Substantive Review of the Indianapolis Community Development Delivery System
# Substantive Review of the Indianapolis Community Development Delivery System

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Executive Summary

Over the past 20 years, federal resources to achieve community development outcomes have declined for municipalities throughout the nation, while at the same time the number of organizations pursuing those resources has grown, leading to increased competition for traditional community development organizations. During that time, as the industry matured, research has sought to articulate endemic challenges to the industry and build consensus around sets of national best practices. Many cities are engaged in conversations and using current research about the best ways to advance their community development goals. Part of that conversation revolves around the question of whether targeting investments in concentrated geographies yields better outcomes for the city than other approaches. Actors within the community development system in Indianapolis have recognized its system mirrors the resource constraints of other cities and have begun discussions around the evolution of the current community development system in the face of resource constraints and targeting reinvestments.

According to the current Consolidated Plan for the City of Indianapolis, there is a perception that the community development system, as currently constructed, lacks capacity; however, those capacity challenges are not clearly articulated. Furthermore, there is no common vision toward which all community development actors within Indianapolis’ system are working, which clouds the question of efficacy. Within that context, the Indiana University Public Policy Institute (PPI) has examined the system and processes through which public, private, and philanthropic actors use their resources to advance the physical revitalization in Marion County. In addition to extensive research of current academic and practitioner research around national best practices, PPI conducted more than 20 key informant interviews with various stakeholders in the current community development system. The current practices and possible changes are best considered when we understand our local approaches to community development as well as the federal context within which the Indianapolis system has operated. The resulting analysis sought to:

- Detail a common understanding of the community development industry in Indianapolis as it currently exists;
- Provide a baseline for discussions of how the community development industry should evolve to meet shifting realities; and
- Provide insight on national best practices and current practitioner and academic research as is relevant to challenges being faced in Marion County.

The research and interviews with stakeholders indicates the following current challenges facing the community development system in Indianapolis:

- Lack of clarity and commonality of purpose within the community development system
- Inherent challenges in defining and aligning to a common purpose
- No mechanisms to drive collaboration within the system
- Agenda-setting and evaluation
- Geographic concerns
- Organizational partnerships
- Supporting human capital
- The need to leverage resources.
Each issue is examined from the local perspective as well as within the broader context of national research. In most cases, addressing or mitigating the challenges outlined will be necessary to placing Indianapolis’ community development system on a solid foundation for the future.

Research suggests that local governments can achieve greater outcomes through targeting its community development spending; however, such an approach has a number of civic considerations, a need for committed leadership, engagement, and an established process. There are several key questions that must be addressed in development of a targeting strategy by both civic leadership and local government. Remaking the system to target specific geographies raises conceptual challenges:

- Agreement about the areas that will be targeted for reinvestment
- Equity for the areas not targeted
- Consensus on implementation by the residents
- Avoiding and mitigating unintended consequences

There is a continuum of options for change in the community development system in Indianapolis. Actors with the community development system could (ordered from least to most drastic):

- Modify the status quo,
- Shift the roles of local organizations to specialize in certain development or community building activities,
- Concentrate development activity within fewer organizations.

These frameworks are not meant to be inclusive of every way in which the system may evolve; rather, it is meant to examine the potential benefits and costs associated with the degrees of change that could potentially occur.

As civic leaders and practitioners examine how the community development delivery system should evolve to meet current challenges and how it can be best positioned to deliver services in the future, this document should serve as a baseline for those conversations. Further, this document should serve as a historical artifact articulating the concerns of 2013, when future efforts around the evolution of Indianapolis’ community development system are considered.
Introduction

In the wake of the recent economic recession and the federal government’s fiscal uncertainties, local civic leaders across sectors are recognizing an increased need to coordinate public, private, and philanthropic investments to have a strategic and holistic impact in local communities throughout the nation. In Marion County specifically, community development activities are rapidly changing as public sources of community development funding are diminishing and areas outside the traditional boundaries of existing community development corporations could benefit from community development work. At the same time, economic development leaders are increasingly recognizing that to fully benefit from the City’s economic development initiatives, Indianapolis needs to provide adequate public facilities, quality infrastructure, strong neighborhoods, and a variety of housing options and amenities to attract talented workers to the community. While striving to make Marion County an attractive option for people who are living, working, and doing business in central Indiana and working to make central Indiana competitive with similarly situated regions throughout the nation, civic leaders are recognizing the need to become ever more creative, effective, and efficient in spending public resources to achieve higher impact with scarcer resources.

As part of a broad set of research agenda, civic leadership engaged the Indiana University Public Policy Institute (PPI) to examine the system and processes through which public, private, and philanthropic actors use their resources to advance the physical revitalization of Marion County. PPI conducted an extensive information-gathering process, examining national best practices and areas of emerging community development research, analyzing existing and past investments in community development, gathering primary data through more than 20 key informant interviews with various stakeholders in the current community development system, and synthesizing the findings of various related yet separate studies examining current community development efforts in Indianapolis.

Purpose of this Analysis
Indianapolis-Marion County, like other places throughout the country, has seen its amount of federal resources for pursuing traditional community activities diminish over the past 20 years (see Figure 1) while seeing the area of need expand (see Maps 2 and 6). During this time, neighborhoods and civic leaders have both shown interest in targeted redevelopment strategies within neighborhoods – first through the Great Indy Neighborhoods Initiative (GINI), but also as local neighborhoods have sought to articulate community development strategies within their own convening processes. In addition to these developments, the current Consolidated Plan of the City of Indianapolis calls attention to concerns regarding the capacity of the city’s nonprofit partners (mostly community development corporations) in delivering projects, especially in the face of a declining economy. While the city’s consolidated plan points to widespread agreement that there are challenges within the community development delivery system (the Consolidated Plan suggests that systemic capacity to deliver community development activities was a “significant discussion point for 90 percent” of those who were engaged in discussions in forming the plan), there does not appear to be a clear articulation of what issues exist in the system nor

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1 For the purposes of this report, civic leadership is used to encompass policymakers and resource providers that are engaged in setting the agenda for and/or funding community development activities and actors in multiple geographies throughout Marion County. The term is not intended to connote a static group of individuals and organizations, as some decision makers and funders’ engagements with the community development system vary over time.

2 The initial findings that comprise this report were developed in the second quarter of 2013. While the findings remain relevant, there have been program and funding updates that have occurred in the time between our initial findings and the date the final draft of this document was published.
how the system should be improved (City of Indianapolis, 2009). The primary objectives of this analysis are to:

- Detail a common understanding of the community development industry in Indianapolis as it currently exists;
- Provide a baseline for discussions of how the community development industry should evolve to meet shifting realities; and
- Provide insight on national best practices and current practitioner and academic research as is relevant to challenges being faced in Marion County.

This report examines the context within which Indianapolis’ community development goals are pursued; this context includes the evolution and devolution of federal programs meant to advance community development as well as Indianapolis’ history in the community development arena. That context, as well local discussions of recent community development outputs and the drifting purpose of the Indianapolis approach, is covered in the first section of this report. The second section of this report examines a number of outstanding and currently unresolved issues related to community development in Indianapolis. In some cases, these issues are endemic to the design and historic practice of Indianapolis’ community development delivery system, and in some cases the issues are an unintended result of the natural evolution of the system. The third section examines targeted community development strategies from the civic perspective. The final section lays out a continuum of options for updating the community development system as it continues to evolve.

Community Development’s Historical Context: Federal and Local

In the late 1960s and 1970s in urban areas across the United States, community development corporations (CDCs) emerged as a grassroots movement to combat challenges of disinvestment in local neighborhoods. CDCs often consisted of local residents and stakeholders advocating for neighborhood improvements (Frisch & Sevron, 2006). As such, many of the earliest CDCs served roles similar to those played by neighborhood associations today. As federal funding was allocated for the purposes of community development – first through the Community Development Block Grant (CDBG) program and later through the HOME Investment Partnerships Program (HOME) – community development corporations increasingly became a vehicle for advancing neighborhood development and revitalization goals, usually through housing rehabilitation and development (Halpern, 1995).

With the application of federal funding to address community-based challenges, community development matured as an industry—attracting new actors, such as nonprofit intermediaries and for-profit tax credit developers, and formalizing new strategies, policies and best practices. For many CDCs, the nature of the fundable activities allowed by the federal funding drove specialization within the organizations; increasingly, CDCs became rehabilitators and developers of affordable housing in addition to pursuing other activities for which they could secure philanthropic resources. While most CDCs remain rooted in their communities and rely on the grassroots support of those communities for their continued legitimacy, the level of resources required to ensure their continued operation demands that they be equally responsible to their funding networks as well. As a result, natural tensions between legitimacy and funding are built into the CDC model for advancing community development (Frisch & Sevron, 2006). The industry requires that practitioners be both innovative and creative in driving neighborhood and civic community development goals, while adhering to the strict federal requirements imposed by their funding sources (Kenny, 2002). The manner in which various CDCs navigate these challenges shapes their organizational cultures, missions, and the work they pursue.
Various organizational cultures and capacities have led to a wide variety of community development approaches and goals within neighborhoods across cities.

