilize local initiatives to address local priorities and understand and work with the processes of both the public and private sectors" (Blakely and Leigh, 2010, p.334).

CDCs an alternative approach

Literature on economic development also provides some useful insight to why nonprofit organizations are called on by the public sector to meet the needs of local communities. Some strategies employed by local municipalities in recent years have been in the form of tax incentives such as tax abatements and the designation of enterprise zones by state agencies. Research has shown mixed reviews on the use of these traditional approaches for growth and development. In an article on the evaluation of enterprise zones policies, authors Greenbaum and

Engberg (1999) discovered that enterprise zones did not have a significant impact on housing values, homeowner rates and renters. In the six states (CA, FL, NJ, NY, PA, and VA) examined in the study enterprise zones did not significantly impact growth in owner occupancy rates. Furthermore, EZs had little impact on employment and income outcomes.

Research on other growth and development policies such as tax abatements also reveal some interesting findings. An article on the implementation of tax abatements in Michigan, concluded that communities using best practice guidelines for tax abatements were communities that were well off and had the budget and staff to commit to providing oversight over abatements given out within their localities. They discovered that seventy-one percent of municipalities in their study had some sort of policy in place for granting abatements, with nearly thirty-one percent being codified. However, results also showed that a third of municipalities in the study had never placed any conditions on abatements. When conditions were placed on abatements, the quality of jobs and the proportion of residents living within the jurisdiction was not a focal point (Sands et al, 2006). Additionally, in a study on the variations among tax abatement programs in states, revealed that many abatements programs were too generous (Dalehite et al., 2005).

It seems as if their needs to be a radical change in how local governments approach economic development within their jurisdictions. Scholars who research incentives and other growth programs have provided little evidence that these policies are making cities better. In an article on the failures of economic development by Peters and Fisher (2004), they pose three broad questions. The most important question is whether business incentives actually cause states or localities to grow more? The answer to this question is simply no. In a meta-analysis performed on past and current research on types of incentives, scholars provided mixed results with a bulk of them reporting findings that were not favorable to the impact of incentives in states and localities. This suggests that alternatives need to be considered when addressing economic development. As researchers have noted, CDCs serve as a good alternative to economic development because of their flexibility and unique ability to form successful partnerships with citizens, businesses, and public agencies (See Blakley and Leigh, 2010).

Community Development Corporation Literature

A wealth of literature touts the benefits, successes and limitations of CDCs (Faux, 1974; Glickman and Servon, 1998; Harvard Law Review, 1970; Johnson, 2004; Koebel, 1998; Rohe,1998; Rohe and Bratt, 2003; Rubin, 1995; Smith 2003; Urban Institute, 2005; Vidal, 1992; Walker, 2002). CDCs are “nonprofit organizations whose mission is to build homes, offices, and commercial centers and to increase job opportunities within the communities of the poor” (Rubin, 1995, p127). CDCs can also be defined as “organizations created and controlled by the people living in impoverished areas for the purpose of planning, stimulating, financing and, when necessary, owning and operating businesses that will provide employment income (Faux, 1974, p.29.). Furthermore, CDCs “ are the prime vehicles for delivering housing to low income households” (Bratt and Rohe, p.63) in addition, to providing job training programs, sponsoring economic development projects and serving as catalysts for housing and business development in urban neighborhoods (Bratt and Rohe, 2007; Rubin, 1995; Vidal, 1992).

CDCs have evolved overtime, the first generation of CDCs primarily focused on the creation of jobs. The second generation of CDCs have been major producers of housing in low to moderate income neighborhoods. Today CDCs are being creative in their approach to revitalization and have developed programs that go beyond traditional housing development and job creation. One of the earliest evaluations of the impact of CDCs can be traced back to the Ford Foundation (1973). This report provided snapshots of eight major CDCs operating in urban and rural communities. (Ford Foundation, 1973) During the late 1960's CDCs were assisting individually owned businesses, developing housing and commercial areas. One CDC included in the report had successfully built 200 structures and rehabilitated 220 housing units over a five year period. The Mississippi Action for Community Education CDC had made significant strides in providing adult education to poor African American families whom had been excluded from the social and economic mainstream for years. Additionally, several other CDCs had leveraged hundreds of thousands of dollars to operate manpower programs to provide job opportunities to individuals living in distressed neighborhoods.