Despite its inherent challenges, among practitioners and researchers, the community development corporation model has engendered a sense of succeeding in challenging urban areas where previous efforts fell short (Barron, 2003). At the same time, there seems to be some evidence that the success realized by the industry has spawned additional organizations, increasing the competition among CDCs for limited resources (Bratt & Rohe, 2007; Bockmeyer, 2003). In some cases, this has led to the dispersion of community development resources in such a way that they are less impactful (Galster, et al., 2004). Furthermore, researchers and practitioners have recognized the inherent limitations of exclusively pursuing bricks and mortar-style community development, realizing this style of development cannot, by itself, lift communities out of poverty, preserve affordability in gentrifying neighborhoods, or sustain grassroots participation and accountability. As a result, community building, in concert with community development, has increasingly been supported by local philanthropic intermediaries in such a way that emphasizes process objectives as well as bricks and mortar development. This more holistic consideration of community development strategies drawn from locally-driven neighborhood-based agenda has become collectively and commonly referred to as comprehensive community development (Sites, Chaskin, & Parks, 2007). The emergence of comprehensive community development as a set of broad strategies to transform neighborhoods has coincided with the devolution of responsibility for community development from the federal government to state and local governments and local philanthropy (Bockmeyer, 2003). As a result of this shift to a broader notion of community development during a time when funding for such activities are diminishing, many practitioners find that they must engage in additional activities with fewer resources or must spend more energy attracting resources to maintain the same level of outputs (Frisch & Sevron, 2006). In such an environment, CDCs with clear missions, organizational competency, political capital, and the ability to attract multiple sources of revenue are likely to be more successful than peer organizations that are less adept across those capacities (Gittell & Wilder, 1999; Vidal & Keating, 2004).


- First, these organizations act as institutions with a mission to promote relational density and synergy, in that they seek to promote linkages among neighborhood stakeholders for the physical and social benefit of a particular area.
- Second, the institutions have a geographic focus rather than a programmatic focus in that they are promoting quality of life in particular areas as opposed to housing programs, generally.
- Third, these institutions promote planning processes based in neighborhood gatherings rather than formal processes (Barron, 2003).

In short, community development, through CDCs, is a place-based approach to promoting neighborhoods and their residents and other stakeholders (Vidal & Keating, 2004). At the same time—while CDCs aspire to the ideals outlined by Simon—CDCs must also be responsive to the program guidelines of their public funders and the goals established by their local philanthropic supporters (Kubisch, 2005; Bratt & Rohe, 2007). Striking an appropriate and feasible balance between pursuing local interests and meeting the priorities established by funders can cause tensions for local CDCs or other community-based organizations.
Community development in Indianapolis developed along a similar trajectory as in other urban areas throughout the nation. The first Indianapolis CDCs were founded in the 1970s, usually from concerned neighborhood groups seeking to address issues within their neighborhoods. The creation of many of these organizations were a direct result of Mayor Hudnut’s housing task force, through which there was an intentional effort to ensure urban neighborhoods undertaking community development would have a CDC and that these local groups would not have overlapping service areas. Due to the nature of many of the CDCs’ formation, they were (and remain today) rooted in the geographies within which they were created. The Indianapolis community development industry evolved and matured in the late 1980s and early 1990s as:

1. Additional neighborhoods formed their own CDCs;
2. The Indianapolis Neighborhood Housing Partnership—which would become a locally-based community development intermediary—was created to provide homeownership opportunities to low- and moderate-income families, assisting individuals, and supporting neighborhood revitalization efforts;
3. The Local Initiative Support Corporation (or LISC, a national community development intermediary) established a local presence in Indianapolis;
4. The Indianapolis Coalition for Neighborhood Development (ICND) was formed; and
5. In 1994, the Indianapolis Neighborhood Resource Center (INRC), was formed to support community building efforts in neighborhoods throughout Indianapolis³ (Local Initiatives Support Corporation, October 2011; Annie E. Casey Foundation, 2003; Indianapolis Neighborhood Resource Center, 2010).

Throughout the 1990s – following the implementation of the federal HOME program – housing-related activities dominated the work of the CDC industry in Indianapolis. During that time, CDCs invested more than $131 million in housing and homeowner development and produced 3,823 units of housing. A number of CDCs also administered or supported economic development and community-building activities, investing more than $23.2 million and $4.6 million over the decade, respectively. Examples of economic development activities included commercial and retail projects and the creation of community centers. CDCs engaged in community building and neighborhood development programs by hosting Individual Development Account programs, providing job training and placement programs, coordinating youth programs, or engaging in beautification efforts.

While the trajectory of the community development industry in Indianapolis has been similar to the national trajectory, it has also often been seen as a leader in the industry. For much of the 1990s, Eastside Community Investments (ECI) serving the Near Eastside neighborhoods of Indianapolis was a nationally-recognized leader in community development with a reputation for innovation and excellence in serving its neighborhood. In its first 23 years of operation, it bought and rehabilitated more than 500 units of rental housing and sold another 238 homes to families. It generated more than 1,500 jobs, developed its own industrial park, invested in more than 100 local enterprises and businesses, and developed an asset-building program for residents. It had a multi-million dollar annual budget and more than 80 staff. At its height, ECI was often seen as a leading example for other CDCs throughout the nation; as it crashed in 1997, it became an example of what to avoid in community development, providing insightful lessons and warnings to other practitioners in the field (Steinbach, 1999).

³ In the interest of disclosure, the author of this report serves on the Board of Directors for the Indianapolis Neighborhood Resource Center.
In the wake of ECI’s demise, Indianapolis became recognized within the community development field for its leadership in pursuing comprehensive community development strategies as an approach to neighborhood revitalization efforts. The Great Indy Neighborhoods Initiative (GINI) was a concerted effort by community development stakeholders to convene resident-led planning efforts in six Indianapolis areas that comprised 83 neighborhoods and encompassed more than 175,000 people. The lessons learned from the GINI demonstration project have contributed to researchers’ and practitioners’ understanding of how to achieve success in comprehensive community development initiatives: 1) commit to a broad and inclusive planning process; 2) recognize the critical role played by a community-builder; 3) understand the value of an asset-based planning approach; 4) obtain a commitment from residents to engage within the process; and 5) secure a commitment from civic leadership to honor the decisions of the neighborhood. These elements of success contributed to the emergence of comprehensive community development throughout the nation and have reshaped the way in which community development is pursued locally (Local Initiatives Support Corporation, October 2011).

GINI had a dramatic impact on community development in Indianapolis. First, GINI encouraged many civic leaders to examine the potential for targeting redevelopment strategies in ways they had not examined. Second, GINI plans served as springboards for development; for example, the Near East Side’s Quality of Life planning efforts served as a blueprint for the Legacy Initiative on the Near East Side of Indianapolis in connection with Super Bowl XLVI. Furthermore, after GINI, many Indianapolis neighborhoods convened their own locally-based planning efforts to better articulate a common community vision.

In the recent past, declines at the federal level decreased the public resources available to Indianapolis for community development. Allocations from the two primary federal programs from which community development resources are derived (HOME and CDBG) have decreased by more than 32.4 percent since their peak in 2001. When inflation is considered, the City’s allocation of those resources has declined by more than half (see Figure 1). As urban areas throughout the nation grapple with similar realities, many are assessing how they can be more efficient yet remain effective in delivering their community development goals; the sustainability of community development systems at the local level is directly related to the sophistication of the ability of local support systems adapting to new funding realities (Patterson & Silverman, 2007).
Measures of Local Impact

Marion County has grown in population over the last 60 years; however, that growth has not been uniformly distributed. Over that time, the population of Center Township decreased 57.7 percent (from 337,211 to 142,787), but it remains the most populous township in Marion County. Washington and Wayne townships saw early growth that leveled off after 1970, while other townships have seen growth more recently (see Figure 2). A disproportionate share of population growth in central Indiana over the past 60 years has occurred in the counties around Marion County, rather than in Marion County itself. While Marion County’s population has increased 1.6 times in the last 60 years, the other counties comprising the 2010 Indianapolis Metropolitan Statistical Area (metro area) increased nearly 4.2 times (see Figure 3). Since 1990, growth in Marion County has leveled off while growth has rapidly increased in the surrounding counties. At present, a higher share of Indianapolis’ population falls into the 20-35 age brackets (ages associated with lower current earning levels), while the metro area has a higher share of all other age cohorts. Marion County has a higher share of households earning less than $50,000, while the metro area has a higher share of all cohorts earning greater than $50,000. As of the 2010 US Census, 27.3 percent of Marion County households earned less than $25,000 (US Census, 2012).
Figure 2. Population Change in Marion County Townships and Marion County, 1950-2010

SOURCE: (Indiana Business Research Center, 2013)
Within Marion County, change has not occurred uniformly. Through a larger spatial analysis of census tracts in Marion County, PPI constructed an index to assess how census tracts had changed between 2000 and 2010 relative to other census tracts in Marion County (see Map 1). The results of the analysis suggest that the areas of greatest improvement were census tracts in and proximate to downtown, while various census tracts in Center, Wayne, Pike, Washington, Warren and Lawrence Townships – mostly within the old Indianapolis city limits – showed the least improvement.

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4 Other counties include Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Morgan, Putnam, and Shelby Counties
In the first half of the decade, the Indianapolis Department of Metropolitan Development (DMD) outlined a number of performance-based goals and strategies in its Consolidated Plan with an overarching goal of “building strong, accessible, healthy neighborhoods with safe streets and thriving economies so that all individuals and their families can have an opportunity to attain and maintain, to the best of their abilities, independent, self-sufficient lives.” Within that larger goal, DMD sought to expend resources in such a way that it preserved and increased homeownership, increased the supply of viable rental housing, eliminated unsafe buildings and sites, supported capital and enterprise development, aided supportive services, supported special needs housing, and supported neighborhood empowerment. (City of Indianapolis, 2000)

Through its Consolidated Plan update for the years 2005-2009, DMD sought to build stronger neighborhoods by focusing on the following goal areas:

- Increase the availability of safe, decent and affordable housing
- Prevent homelessness for special needs populations and persons at-risk of homelessness
- Increase educational opportunities
- Support capital enterprise development for job creation
- Eliminate unsafe buildings and sites
- Combine housing opportunities with social and public services (City of Indianapolis, 2004)
While neither consolidated plan prioritized any single goal, the majority of resources expended by DMD over the decade supported the activities of Indianapolis’ CDCs. As with the previous decade, CDCs were engaged in myriad activities to support their neighborhoods, but the overwhelming majority of their work was concentrated in housing activities.

Because federal funding sources, such as the CDBG program, require that community development funds be expended in such a way that they support low- and moderate-income families; activities in certain geographies are pre-supposed to support low- and moderate-income families if they reside in a HUD-designated Qualified Census Tract. As a result, while community development work can occur throughout the county, the greatest concentrations of effort are likely to occur in certain subareas with higher concentrations of low- and moderate-income families. For most of the first decade of this century, the HUD-designated Qualified Census Tracts were concentrated primarily in Center Township (see Map 2); as a result, most of the public investment over the decade was concentrated in those areas (see Maps 3-5). From 2001 to 2012, more than 5,800 real estate development units received CDBG subsidies (see Maps 2 and 3), with the vast majority of those units allocated toward housing activities. During that same time, more than $52 million of HOME subsidies were allocated to support housing activities in areas throughout Marion County (see Map 4).
Map 2. Marion County HUD-Designated Qualified Census Tracts, 2003

Indianapolis-Marion County
2003 Qualified Census Tracts

Housing Finance Agency Housing Resource Center (2013)

MAP NOTE: HUD defines a Qualified Census Tract as any census tract in which at least 50 percent of households have an income less than 60 percent of the area median gross income or have a poverty rate of at least 25 percent.

Map Created by John Mann
May 16, 2013
Map 3. Completed CDBG Projects by Census Tract, 2001-2012

Map 4. CDBG Projects by Developer, 2001-2012
In examining the relationship between the number of projects pursued in various areas of the cities and how those areas have changed over the last ten years, PPI found a small but statistically significant relationship between the number of CDBG-funded projects between 2001 and 2005 and PPI’s indexed metric of area change when controlling for those areas that received no CDBG funded projects (see Figure 4). While there appears to be a correlation between CDBG-funded projects and positive neighborhood change, the correlation is not meant to imply causation.\(^5\) When the HUD-designated Qualified Census Tracts map was updated in 2013, areas of concentrations of low- and moderate-income families had expanded considerably beyond the 2003 concentration in Center Township (see Map 6).

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\(^5\) It should be recognized that this analysis of spending, projects, and impact is somewhat incomplete. CBDOs and CDCs serve additional functions, not necessarily captured in an analysis of CDBG and HOME spending or housing production. Furthermore, additional funders—outside of publicly-derived funds—participate in funding various aspects of community development and their participation is not captured within this narrow analysis. Additionally, there are various other funds that are derived from HUD—such as the Emergency Solutions Grant program (ESG) and the Housing Opportunities for Persons with AIDS (HOPWA)—that could positively impact community development outcomes unaccounted for here. Finally, this analysis does not consider the Neighborhood Stabilization Program (NSP), because city data regarding NSP were not readily available at the time of the analysis and the resources expended under NSP were expended too recently to be reflected in available impact data.
Figure 4. Correlation between CDBG Projects (2001-2005) and Neighborhood Change, 2000-2010

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<tr>
<th>Measure of Neighborhood Change</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
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<td># of CDBG Projects (2001-2005)</td>
<td>.181*</td>
<td>.045</td>
<td>122</td>
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<td>1</td>
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* Correlation is significant at the 0.05 level (2-tailed).

Map 6. Marion County HUD-Designated Qualified Census Tracts, 2013

Indianapolis-Marion County
2013 Qualified Census Tracts

Revised by Affordable Housing Resource Center (2013)

MAP NOTE: HUD defines a Qualified Census Tract as any census tract in which at least 50 percent of households have an income less than 80 percent of the area median gross income or have a poverty rate of at least 25 percent.

Map Created by John Marron May 16, 2013
Current Issues Facing the System

Civic leaders in Indianapolis are currently considering the future of the community development system in Indianapolis. To some degree, this consideration is not dissimilar from conversations occurring in other urban areas throughout the country. Pittsburgh is in the midst of a similar discussion (Siegel, McAvey, Rosen, & Hadjimichael, 2012) led by its civic leadership. Detroit’s community development corporation association and its civic leadership are convening separate discussions around industry reform (Ash, et al., 2009; Community Development Advocates of Detroit, 2011). Cleveland is working with researchers from Cleveland State University to consider the future of their system (Krumholz & Hexter, 2012). In each of these cities, reports and white papers (similar to this document) have been drafted for the consideration of those cities’ civic leadership and community development actors. Clearly the trajectory of Indianapolis’ community development system’s evolution is part of a broader national pattern.

While Indianapolis has an opportunity to design the future of community development service delivery, updates to the system will not happen in a vacuum. An acute understanding of the issues facing the current system is critical in updating it to be more efficient and effective in advancing the community’s shared community development goals. These current systemic issues include:

- A lack of clarity and commonality of purpose for community development in Indianapolis;
- The inherent challenges in defining, and aligning the system to, a common purpose;
- Collaboration among key stakeholders;
- Agenda-setting and evaluation;
- Broad geographic considerations;
- Organizational partnerships and mergers;
- Training, retaining, and allocating human capital; and
- The need to leverage resources.

Lack of Clarity and Commonality of Purpose for Community Development

A number of legitimate goals may be pursued within the broader rubric of community development housing programs as prescribed by government housing policy. Chief among these goals from a federal perspective is decent shelter at affordable prices for low- and moderate-income families. Pursuit of this goal is the primary reason the US government began intervening in the housing market in the 1930s, and this goal is reflected in most housing and community development programs.

Research suggests additional goal areas include wealth creation for low- and moderate-income individuals, promotion of urban vitality, social integration of classes and races, increased and enhanced civic engagement, promotion of social capital through training and civic connectedness, strengthened institutions, and promotion of the efficient use of public funds through complementary investments (Byrne & Diamond, 2007). Through the consolidated planning process, local governments have discretion in how funds derived from the federal government are spent at the local level within the construct of the broader federal program guidelines; at the local level, strategies should be crafted to meet local political realities and respond to community input and expectations (Katz, Turner, Brown, Cunningham, & Sawyer, 2003; Byrne & Diamond, 2007). As federal resources for community development decline relative to the share of resources derived from local sources, fiscal, strategic, and
tactical decision-making responsibilities shift, in part, to the local philanthropic sector (Bockmeyer, 2003). As a result, no single entity can be fully responsible for setting local community development policy, purpose, goals, and strategies; rather, public and civic leaders must establish processes by which they are able to coordinate activities to achieve desired high level outcomes.

Ideally, a city’s broad community development agenda is set by city policymakers, civic leaders, and community development funders, while neighborhood agenda are established by an inclusive, informed, and intentional process at the neighborhood level. Community development practitioners—or representatives of the practitioners—are engaged in the discussion at the civic level and the local level, so that the projects they pursue advance both their neighborhood’s vision as well as the broader goals of city government and its civic partners. In practice, community development activities are generally undertaken where the goals of particular funders and the feasibility of projects intersect with the community-based vision of neighborhood stakeholders. CDCs typically work where these two areas overlap, keeping and shepherding the community vision while working to attract funds from various sources to advance the community’s goals (see Figure 5). The success of Indianapolis’ community development program and the work of various funding recipients is evaluated upon measures that reflect the broader goals of civic leadership. The extent to which the entire system is stable contributes to the potential successes that may be realized, as does the level of integration of the various players (Frisch & Sevron, 2006). Ideally, the purpose of the community development system and subsequent goals and strategies are clearly articulated and measurable (Siegel et al., 2012).

Through numerous conversations with stakeholders throughout Indianapolis’ community development system, it was suggested there is not, at present, a consistent, commonly held purpose for Indianapolis’ community development system across stakeholders. Many stakeholders articulated some variation of neighborhood revitalization (or stabilization) as the system’s purpose, but there was little agreement about the various goals and strategies that might be employed to advance that goal. For example, there was little agreement about whether a place-based or people-first strategy (or some combination thereof) should be pursued in advancing neighborhood revitalization and stabilization. Similarly, there was little agreement upon whether community revitalization efforts should seek to improve the lives of individuals living in the community already or to reset the market to attract individuals not currently living in the community. This lack of a common purpose—with concrete goals and strategies to advance that purpose—has resulted in funding choices being made out of habit rather than strategy. This gap also creates challenges in measuring impact, clouds considerations around geography and geographic targeting, and makes holding recipients accountable for specific outcomes infeasible. Further, while civic leaders often perceive shortcomings with the outcomes achieved by the community development system, as well as the absence of the articulated purpose and the evaluation measures that purpose

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6 Potential models for how this model could evolve are explored briefly in the final section of the report.

7 The 2010-2014 Consolidated Plan articulates capacity challenges with various recipients of public funding (City of Indianapolis, 2009)
implies, it is unlikely that those challenges can be articulated in such a way that they can be sufficiently addressed.

The Challenge of Aligning Varied Outlooks into a Defined Common Purpose
As a result of declining federal resources available for community development and a desire to attract new residents to Marion County, there is an emerging desire among civic leadership to be more strategic, targeted, and impactful with the expenditure of public community development resources. To that end, there are ongoing discussions about focusing activities and investments in more narrowly defined geographic places. These discussions have taken place within the context of the Indianapolis Bicentennial as well as general conversations relating to community development. This approach is consistent with current research; researchers have found that a targeted approach is more effective in transforming neighborhoods than a dispersed approach. Measurable positive outcomes are only achieved when community development expenditures are sufficiently targeted in that they exceed a threshold amount within one census tract. Short of that threshold, researchers found no consistent association between spending levels and indicators of positive neighborhood change (Galster, Walker, Hayes, Boxall, & Johnson, 2004).