In a 1974 study on the effectiveness of CDCs in their target areas, Faux(1974) discovered that locally controlled economic development programs of CDCs had been successful in assisting poor and disadvantaged residents. In addition, CDCs had established environments in which businesses could grow and flourish and where disadvantaged residents could improve their skills in preparation for employment. Furthermore, it was reported that CDCs were successful in recruiting people of color into impoverished communities to aide in solving problems in communities in which they were from.

CDC success can be seen if an organization is successful in developing economic development programs in neighborhoods, creating employment opportunities for residents and is an active creator of low income housing for low income neighborhoods (Johnson, 2004). Other factors of success are budget and staff size, leadership ability, programming and implementation experience, and clear and well defined community development plan (Vidal, 1992). Furthermore, a CDC's ability to work and network with other institutions in garnering support for community wide activities is another factor that is key to their overall success (Glickman and Servon, 1998).

Are CDCs still revitalizing cities? Others also argue that CDCs have made significant contributions to the overall improvement of neighborhoods and cities (Urban Institute, 2001; Walker, 2000). Accordingly, several studies have attempted to measure the impact of CDCs in their service areas. Some studies have relied on subjective measures in measuring revitalization and others have relied on more objective measures.

Vidal (1992) used semi structured interviews, telephone calls, and informational forms to gauge the impact of 130 CDCs across 29 cities in 1992. Among the CDCs studied 75 percent of these CDCs had on average constructed 108 new housing units, 60 percent had rehabbed 249 housing units and nearly 50 percent of these same CDCs had provided homeownership counseling to nearly 1,394 families. Furthermore, Vidal discovered that CDCs were having a "moderate level of overall neighborhood improvement". More specifically, Vidal reports that 21 percent of programs focused on the development of housing and business had a "substantial affect on neighborhood development", while 31 percent of CDC with an emphasis on commercial development had this same affect. She also notes that housing and business developers had a "moderate impact on neighborhood improvements", while 28 percent of commercial and real estate programs had a similar impact. Overall, CDCs located in the impoverished neighborhoods made little effort in improving the conditions in that area relative to the extent of blight in that neighborhood, while CDCs located in less impoverished neighborhoods made significant strides in improving the overall condition in that neighborhood.

The Urban Institute (2001) published a study based on data compiled on CDCs across 23 cities funded by the National Community Development Initiative in the 1990's. This report revealed that CDCs had made significant gains in their size, and efforts in revitalizing cities across the U.S. Additionally the research team discovered that CDC presence in Denver, Colorado and Portland, Oregon was the result of higher property values. This was in part due to the CDC's effort in partnering with local neighborhood associations and other businesses in working to draft and implement plans that targeted business districts.

Despite much success by CDCs in addressing poverty in low income neighborhoods, CDCs also face challenges and have limitations that can inhibit meeting the needs of residents. Bratt and Rohe (2007) make note that CDCs look for intermediaries and other funding sources for support and often both parties have different priorities. This limitation can put a strain on a CDC's ability in addressing a particular need especially if there are strict guidelines and restrictions on how funds can be used and disbursed. Furthermore, Rubin (1995) notes that CDCs can jeopardize their autonomy because of their reliance on funding from government and foundations. This reliance on funds puts pressure on the CDC to provide a quick fix to the problem at hand.

Data and Methodology

For the analysis, I combine Guidestar 990 Core Data from 2002 to 2007 with American Community Survey data on U.S. cities from 2002 to 2007. The Guidestar database is directly transferred from organizations' IRS Form 990, the annual tax filing for tax exempt charitable organizations. One limitation to using 990 data is related to the inconsistencies in the 990 data from nonprofit managers misreporting to the IRS (Krishnan, Yetman, and Yetman 2006). However, these data otherwise represent comprehensive financial data on these organizations that would otherwise be unavailable. Scholars have also noted limitations to using ACS data. Even though ACS data provides important data for researchers, it is based on a sampled population rather than an actual count. This leads to a higher margin of error compared to data collected from the Decennial Census. In spite of this, ACS data is based on more up to date information on the population whereas, the Decennial Census is more of a snapshot of the entire population collected every ten years.

This study seeks to answer a basic question about the impact of CDCs in U.S. Cities: To what extent do CDCs revitalize American cities? I hypothesize that for every additional dollar spent by CDCs, U.S. cities will show a decrease in the unemployment rate, percentage of vacant housing, and the amount of people living below poverty. While the relationship between CDCs and the revitalization of cities is the primary focus of this study, I also account for several other environmental factors that may influence the revitalization of cities, which I discuss below.

Variables and Measures

Inner city revitalization has been equated in literature as gentrification and the construction of new housing (Lee, 1985). Furthermore, revitalization can be related to economic development which includes the creation of jobs, the flow of money into a neighborhood, and the efforts made by government and nonprofit organizations in aiding businesses in creating ways in which they can better buy, produce and sell goods and services (Lee, 1985, Zielenbach, 2000).

There is no one measure that can fully capture all the facets that comprise city revitalization, nor is their one measure that speaks to all the intricacies that would capture the number of housing units built, adjustments in income, employment, and goods and services produced in U.S. cities. With that said, I have chosen to develop three paradigms that explain the impact of CDCs based on their evolution since their rise in the late 1960's. The first paradigm I refer to as job creation and uses the unemployment rate in each city as a measure for revitalization. The Bedford-Stuyvesant Community Development Corporation, one of the first CDCs provided job training and coaching through their ex-offenders program. The second paradigm I refer to as housing and use the percentage of vacant housing as a measure for revitalization. Vacant housing is a good indicator for measuring the impact of CDCs within cities because the majority of CDCs mission is to rehabilitate and construct new housing in distressed areas (Faux, 1974; Glickman and Servon, 1998; Harvard Law Review, 1970; Rohe,1998; Urban Institute, 2002, 2005; Vidal, 1992). The final paradigm I refer to as poverty, and measures the number of individuals living below poverty within each city. This variable seeks to capture the characteristics of the thirds generation of CDCs which using several mechanisms to address inner-city poverty.

One type of CDC measure serves as the key independent variable of interest. It is CDC expenses which measures the total amount of money spent on programming and administration by CDCs in each city. Other independent variables included in the analysis are: the percentage of Blacks, Asians, and Latinos living in each city. Other independent variables are the percentage of individuals between the age of 18-39, the percentage of individuals enrolled in graduate or professional school, per capita income, and the median value of a home in each city. Each of these independent variable are interval ratio and represents each year from 2002-2007 for their respective category. Table 1 provides descriptive statistics for all variables used in this study.

[TABLE 1 HERE]

Population was broken up by race because research has shown that revitalization can have an effect on an area's racial makeup. For example, studies have shown that once revitalization occurs in a city that the population for blacks will decline (Lee, 1985). Furthermore, other research has shown that when gentrification occurs in neighborhoods, minority groups are displaced by higher income white residents (Kennedy and Leonard, 2001). Areas containing high populations of Blacks and Latinos tend to have lower property values and per capita income than predominately white neighborhoods (Zielenbach, 2000). A variable examining age is included because individuals between the age of (18-39) are often attracted to robust areas. Education will also be a key determinant to the potential of an area being revitalized. Educated people tend to have better jobs and make more money. The greater income potential will generate stronger market activity.

<u>Method of Analysis</u>

For the analysis, I use a panel of 1691 CDCs spread across 58 cities reporting the variables in the models during the six years. Due to potential endogeneity and spurious effects from unobserved factors of cities, fixed effects are reported. Due to the lagging of the key independent variable, there are 248 observations in the model. Furthermore, robust standard errors are used to control for heteroskedasticity.

Findings

The purpose of the my analysis is to assess the impact of CDCs on the revitalization of cities. Does the amount a CDC spend in a city have an impact on unemployment, vacant housing, and poverty? The results from the fixed effects regression analysis in table 2 help to shed some light on this question.

[TABLE 2 HERE]

The results suggest that CDC expenditures have an impact on the percent of vacant housing, and on the amount of people living below poverty, but not on the unemployment rate within cities. The first paradigm used the unemployment rate as the dependent variable. As mentioned earlier, CDCs have been very active in creating jobs in cities across America. However, the key variable of interest in the first model failed to achieve statistical significance. This null finding suggests that CDC are not spending money on employment or job creation programs. This is particularly surprising because of the long history that CDCs have had in creating jobs for individuals living in low to moderate income areas (Site). On the other hand, many CDCs in the 1980's and the 1990's began to switch their focus from serving as engines of job creation and partnering with Manpower programs to building homes. Furthermore, the 1990's and early 2000's were one of the most prosperous economically for the U.S. with many cities reporting low Unemployment rates compared to earlier years. This would also suggest that CDCs possibly turned their attention to other issues facing U.S. cities like poor housing conditions and providing homes and other services to individuals. Also during the 1990's the federal government passed the Personal Responsibility Work Opportunity Reconciliation Act of 1996 (PRWORA), under this act the welfare system of the United States was significantly changed requiring welfare recipients to obtain a job after two years of receiving assistance. (Cite). A report examining the relationship between CDCs and welfare reform found that CDCs involvement in welfare reform was minimal. Moreover, CDCs main priorities was providing affordable housing and ensuring that individuals receiving their services were educated about the welfare reform legislation. Furthermore, CDCs did not create any new job training programs or other job related services to aide individuals.