Such an approach will require change on the part of all actors within the community development system, broadly defined. As the resources available to pursue community development outcomes are less readily available from federal sources and more locally targeted, competition for those resources among geographies and organizations is likely to become more acute. It will be important for funders of community development to clearly articulate desired outcomes, orient funding decisions to those outcomes, evaluate successes and failures on predetermined metrics, and hold practitioners accountable for meeting stated benchmarks. In such an environment, it makes little sense to continue the practice of funding all projects that meet a scoring threshold. In the future, it will be likely that a set number of projects (or a set number of resources) will be funded; only the highest scoring projects will be funded. Such a system may result in an inequitable distribution of resources; however, at the same time, it should raise the quality of projects while providing an opportunity for the City to more closely align its funding decisions with desired outcomes. In driving the evolution of the various actors within the system, it will be important for civic leadership to consider how to be more efficient in allocating resources without becoming less effective in achieving desired outcomes; pursuing efficiency at the expense of, or without regard to, effectiveness is likely to limit capacity within the system rather than enhance it. One respondent aptly noted that the pendulum can swing too far toward efficiency, creating a system that is efficient yet fails to fully accomplish outcomes.

For their part, practitioners will have to leverage their own organizational strengths and engage in strategic partnerships to advance their neighborhoods’ community-based visions. In many cases this may mean pairing their organizational strengths with other nonprofits across traditional community development boundaries as well as inviting other key partners with unique capacities to advance their neighborhood’s vision. In such a paradigm, local actors who are successful at forging and leveraging these partnerships—in addition to those factors critical to the success of any community development entity such as adherence to mission, technical knowledge and competency, political capital, and attracting funding(Gittell & Wilder, 1999)—will be best positioned for success in a more competitive environment. These efforts will require that partnerships among practitioners operate in concert with mutually beneficial partnerships between practitioners and funders.
Finally, it should be stressed that the evolution of the current system is about moving Marion County toward a desired future and not about addressing grievances of the past. Within that, given declining federal resources available to pursue community development activities at the local level, it is in everyone’s best interest that the system is realigned to the purpose of pursuing transformational impact with all due haste (without destroying the efficacy of the system). To that end, obtaining the buy-in of local practitioners and other key players in the community development arena will save time and energy, thus, it will be critical for the individuals representing local organizations to feel that there is a strong rationale for the evolution and to help them understand the reasoning behind decisions affecting their organizations. The importance of transparency in the process of realigning the system should not be underestimated; and, a number of key informants suggested using the data-driven process associated with Indianapolis’ allocation of Neighborhood Stabilization Program (NSP) resources as a model process that could be replicated. That process relied on a facilitated discussion that drove interested parties to first agree on end goals and critical metrics of success before examining programmatic and geographic concerns; after the end goals and metrics were agreed to, it was easier to assess whether specific priorities of individual actors advanced the stated goals.

Collaboration among Key Stakeholders
Nationally, as the community development industry has evolved, it has grown increasingly complex, involving policymakers, public and philanthropic funders, intermediaries, local professional practitioners and their volunteer boards, neighborhood residents and stakeholders, and – as community development efforts grow more comprehensive – funders, practitioners, and boards of complementary providers of social services in neighborhoods. As the geography of need is changing—with many first ring suburbs displaying a need for stabilization/revitalization efforts—and more service providers are created to address those needs, more service providers seek to engage and influence industry decision makers. While this complexity can lead to challenges in administering resources and policy, it also provides an opportunity to enhance collaboration among practitioners and between practitioners and their funders (Bradshaw, 2000) and formulate common definitions and measures of success. In aligning all community development actors to a common purpose, effective collaboration among the various community development actors is critical.

Indianapolis has a history of collaboration for specific community development programs and initiatives. In the last decade alone, civic leaders have convened around community development issues through the GINI initiative, as part of the Super Bowl Legacy Project, and in planning for other specific planning efforts, such as the Neighborhood Stabilization Program. A narrower group of civic leaders—those directly involved in funding community development organizations—meet annually through the Indianapolis Neighborhood Development Initiative (INDI) review process to evaluate the impact the system and its various players have had throughout the past year and consider funding decisions for the coming year. A number of funders, as well as some practitioners, noted how beneficial this process was in terms of raising funders’ awareness of the various current initiatives and evaluating potential community development partners. The executive directors of the organizations directly engaged in community development service provision (mostly CDCs) meet monthly through their organizational affiliation with ICND. Through ICND, these organizations promote communication, collaboration, and cooperation among community development practitioners. While these various venues promote collaboration for specific initiatives or among a limited group of community development actors, there has not been as much of a history of ongoing broad and intentional collaboration among the various constituencies in community development in Indianapolis.
At present, a number of other cities are discussing how to normalize collaboration within their community development systems as well. Through Pittsburgh’s Big Rethink, members of the Pittsburgh Community Development Collaborative—a collaborative group of community development intermediaries and related funders—have outlined a number of goals and strategies for building collaboration and streamlining efforts, as follows:

- Funders of the system should facilitate the articulation of a strategy with identified outcomes and accountability mechanisms.
- The major philanthropic funders, investors, and actors in the community development system should develop a more deliberate strategy around community development.
- Establish a working group among the main financial intermediaries to create a unified strategy to address key funding gaps, solidify funding roles, and identify ways to better coordinate and streamline the financing system.
- Incorporate a more comprehensive set of strategies and a broader set of actors involved in neighborhood development.
- Create a cross-sector and cross-disciplinary set of high-level leaders working together to better address system barriers or to develop systemwide approaches to leveraging the city’s economic assets.
- Form working groups that focus on specific issues, and have the groups work with and through an existing or restructured intermediary.
- Explore less formal options that provide maximum action and minimum bureaucratic delay (Siegel, et al., 2012).

Likewise, the Community Development Advocates of Detroit (CDAD, Detroit’s analogue to ICND) is in the process of pursuing an Industry Reform Initiative for Detroit’s community development industry (this reform effort is separate from yet concurrent with an initiative led by Detroit’s community development funders examining upgrades to Detroit’s system). As part of that reform, CDAD is proposing a Detroit Community Development Stakeholder Consortium that would provide the following services to that city’s community development industry:

1. Select community development organizations (CDOs) to receive capacity building support.
2. Develop certification criteria and award certifications of CDOs based on those criteria.
3. Design an appropriate (community development) intermediary system for Detroit.
4. Review and advance national best practices in Detroit’s community development system.
5. Design new community development initiatives.
6. Design a success measures system for community development.
7. Evaluate the community development capacity building system (Community Development Advocates of Detroit, 2011).

CDAD envisions CDOs and their trade associations, foundations, intermediaries, government, businesses and institutions engaging in an equal partnership around community development issues to engage in this collaboration and advance Detroit’s community development system (Community Development Advocates of Detroit, 2011).

Research suggests that strong CDC systems that positively impact neighborhoods and residents within them create avenues and promote linkages between key players, providing for easy information
exchange, mutually beneficial relationships, and a venue for frequent discussion, debate, and negotiation on important policy issues (Walker, 2002). A number of other cities are engaged in successful community development collaborations; in some cases these collaborations focus on a particular initiative, and in other cases they are more narrowly focused on issues within those cities’ community development systems. As a matter of emerging best practice, key stakeholders in the Indianapolis community development system would benefit from creating a community development collaboration to help shape and advance the industry’s goals and strategies, monitor its deployment of resources, and evaluate its successes. While Indianapolis can look to other cities for guidance as to this collaboration’s charge, the workings of this group should be locally defined (Katz, et al., 2003) within the broad construct that the group should:

1. Meet with a commonly defined purpose in accordance with the strategic goal for the community development system,
2. Be intentional and transparent in its actions, and

**Agenda-Setting and Evaluation**

While the purpose and vision for the broader community development system is set at the civic level—ideally through the aforementioned collaboration—the agenda by which that purpose and vision is implemented is set at two levels: the civic level and the neighborhood level. The civic agenda is set in concert with an articulated purpose and is reflected in reality by what those with resources are willing and able to fund. Within that broader agenda, neighborhood stakeholders articulate a vision they wish to see advanced at the local level (Barron, 2003).

Since GINI, Indianapolis neighborhoods have increasingly expressed these neighborhood visions in *Quality of Life* plans. These documents result from inclusive planning processes, driven by neighborhood residents and stakeholders, in which they articulate specific goals, strategies, and actions for their local neighborhood. These plans originally emerged as a result of intentional actions by civic leadership to support a more comprehensive notion of community development; however, a number of neighborhoods have undertaken their own efforts – shepherded by local organizations – to articulate these quality of life plans for their own neighborhoods.

In these neighborhoods, a convening agency—the community-based organization responsible for shepherding the neighborhood’s vision—derives its legitimacy as an organization by effectively performing the role of a neighborhood intermediary that seeks to attract resources to advance the neighborhood’s vision. At the civic level, the same community-based organization is judged by its capacity to effectively steward the resources entrusted to it for the purposes for which it was granted (Kubisch, 2005; Bratt & Rohe, 2007). For itself, the community-based organization must successfully navigate community politics, attract resources to fund its activities, and manage activities efficiently and effectively. This requires that community-based organizations have both relational-political skills as well as the technical capacity to either manage projects and/or manage mutually-beneficial partnerships with other actors (Glickman & Servon, 1998; Gittell & Wilder, 1999). There is a debate in the literature about whether these capacities need to exist entirely within one organization (Stoecker, 1997; Frisch & Servon, 2006; Gittell & Wilder, 1999), mirroring the questions of some civic leaders in Indianapolis.8

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8 In reality, this set of skills cannot be attributed to organizations themselves, but to individuals who work within these organizations. On some level, the community development system will only be as successful as the human capital upon which it relies. Once an over-arching purpose is articulated, successfully aligning the human capital (discussed in greater detail below) within the system to advance the articulated purpose is the most critical aspect of reforming the system.
With locally-defined agenda, community development, by its very nature, will look somewhat different in different neighborhoods; the specific activities desired by the residents of one neighborhood undoubtedly differ from other neighborhoods. This diversity of local goals and strategies can create challenges in applying common evaluative metrics through a city; nevertheless, variations in local strategies contribute to a diversity of neighborhoods that should result in a more vibrant city. For its part, the City and other funders can and should hold local actors accountable for meeting the benchmarks outlined in their proposals, and these proposals should be tied to broader outcomes defined and desired by civic leadership.