The second paradigm uses the percent of vacant housing as the dependent variable. Results from this model suggest that the amount of monies spent on programming and administration due indeed have an impact on vacant housing. I find that for every one hundred thousand dollars spent by a CDC, the percentage of vacant housing is expected to decrease by .00098 percent. Consistent with my expectation, vacant housing in areas heavily populated by minorities are experiencing revitalization. For every 1 percent increase for the amount of black people living in cities, vacant housing is predicted to decrease by .28 percent, while for every 1 percent increase in the Latino population, vacant housing is predicted to decrease by .22 percent. This particular finding suggests that CDCs are having some effect on the revitalization of cities. Since their inception many CDCs core mission has been to rehabilitate housing and construct affordable housing for individuals living in depressed areas.

The third paradigm uses the number of individuals living below poverty as the dependent variable. Results from this model suggest that the amount of money spent by CDCs does in fact have some effect on the amount of people living below poverty. For every one hundred thousand dollars spent by a CDC, the amount of individuals living below poverty decreases by approximately ten people. Furthermore, the age variable produced a statistically significant result. For every 1 percent increase of individuals between the age of 18 and 39, the amount of people living below poverty is predicted to decrease by approximately 1,488 people.

Conclusion and Implications

The purpose of this study was to examine the extent to which CDCs contribute to the revitalization of U.S. cities by testing three different models of city revitalization. The study finds that the amount of money that CDCs spend in cities in fact has an impact on housing and poverty. The study also reveals that CDCs may not be impacting unemployment rates despite much success in that area in earlier years. Furthermore, the work of CDCs in cities heavily populated by minorities is beginning to experience improved housing conditions. Future studies might examine whether this same effect exists on the neighborhood level, and to what extent.

Although the findings from this analysis are encouraging, it is important to note that CDCs are but a small piece in the puzzle to city-wide revitalization. CDCs are one of the many factors that work in rebuilding and revitalizing cities. Other organizations such as churches and other nonprofits and governmental agencies also work in trying to improve the living conditions in cities across America. As mentioned earlier local municipalities have relied on tax abatement, and incentive programs to lure businesses and jobs to their cities. One would expect that these organizations and programs would influence the conditions in cities, and the percentage of vacant housing, unemployment, and the amount of people living below poverty. Controlling for these factors could possibly dilute the findings of this study. However, it is important to note that government agencies have relied heavily on CDCs and the primary service providers for services such as housing, and economic development. Interviews with executive directors of CDCs in the Midwest revealed that local government called on CDCs to develop distressed areas in the cities they operate in. Their activities were also not restricted to their service areas but also to areas that were not serviced typically by a CDC.

While the models of city revitalization produced some new insights and offers some avenues for further investigation, this study is not without limitations. While there are benefits of a large-scale quantitative study, there are also some drawbacks. Perhaps the most obvious is the reliance on secondary data. While secondary data is objective, it does not capture the perceptions of individuals. Furthermore, the reliability and validity of secondary data is difficult to test. A national survey of CDCs has not been performed since Avis Vidal's 1992 study. A survey may be useful in identifying attitudes, values, beliefs, and past behaviors of CDCs and provide some insight about CDC managers. This information would be useful in understanding what makes CDCs efficient and effective, and what factors influence their success. Qualitative research is also needed, including interviews with leaders of CDC managers, to fully discern how they believe their organization is impacted the cities it serves would prove quite useful. Ideally, future studies would combine quantitative and qualitative approaches. Another limitation is that the study only looked at CDCs that were classified as human service, economic development, housing, community improvement, and job training. Future studies should include the effects that other CDCs whose sole purpose may be the arts, education, or childcare. Also non governmental agencies and other nonprofits should also be examined to determine their impact on revitalization.