Given the desire to achieve transformational impact at the neighborhood level in various neighborhoods throughout Marion County, the over-arching metrics to measure that success are relatively straightforward: measures of increased assessed valuation of property, increased local option income tax receipts from specific areas, and positive trends in various census indicators should form the baseline of performance and population measurements. Community development practitioners should orient their proposed activities toward achieving particular outcomes (i.e., CDC-123 is going to do X because they believe it will achieve Y, and Y is in keeping with the broader purpose pursued by the City and other funders) and those metrics should be routinely measured. Within that, however, it is important to note that population level outcomes may take a considerable amount of time to become evident. Further, it is unlikely that any one community-based organization is going to be solely responsible for a neighborhood’s transformation (or its failure to do so); success or failure is going to be a result of trends in the broader marketplace, proximity to other desirable locations, private development activity, and myriad other factors. In short, outputs (what practitioners plan to do) should be tied to desired outcomes (what practitioners and civic leaders want to achieve) and actors should be held accountable for those outputs. Outcomes should be measured (Friedman, 2005), but the community development organization should not bear the full burden—nor receive the full credit—for population-level outcomes. To understand the performance of individual community development actors, it will be important to develop interim outcomes that are logical milestones between the activities of practitioners and broader systemic goals, by which the individual actors can be assessed.

A key informant suggested that the performance and population metrics by which the system is evaluated should be articulated, benchmarked, and tracked over time; further, it would be valuable to translate this dashboard of metrics into an annual state-of-the-system report. Such an approach would be healthy for the system as an intentional and regular evaluation of the system’s success and shortcomings, from which modifications to existing and future plans could be based. This approach would also provide regular and publicly available feedback to funders and practitioners about what is working or not working, offering a common basis for decisions impacting the system or its practitioners. Civic leadership should consider a dashboard of metrics in concert with the articulated purpose that could provide the basis for an annual evaluation report.

**Broad Geographic Considerations**

The degree to which geography should be considered within the community development delivery system is contingent, in part, upon the broader civic purpose articulated for community development. An evolution toward targeted transformational impact (through revitalization and/or stabilization) of particular neighborhoods throughout Marion County presupposes that geography will be an essential consideration going forward. In reality, because of the federal program guidelines attached to the resources available from public sources, the work that is actually pursued is likely to support individuals.

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9 Specific research regarding targeting as a community development tactic is discussed in a subsequent section.
and families in need in areas determined to be strategic for advancing broader goals of the City, its leadership, and the leadership of organizations engaged in this work.

Within that context, however, it is important to consider that stabilization of declining or tipping areas may be as strategic as full-scale revitalization efforts in other areas. In terms of stretching the finite resources available to do community development work, stabilization may result in a return on investment that is equal or greater to those resources spent on revitalization efforts when the averted costs of future revitalization efforts (in areas where stabilization efforts keep them from tipping) are considered over time. Furthermore, some areas that could benefit from stabilization efforts offer similar housing products to those desired by residents currently locating outside the county; in those cases, attracting those residents to areas being stabilized provides benefits that are similar to returning individuals to revitalized neighborhoods in more urban parts of the county. Supporting a variety of neighborhoods, and housing types within neighborhoods, across the county can best position the county to compete for various buyers with varying interests. As such, one geographic consideration of any conversation about how the community development system should evolve is how best to support work in areas of Marion County that are not currently served by a designated community development corporation.

From the perspective of community-based organizations, there is an emerging recognition that geography has to matter less than it once did. Those practitioners who have been in the industry for a longer period of time recognize that this is already occurring; community development corporations seem less territorial than they once were. Among some existing CDCs, there is a recognition that they need to consider how best to support activities outside their own geographies (be it a specific type of development that will benefit its residents or help stabilize nearby neighborhoods) to reinforce the activities they are undertaking in their own neighborhoods. At the same time, because community development work happens where a locally-developed community vision overlaps with what is consistent with civic priorities, feasible from a market perspective, able to attract resources, and where community development capacity exists, geography is likely to continue to be a relevant consideration for the nonprofit boards of these organizations. Geography can be de-emphasized by promoting partnerships across geographies and encouraging local actors to support activities proximate to, but not within, their historic boundaries, in the short term.

On some level, the question of how large or small the appropriate geography should be for community-based development organizations is muted by the amount of resources available to each entity to do the work. Many of the current CDCs define target areas within their broader geographies and focus their energies in those target areas so as to achieve a more meaningful impact with the resources they have. As particular cases in point, I-AD serves the entirety of the Near East Side, but due to resource constraints, leveraging opportunities, and the need to target for impact, a considerable amount of their work has been focused within the St. Clair neighborhood; likewise, Mapleton-Fall Creek (MFCDC) has focused its energies on the southern end of its service area for similar reasons. In either case, expanding either CDC’s service area (for example, moving I-AD’s eastern boundary from Emerson to Arlington or Shadeland, or moving MFCDC’s northern boundary from 38th Street to 42nd or 46th Street) may not make any difference in the actual work that gets accomplished because those organizations only have enough

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10 This suggests residents and practitioners intuitively understand the need for targeting reinvestment to achieve impact. While local stakeholders may object to a citywide targeting of community development resources that selects particular neighborhoods for investment, practitioners are pursuing similar strategies within their own service areas for the very same reasons the City and other civic leaders are considering it at the city level.
resources to work in smaller geographies within their traditional service areas. On some level, a system where the city funds proposals developed by locally-based institutions with incentives to focus their activities in subareas of their defined geographies could preclude projects that would fit civic priorities and serve underserved areas from being proposed.

The counterargument from the neighborhood based institution to this line of reasoning is that it is better positioned than civic leaders to understand what is needed and desired in its neighborhood(s). While this is true, provided that the neighborhood-based institution is engaged with its neighborhood to the degree that it has legitimacy to “speak” for the neighborhood; nevertheless, both can be true simultaneously. Projects that could advance civic goals (not necessarily at the exclusion of neighborhood goals) may not be proposed because they are not in areas that the neighborhood-based institution has found to be of the highest priority within neighborhoods, as defined by the neighborhoods themselves.

One challenge with the existing community development system is that individuals needing assistance outside the traditional service areas of CDCs may find it more difficult to receive assistance (or receive assistance on different terms) than residents in other areas. While it is entirely reasonable for the City and civic leadership to target their resources to particular geographies to advance the goal of transformational neighborhood impact, residents in need of support should not be categorically excluded from assistance based on their geography absent that over-arching purpose. For example, if civic leadership determines that reinvestment around historic commercial nodes and corridors is the most critical aspect of advancing civic community development goals, it reasonably follows that an individual residing outside those areas will receive a lower priority for investment than someone proximate to them; absent clearly articulated strategies. However, individuals and families in need of service should not be excluded from consideration simply based on their geographic location.11

Perhaps the most unfortunate aspect of historical boundaries between CDCs is that the very existence of a boundary may drive disinvestment along the boundaries. In many cases, in targeting their resources to achieve maximum impact within their neighborhoods, CDCs have targeted their investments to the centers of their neighborhoods and then reinforced those investments with additional investment in nearby properties. Conversely, many CDCs do not target investments along their boundaries because they are unable to invest in properties across their service boundaries in other neighborhoods. As a result, many of these boundary areas – which are often strategic transportation corridors – receive little or no community development resources. At the neighborhood level, this approach is rational; but from a broader civic perspective, areas that potential participants in the market are most likely to encounter are left untended and thus an opportunity is missed, which, in turn, makes it more difficult to reset markets or spur additional private investment. As considerable public investment in the form of public transportation is being considered along many traditional boundaries of CDCs (the Northeast Corridor, Meridian Street, 38th Street, and to a lesser degree, East and West Washington12), these corridors should

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11 It should be noted that individuals and families living outside the traditional areas of the CDC coverage area do have avenues to receive various types of assistance through organizations such as the Indianapolis Neighborhood Housing Partnership, Community Action of Greater Indianapolis, Habitat for Humanity, and others. In some cases, the concern for residents may be that the terms they receive for assistance may vary depending on their location (and which organization services that geography) as each entity providing service is able to establish its own terms within the federal guidelines. In those cases, the City may choose to establish more stringent guidelines than the federal government requires (e.g., requiring Homeowner Repair program dollars to be received as a loan rather than a grant), however, such decisions should be made in support of the broader vision and purpose for the community development system. In other words, such a decision should be arrived at as a means to an end rather than an end in and of itself. Further, such a decision should recognize and consider the consequences for practitioners and beneficiaries of these efforts as well.

12 East and West Washington are near CDC boundaries, but not the actual boundaries of any CDC.
be strategic areas of focus that can prime the market for reinvestment when public transportation facilities are added. In areas where there has been a lack of focus on these corridors, there is likely to be an initial drag on the market as those corridors must overcome a lack of public investment. If such a drag on the market proves pervasive, it could jeopardize the potential success of the transportation investments in places where disinvestment hinders market activity.

While these boundaries have received less attention than centers of neighborhoods historically (and inattention to boundaries and corridors is by no means universal), these areas represent opportunities for strategic partnerships going forward. In the case of North Meridian Street, MFCDC, Near North Development Corporation (NNDC), and the Children’s Museum have been able to focus efforts along Meridian Street (the historic boundary between MFCDC and NNDC) under the context of the Mid-North Quality of Life Plan. In concert with the planning for the Indianapolis Smart Growth District, King Park Area Development Corporation (KPADC) has focused additional attention along the Northeast Corridor, in partnership with institutions in Martindale-Brightwood. Englewood CDC and Westside CDC have taken on varying levels of planning and responsibility for the East and West Washington corridors, respectively.

In some cases, these corridors are attracting institutional actors outside of the traditional community development sector; for example, the University of Indianapolis is now thinking more intentionally about the benefits of a healthy Shelby Street corridor. Increasingly, these strategic transportation corridors represent opportunities for a renewed focus, an increase in the number and depth of partnerships, and an opportunity to leverage (and reinforce) additional public investments. In as much as geographic targeting is the strategy by which transformational neighborhood impact is pursued, these strategic corridors along the boundaries of traditional CDC service areas represent opportunities for meaningful partnerships among local practitioners to advance local and citywide community development goals.

Organizational Partnerships and Mergers
One discussion that is garnering attention both locally and nationally is the degree to which efficiency might be improved by merging similar organizations and/or diverse organizations working in similar geographies. In some industry reform circles, it is taken as a given that diminishing resources and tightening budgets must result in mergers and consolidations among service providers (Krumholz & Hexter, 2012). At the same time, research shows that while CDC mergers can result in stronger organizations, it can also alienate longtime neighborhood stakeholders, suggesting that a deliberate, transparent process is critical for success. Research also shows that mergers are notoriously difficult for civic leaders to orchestrate from a top-down perspective (Bratt & Rohe, 2004). As a result, community-driven mergers are most likely to happen when the community and the boards of the potentially merging organizations find it opportune to merge the organizations.

With that in mind, it may be somewhat more likely that mergers will occur between complementary organizations serving the same geography and receiving diverse sources of funding than for organizations doing similar work – with similar funding sources – serving different geographies. Even within similar geographies, there may be challenges with pursuing mergers when organizational histories and cultures are quite distinct. For example, a merger between a faith-based, community-

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13 The fate of Community Centers of Indianapolis (CCI), a failed attempt at a centralized backbone organization for Indianapolis community centers, was cited as an example of what can happen if mergers and partnerships are forced on community serving organizations. As recently as 2003, CCI had a $13.2 million annual budget to provide administrative services, but it voted unanimously to disband following a number of organizational challenges (Davis, 2004).
oriented organization may never successfully merge with a civic-oriented developer primarily focused on social return on investment. In any case, any meaningful merger discussion is likely to have to have been precipitated by a lengthy history of mutually-beneficial partnerships, so that the boards and the staffs of the respective organizations fully recognize the benefits (and costs) of a merger.

Even when two organizations have a history of partnership and can agree on the area of service (each organization’s traditional area or a merging of areas), the merger is only likely to go forward at specific periods in organizational history. There may be opportunity when an organization has an opening in its senior leadership and/or one of the two organizations is at a strategic crossroads in pursuing its mission or vision. Mergers are also more likely to be successful when neither of the organizations involved have excessive liabilities; such liabilities are likely to cause some apprehension on the part of the other organization as it has to assess its ability to absorb those liabilities. An organization responsible for multiple troubled projects is not likely to be an attractive merger partner (Bratt & Rohe, 2004); mergers are more likely to go forward when both organizations are relatively healthy from a fiscal perspective.

**Facilitating Mergers**

To the degree that mergers of complementary and/or neighboring organizations is something that civic leaders would like to see, there are two courses of action over the long run that can support that outcome. First, organizations that may eventually merge need an opportunity to work together and understand each other’s organizational cultures. Seeking out ways to stimulate meaningful partnerships among complementary organizations will both advance each organization’s work and provide the staff and boards of each organization an opportunity to work with each other. Such a partnership needs to be mutually beneficially (i.e., the partners proportionally share the risks and rewards while advancing the goals of each organization and the communities they serve); it cannot simply be transactional in nature.

Second, once discussions of potential mergers progress, it is absolutely imperative that the organizations are aware of how the merger will impact their funding environment. While research clearly suggests that funders are unable to drive merger discussions, they are able to facilitate merger efforts by providing a clear picture of how funding will be provided after a merger (Bratt & Rohe, 2004). To that end, if each of the merging organizations receive enough funding to serve 50 families pre-merger, they will want to know whether they will continue to receive the funding that was provided to each organization before (i.e., twice the amount of funding through which they were serving 50) or if it will be some other figure. Potentially merging organizations may be reluctant to merge if they perceive that the collective amount of funding the organizations receive will be reduced under a new regime. They are likely to be unwilling to even entertain the merger conversation at all if there is no discussion of what the future of funding looks like for the post-merger organization. In the event that mergers do occur, it may be necessary for the merging organizations to receive additional short-term funding to facilitate the merger process (Rohe & Bratt, 2003).

**Training, Retaining, and Allocating Human Capital**

Resources within any given social service system can be broadly classified into the system’s finances, people, and programs. In community development, finances are derived from earned income as well as philanthropic and public sources; people bring knowledge, skills, and experience, or human capital, to advance the work. Financial and human resources come together to deliver services through individual programs. These aspects of the community development system are interdependent and inextricably linked. To that end, systematically allocating human capital to advance the community development agenda is a critical aspect of achieving success for the community development delivery system.
Nationally, the community development industry suffers from a number of human resources and organizational challenges. As the industry has professionalized, many once young leaders of CDCs remain the executive directors after more than 15 years (as many as one-third of CDCs nationally); while this provides those organizations experienced and skillful leaders, it raises questions about the capacity of those CDCs beyond the skills and talents of those individuals. Many high-capacity organizations have struggled after losing a capable and dynamic leader (Frisch & Sevron, 2006). Secondly, the skill sets required of CDC staff, especially executive directors, are diverse and valuable: being the leader of a high capacity organization requires that directors be technically skilled developers, be politically savvy, be able to navigate complex interpersonal relationships, and effectively manage staff and resources. Organizations with directors who lack these abilities tend to be less effective; organizations with directors exemplifying these characteristics generally cannot offer competitive remuneration for their services (Bratt & Rohe, 2007). For junior staff, the lack of a defined career path and the combination of relatively low pay for a valuable skill set drives high turnover. As a result, CDCs often end up training individuals to move on to more lucrative careers outside the industry (Frisch & Sevron, 2006).

On some level, the potential mobility of human capital clouds the “What is the right community development system?” question because the system is only as effective as the people who are advancing its work. Having the right number of community development organizations and serving the right geographies may not achieve success if the individuals in key positions are constrained in utilizing their talents, or, conversely, if individuals in those positions lack the capacity necessary to navigate the challenges of those positions (Glickman & Servon, 1998). Furthermore, even if the system is able to deploy its human capital effectively and efficiently in the present, the system will only retain its efficacy if that human capital is retained and/or if qualified professionals are prepared to take on meaningful roles when vacancies occur.

**Professional Development**

Any system has a need to develop and retain its human capital, and the community development delivery system is no different. Civic leaders have done a good job of supporting the professional development needs of CDC personnel through targeted training and technical assistance efforts during the recent past. That effort has been useful in strengthening the system as a whole. At the same time, the level of experience and competence varies widely among community development personnel and it can be difficult to craft a one-size-fits-all training and technical assistance regimen for CDC personnel. It some cases, it would be more beneficial to receive training and assistance tailored to the unique situations of a CDC and its staff (Bratt & Rohe, 2007).

There are numerous opportunities within the Indianapolis area to obtain reasonably priced general training and technical assistance; for more seasoned practitioners, however, it can be more difficult to obtain advanced and/or specialized training for the unique situations experienced by individuals/organizations with greater capacity, more experience, and more advanced skills. Individuals leading those organizations may be those most in need of professional renewal. They would benefit from creating and/or renewing communities of practice with individuals facing similar challenges in other cities. Supporting professional renewal through specialized training and out-of-town experiences (such as an attendance at a NeighborWorks Training Institute) for these leaders will build their capacity to advance meaningful work, renew their commitment to the industry, and strengthen other actors as they strive for those same opportunities. Furthermore, individuals who obtain additional training should be expected to share lessons learned with their peers, thereby supporting the diffusion of knowledge and best practices across the entire community development sector.
Allocating unrestricted funding for the purposes of professional development is challenging for nearly any nonprofit organization. Nevertheless, from a systemic perspective, providing professional renewal opportunities for practitioners leading the industry will have benefits in terms of keeping those individuals in their positions, developing additional bases of skills and knowledge to draw upon, and promoting the diffusion of best practices across the Indianapolis community development system. Supporting this renewal could be a relatively cost-effective way to assist local community development practitioners outside of providing additional unrestricted resources to their organizations.

The Need to Leverage Resources

Community development is, by definition, a place-based intervention. While particular strategies may be targeted toward supporting families within a particular place, community development broadly seeks to create assets in historically disinvested neighborhoods by attracting external resources (Vidal & Keating, 2004). Our current fiscal environment necessitates each community development dollar be spent in such a way that is effective and efficient—where possible, leveraging other resources. It is also useful to consider strategies that retain and recycle dollars currently being spent in the system. Successfully leveraging resources in the context of community development can often be situational to individual projects or the actors involved; as a result, it is difficult to generalize about leveraging, but it is useful to examine guidelines for promoting leverage.

First, while this was by no means a universal feeling among key informant interviewees, there is a growing recognition among funders and local practitioners that being able to leverage resources is critical to advancing work in local neighborhoods. There was a general recognition that the pursuit of sponsorships and/or additional loans to come alongside public investments would result in more work being accomplished. It was further noted that having multiple partners involved in a project mitigated whatever risks come with financing individual community development projects. Spreading the risk among multiple financiers keeps all parties in a better financial position. To that end, having “local skin in the game” was discussed as a healthy approach to conceptualize projects that minimize systemic risk. While some noted that requiring a local partner to put up its own capital could be counterproductive from an efficiency standpoint (as directors devote more time to pursuing resources), others noted that local skin in the game could be achieved through the use of loans secured by the local partner (these could be traditional loans and/or forgivable loans by public entities, community development intermediaries, or actively engaged local anchor institutions). One additional benefit of spreading the risk among multiple partners is the increased scrutiny these projects receive: such an approach should result in projects that are more responsive to local market forces and other local considerations (Bradshaw, 2000).