Despite these limitations, this study moves us one step further in understanding the impact that CDCs are having in U.S. cities. CDCs can have a significant impact on the revitalization of cities. It is important to note that CDCs not only work to rebuild housing and spur economic development but also have been successful in altering the local political environment. This alteration has occurred because of the lack of trust that cities have in government handling the issues of urban decay (see Robinson, 1996). The results from this study suggest that CDCs should be considered as an alternative to traditional economic development practices employed by cities. Research has shown that CDCs have the unique ability to bring people together in neighborhoods around issues that are important to them. CDCs have also been successful in turning around cities that were once written off. Take the South Bronx of NY. It was not until residents got together to form a CDC that that area finally turned around, after failed attempts by the federal and local government. (see comeback cities). Yet, these benefits can only be realized if local government leaders are committed to ensuring that CDCs are given the necessary resources to succeed.

Table 1
Descriptive Statistics

Independent Variable	**Mean**	**SD**	**Min**	**Max**	**Description of variable**
CDC Expenses	2.81e+07	9.71e+07	0	9e+08	Total amount of money spent by CDCs.
% Black Population	24.33	24.33	18.99	84.56	Percentage of population that is Black
% Latino Population	21.87	21.87	19.63	80.97	Percentage of population that is Latino
% Asian Population	5.97	5.97	6.39	33.22	Percentage of population that is Asian
Per Capita Income	23525	5432.21	12887	45410	Per Capita Income in each city
Median Value of Home	208499	148373.8	51064	830700	Median Value of homes in cities
% Young Adults (18-39)	33.86	3.31	25.78	43.46	Percentage of population 18-39 living in cities
% Population enrolled in Graduate and Professional School	1.67	.81	.18	4.82	Percentage of population enrolled in Graduate and Professional School
Dependent Variables					
Unemployment Rate	4.43	1.30	1.65	8.80	Unemployment rate by each city
% of Vacant Housing	10.78	4.76	1.32	30.42	Percentage of Vacant Housing
Poverty	147407.7	219349.5	15340	1600574	Number of individuals living below poverty in each city

Community Development Corporation Effects by City
Table 2

	Job Creation Paradigm Dependent Variable: Unemployment Rate				Housing Paradigm Dependent Variable: Percentage of Vacant Housing				Poverty Paradigm Dependent Variable: Number of Individuals below poverty line			
Variable	**Coefficients**	**Std. Error**	**t**	**Sig.**	**Coefficients**	**Std. Error**	**t**	**Sig.**	**Coefficients**	**Std. Error**	**t**	**Sig.**
CDC Expenses	-.00026	-.00029	-0.90	0.37	-.00098**	0.0044	-2.22	0.03	-10.21**	4.90	-2.08	0.042
% Black Population	-.019	.044	-.44	0.66	-.28*	.14	-2.04	0.05	885.79	871.51	1.02	0.31
% Latino Population	-.06	.044	-1.31	0.20	-.22**	.10	-2.17	0.04	1305.06	979.06	1.33	0.19
% Asian Population	-.06	.08	-0.70	0.50	-.07	.15	-0.50	0.62	1926.30	1277.25	1.51	0.14
Per Capita Income	-.000019	.000058	-0.34	0.73	-.000090	.00014	-0.63	0.53	-1.58	.90	-1.76	0.08
Median Value of Home	-1.40e-06	1.56e-06	-0.90	0.37	-4.63e-06	4.05e-06	-1.14	0.26	-.056	.03	-1.94	0.06
% Young Adults (18-39)	.43	.044	0.98	0.33	.00059	.14	0.00	1.00	-1488.56**	646.85	-2.30	0.03
% Population enrolled in Graduate and Professional School	-.16	.19	-0.84	0.40	.32	.45	0.70	0.49	206.92	2697.33	0.08	0.94
Constant	5.76**	2.53	2.28	0.03	27.82***	7.32	3.80	0.00	196881.8***	40777.79	4.83	0.00
	R-sq: within =0.2874 Between=0.0560 Overall=0.0778 Number of observations: 284 F=6.45 Prob>F=0.00				R-sq: within =0.4201 Between=0.0567 Overall=0.0238 Number of observations: 284 F=8.79 Prob>F=0.00				R-sq: within =0.2120 Between=0.0172 Overall=0.0156 Number of observations: 284 F=4.82 Prob>F=0.00			

Notes: Robust standard errors are used to correct for heteroskedasticity. ***p<.01, **p<.05, *p<.10

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