Secondly, on the public side, to the degree that it is practical to do so, the City should continue the practice of strategically using recapture (rather than resale) to reuse expended HOME resources for

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14 The ability to access the financial resources from an actively engaged anchor institution may present the biggest opportunity to leverage existing resources. In a geographic targeting strategy, the City and other funders may want to consider which providers can bring additional resources through local partnerships, thereby effectively leveraging the initial investment of the City or its partners.
additional projects.\textsuperscript{15} While resale—or attaching the subsidy to the property—preserves the affordability of a particular housing unit over the long term, recapture—or attaching the subsidy to the cash—allows the City to reuse the investment in one property on additional properties (therefore stretching the original dollar invested). Resale is most appropriate in communities with high housing costs in that it helps preserve affordable units in a community for the duration of the affordability period; recapture makes sense in stable housing markets or in markets where neighborhood revitalization is a goal (Gura, 2001; ICF International, 2011; ICF International, 2009). As with other specific community development strategies, the application of the resale/recapture provisions (which must be noted in the City’s Consolidated Plan) should be driven by data to inform decision-making and be tied to a broader purpose determined by stakeholders\textsuperscript{16}; given the lack of acute affordability challenges in Indianapolis, however, recapture is likely an appropriate strategy in many cases.

An additional avenue that resource providers may want to consider is the development of innovative strategies to recirculate and/or stretch resources invested in the system. One such approach that is relatively common across other geographies is the development of a revolving loan fund, seeded by public, private, or philanthropic funds that can be used – repeatedly – to pursue projects in the community interest. Various federal agencies have programs that could support an initial investment in a revolving loan fund (Kurdila & Rindfleisch, 2007). However, some of these programs require that the program already be in operation prior to public investment. Further, the City will have to ensure that the fund utilizes those resources for the purposes outlined under the federal programs, thereby restricting the scope of potential projects that may be funded under the programs. Finally, under some programs, the City may need to partner with other entities—public, philanthropic, or private—to seed or operate the fund.

Another innovative strategy gaining popularity in other municipalities is the use of a Community Land Trust (CLT). CLTs are entities that hold title to properties with the intent of preserving their long-term affordability. Homes constructed on the property are sold to low-income families, while the CLT retains ownership of the underlying land and a long-term option to repurchase the home, providing a fair market return to homeowners. In this way, the homeowner can share in the equity that accrues in their home (and has incentives to maintain and improve the home as he or she sees fit) and the CLT can repackage the property upon its sale to a new low-income homebuyer. From a policy perspective, this approach provides for the long-term preservation of subsidies in that subsidies spent to develop one home can be recycled to serve many families. Furthermore, a well-functioning CLT can be positioned to deliver a number of administrative roles that might otherwise have to be performed by City government and/or other nonprofits (Davis & Jacoubs, 2008). While CLTs are most often deployed in rapidly escalating real estate markets, it is possible that a local strategy using the CLT model could be developed partnership with other stakeholders to help locally established community development goals stretch resources.

\textsuperscript{15} Resale and Recapture refer to provisions of the US Housing and Urban Development HOME Program in which the participating jurisdiction (PJ) must designate its subsidies as being subject to one of the two provisions to ensure that the resources meet the federal affordability period requirements. Under resale, a homeowner selling property that has received a HOME subsidy and who remains within the affordability period (determined by the amount of subsidy in the property), can only re-sell the property to a low- or moderate-income homebuyer. Under recapture, the PJ collects (or recaptures) a specified percentage (or amount) of the original subsidy from the net proceeds when the homebuyer sells his or her property.

\textsuperscript{16} In tying resale/recapture provisions to a broader purpose, consideration should be given to how our system is oriented on the question of being focused on places versus people, as resale/recapture will result in different outcomes for the beneficiaries of the subsidies.
To build the capacity within the system and recycle the resources spent to advance community development, technical assistance and professional and/or consulting services should be locally sourced to the degree that it is possible, feasible, and reasonable to do so given each situation. For example, if a particular community development entity has an effective and efficient property management service—all things being equal—other community development entities should be encouraged to contract for services with that CDC for property management rather than outside consultants. Doing so will allow resources spent in the system to recycle as the first nonprofit uses those resources for program-related expenses in contracting for services, and the community development entity providing the service will be able to reuse those resources without program-related restrictions to advance their missions. Undoubtedly, some services will require outside assistance, but property management functions, drafting pro forma and market studies, developing tax credit applications, conceptualizing and managing commercial development, and numerous other activities may feasibly be undertaken through local partnerships or contracts for professional services that could recycle community development resources within the system.

Finally, several key informants noted that having access to additional unrestricted resources would be useful in pursuing their missions. Absent an increase in the pool of available unrestricted resources, many CDCs envisioned additional ways to obtain those resources. In some cases, CDCs are examining the feasibility of developing marketable skills that they can then market to other community-based organizations (such as those discussed above). Others are actively working outside their traditional boundaries to increase the volume of their work. Others still are building relationships with anchor institutions that can provide additional resources or human capacity to support local efforts.

Encouraging these efforts to grow technical capacity and form partnerships is likely to have a transformational impact, albeit an organic impact, on the system as a whole. While the existing pool for unrestricted resources is limited, civic leadership can support the efforts of local practitioners by brokering relationships with potential funders, especially national funding networks that may have an interest in supporting community development efforts in Indianapolis.

**Targeting Resources: A Neighborhood Development Framework**

As community development has grown more complex, as the geography of need has shifted and expanded, and as resources to address these challenges have grown more limited, funders and practitioners throughout the country are increasingly relying on data and analysis to make funding and programmatic decisions. In the late 1990s in Richmond, Virginia, the Neighborhoods in Bloom (NIB) program was among the first community development programs to explicitly target areas through a robust data-based analysis of current neighborhood needs and assets. Based on a variety of metrics, the city was categorized into four areas: redevelopment areas, revitalization areas, stabilization areas, and protection areas (Accodino, Galster, & Tatian, 2005). Since NIB, this data-based approach to community development targeting decisions has become increasingly commonplace, and research on targeted initiatives suggest greater outcomes are achieved within those geographies when resources are targeted (Galster, et al., 2004). Indianapolis applied a robust data-based analysis to make allocation decisions with the HUD Neighborhood Stabilization Program.
As this area of research has grown more sophisticated, national best practices are emerging. While the individual metrics used should be tied to the outcomes that local government and its partners are trying to achieve, researchers increasingly recognize that “point-in-time” snapshots provide limited insight into the dynamism of a community. At the same time, longitudinal data, by itself, cannot provide insight on community conditions. Therefore, longitudinal data and community snapshots should be combined when analyzing data as a prerequisite for community investment strategies (Auspos, 2012). Performing a robust data analysis prior to engaging in targeted reinvestment strategies, where multiple stakeholders are able to provide input on key data points and metrics, will also lend credibility and transparency to the targeting process.

In addition to approaching targeting through a data-driven process, it is important to frame targeted reinvestment strategies from both the civic and the neighborhood levels (see sidebar). There are also additional considerations, conceptual challenges, and key questions which must be examined from the civic or, in some cases, city perspective.

**Civic Considerations for Targeted Reinvestment**

As noted through this report, as resources for community development and reinvestment become scarcer, many cities are focusing resources in particular geographies to produce a catalytic impact through concentrated reinvestment. In many urban areas, these approaches are based within comprehensive community development initiatives, in which multi-faceted efforts are focused within particular geographies. The purpose of such strategies is to simultaneously improve the physical and built environment, improve human outcomes, and reset market failures within defined areas. One aspirational goal of these efforts is to transform areas that have been net consumers of public resources into areas that no longer consume more in public resources than they pay for through tax revenues and user fees. As areas of the city are revitalized, the city’s civic leadership is then able to turn its attention and complement of resources to other areas for focused, catalytic redevelopment efforts (Schilling & Mallach, 2012).

**Broad Civic Considerations**

**Committed Leadership.** Pursuing targeted strategies requires political commitment from actors both within and outside the unit of local government. This commitment must be based within a broad understanding that the implicit purpose of targeting strategies is to address one area today so that the community is better able to address other areas tomorrow. A targeting strategy should be seen as a phase in a broader plan to make an entire community more competitive. Finally, urban revitalization efforts sometimes struggle because the leadership commitments made during the formulation of the strategies do not last through the life of the initiative; committed leadership is necessary throughout the implementation of the initiative, in addition to its beginning stages (McGovern, 2006).

**Engagement.** As part of their broader commitment, institutions bringing resources to the initiative should work closely with the stakeholders and residents of a targeted neighborhood toward win-win outcomes for both the investing institutions and local stakeholders. Often this will require institutions to orient their resources in a way that is both consistent with their own mission as well as with locally-developed community visions.

**Process.** Targeting requires a strong, data-driven process to direct resources and actions in a way that is viewed as objective by stakeholders in the broader community as well as those in targeted neighborhoods. If investment decisions are (or are viewed as having been) arrived at arbitrarily, the legitimacy of the broader initiative will be undermined in the eyes of the public.
Applying the Analysis: Elements of a Neighborhood Market-Building Strategy

Building individual neighborhood markets requires a dual approach in which neighborhood implementation steps must occur within a broader citywide strategic framework. The citywide strategic framework involves policy considerations as well as the strategic use of the tools available to city and civic actors; this broader, citywide approach then provides the framework for local actions.

Citywide Strategic Framework

**Identify regional market opportunities** - What are the key target populations (age, education, household type, education, etc.) that can be attracted to the city? What populations do civic actors want to attract?

**Identify marketable assets** - What assets do the city, or individual neighborhoods, have that can be used to attract target populations to the city? How can these assets be marketed or strengthened in such a way that they become better known or more appealing?

**Identify liabilities** - What could be deterring people (particularly the target populations) from moving to the city? What can be done to minimize those liabilities?

**Targeted Reinvestment** - What multi-faceted, coordinated efforts could be taken to provide pathways to opportunities for existing residents while competitively positioning neighborhoods to attract target populations?

**Consumer confidence** - How can civic actors make consumers more confident in their decision to invest in the city? In addition to managing liabilities (which should be considered a prerequisite to the question of consumer confidence) what other steps should be taken to build confidence in the target population so as to make a decision to invest in the city? (e.g., demonstrated investment, enhanced policing, or code enforcement)

**Marketing** - What specific steps can civic actors and neighborhoods take to reach target markets in a way that maximizes private investment in the city and individual neighborhoods?

Neighborhood-Based Strategies

Neighborhood-based strategies are action-oriented steps meant to implement the vision set for the neighborhood. These strategies can be used to improve a neighborhood’s stability, desirability, or amenity value.

Within the neighborhood development framework presented above, strategies that succeed in improving neighborhood stability include:

- Reducing the number of vacant properties and foreclosures,
- Encouraging private investment in homes and neighborhoods by existing residents and owners while seeking to attract new residents,
- Reducing concentrations of poverty,
- Engaging in crime-prevention activities, and
- Increasing homeownership.

Strategies meant to improve the desirability of neighborhood housing stock could improve an area’s attractiveness and stability; however, these strategies must be tailored to the neighborhoods in which they are deployed and to the market segments they are meant to attract:

- Creating a variety of housing stock through new construction, rehab, and adaptive reuse,
- Providing financial incentives for developers to overcome any market gap,
- Engaging in marketing efforts meant to provide information about neighborhood housing and amenities, and
- Insuring new owners against loss of equity through neighborhood depreciation.

Strategies seeking to increase an area’s amenity value would improve the attractiveness of areas and include:

- Improving the appearance of visible features of the neighborhood;
- Improving the quality, use, and safety of parks and open spaces;
- Improving public transportation and connectivity;
- Improving neighborhood schools;
- Increasing job access; and
- Improving neighborhood shopping and services.

*The practitioner and academic research supporting these elements, and the subsequent discussion on considerations for targeting reinvestment, draws heavily from Schilling & Mallach (2012).*
**Public (City) Actions**

While targeted reinvestment approaches are best pursued by a broad coalition of actors—including those with resources, those with local legitimacy, and local residents and stakeholders—there are some actions that can only be pursued by city government. There are three functions critical to targeted approaches in which the City must play a critical role (Schilling & Mallach, 2012).

1. **Investment** in targeted initiatives should be designed to create a self-sustaining flow of human and financial capital in the neighborhood (i.e., improve the neighborhood’s built environment and strengthen human capital, while making the area more attractive to prospective buyers/investors); reset the marketplace; and leverage additional private investment. While the City is not the only party who can bring resources to the table, there are some resources unique to local government—such as those derived from the US Department of Housing and Urban Development (HUD)—that can be used as part of the targeted approach. A demonstrated commitment by the City lends legitimacy to the broader phased effort.

2. **Regulation** of criminal activity (i.e., policing) and enhanced regulation of property in the area is almost solely the responsibility of City government. Along with policing, vacant property reduction, stricter code enforcement, nuisance abatement, rental property regulation, etc., are critical to achieving success through a targeted approach. In some cases, cities have paired enhanced enforcement with public resources—mostly Community Development Block Grant (CDBG) funds—to assist low-income homeowners in addressing code violations within the targeted geographies (See Galster, Tatian & Accordino, 2006).

3. **Engagement** of multiple community institutions and local stakeholders is critical to the success of targeted approaches. While the convener of these disparate groups can be any organization with means and legitimacy, the active involvement of City government lends an imprimatur that can encourage multiple stakeholders to participate. This is not to suggest that such efforts be led by the City, but it is important that the City be seen as a key player in the process.

**Conceptual Challenges to Targeted Reinvestment Approaches**

While there are many benefits to a targeted reinvestment strategy—and the academic and practitioner research clearly indicate a shift toward using targeted investments as a common strategy within the difficult fiscal environments faced by many units of local government—targeted reinvestment strategies are not without their challenges. A number of conceptual challenges are outlined below, each with an attendant discussion for how the inherent challenges might be mitigated (Cohen, 2001).

1. **Fostering agreement on which areas will be designated for targeted reinvestment**

   Deciding which areas will be designated for targeted reinvestment could be contentious as those areas that are not selected may want to invoke arguments of equity regarding their exclusion. This challenge could be particularly acute should there be a considerable amount of public resources invested in the targeted reinvestment strategy (relative to the amount of philanthropic resources dedicated). While there is no requirement for independent nonprofits to ensure equitable distribution of their resources, there is an expectation that the distribution of public resources will be allocated on a rational and somewhat equitable basis. To that end, it is important that the geographies be selected through a rational process that is seen as both inclusive and objective.

2. **Maintaining equity for those areas not receiving targeted reinvestment**

   To support the idea that targeting does not conflict with concerns regarding the equitable distribution of resources, leaders of the initiative must be able to articulate the “phased” nature of a targeted reinvestment strategy (i.e., stabilizing this neighborhood today to be in a position to address another neighborhood tomorrow). Implicit in the phasing concept is the idea that the targeted reinvestment in a particular geography is temporally-bound to some degree. Forming
consensus on the length of time the initiative will focus its energies in a particular geography will be important to articulating the concept of phasing. Temporal limitations need not be set in a particular number of years; limitations could be established in terms of benchmarks instead. Furthermore, regardless of the geographies identified, it is not feasible to expect local government to expend all of its resources for physical revitalization in only a few geographies for a protracted period of time; establishing some standard about the percentage of the City’s resources that will be spent in association with the targeted initiative will help establish broad understanding regarding local government’s planned involvement in the initiative. One consideration for establishing a standard may come from the federal CDBG program. Since 1981, 70 percent of federal CDBG funds have been allocated to entitlement areas (areas of need as identified through HUD’s statutorily-defined process) and 30 percent of funds have been granted to states for use in non-entitlement areas (US Department of Housing and Urban Development, 2005). A similar ratio could be established by local government in advancing the targeted reinvestment strategy while continuing to serve all other areas of the city.

3. **Building consensus and resident buy-in on neighborhood action/implementation plans**
   As noted previously, ensuring that institutional and public resources are spent in such a way that they respond to a neighborhood’s residents’ needs and aspirations is critical for the success of a targeted initiative. To that end, at least in the short term, there may be justification for selecting geographies where residents and local institutions have already formulated a common vision to which resources and efforts can be allocated. All else being equal, there is reason to believe that areas that engaged in the Great Indy Neighborhoods Initiative, the Smartgrowth Redevelopment planning effort, or other planning efforts may have more opportunity for initial successes than those areas that have not gone through similar planning processes.

4. **Financing the initiative**
   Targeted initiatives, especially those intended to address multiple geographies simultaneously, can be difficult and costly to finance. Often, initiatives require long-term commitments from multiple civic actors, and resources need to be drawn or allocated from sources from within and outside the community. But a considerable amount of public and philanthropic resources are already being expended for the purposes of achieving community development outcomes; to the degree that a targeted reinvestment simply refocuses resources already in use, there is no net financial cost to the public or nonprofits engaged in this work (with all due consideration to the discussion under #2, above). Furthermore, tools are available to local government—such as the Section 108 Loan Guarantee Program (see Krome, 1999) allowing local government to borrow against future CDBG allocations—that can provide the much needed “first-in” money that make catalytic projects possible. Such an approach is not costless (as it reduces future allocations; see Cohen, 2001) nor risk-free, but it does represent a useful tool available to local government for allocating additional resources toward targeted reinvestment activities.

   Finally, it should be recognized and communicated that there is a cost associated with not pursuing targeted reinvestment strategies. The most likely alternative to targeted reinvestment is the sprinkling of small investments across a large geography, a strategy unlikely to achieve a significant catalytic or lasting impact. Attempting to address the challenges of all neighborhoods simultaneously results in not being to address any of them adequately (McGovern, 2006; and Accordino, et al., 2005).

5. **Mitigating unintended consequences for existing residents**
   It is well documented in the academic and practitioner literature that targeted reinvestment strategies may result in unintended consequences for existing residents; in some cases, the
perception that targeted reinvestment will cause gentrification can be as challenging as actual outcomes (McGovern, 2006). The primary threat to existing residents is residential displacement resulting from gentrification in which the future cost of their housing exceeds what they can afford. In some limited cases, even if residents are able to afford their homes, they sometimes face displacement due to the relocation of the places where they previously purchased goods and services at an affordable price.

To some degree, the unintended consequences of targeted reinvestment strategies can be mitigated through strategic development of human capital within the neighborhood in conjunction with investments in a neighborhood’s physical assets. For example, job training activities and economic development initiatives improve residents’ access to opportunity; housing counseling can help new homeowners prepare themselves to handle the financial burdens of homeownership. These people-oriented investments can increase the likelihood that individuals will be able to remain in their neighborhoods and participate in its appreciation.

In terms of investments in physical assets, unintended consequences and displacement can be proactively mitigated by ensuring investments result in mixed-income neighborhoods with a variety of housing choices. Additionally, local government can choose to exercise regulatory tools (including incentives and/or requirements) to ensure that affordable options are included within new developments.

Key Questions to be Addressed in a Targeting Strategy
Assuming Indianapolis’ civic leadership, the City, and other key stakeholders choose to engage in targeted reinvestment strategies, there are key questions that group will need to consider. Many of these questions are already being addressed by civic leaders in numerous discussions. The answers to these questions will both inform and be informed by the planning for that initiative.

- What will be the criteria for designating areas for targeted reinvestment?
- What will be the process for establishing those criteria?
- What, if any, temporal limitations will be placed on particular phases of the broader initiative?
- What specific activities will civic actors invest in? Which resources will be used for those investments?
- What activities—outside of investment—are critical to the success of the initiative (e.g., code enforcement)?
- Who comprises the target markets to be attracted to the area and how will they be made aware of the opportunities (market segmentation and marketing)? Does it differ by neighborhood?
- How will existing liabilities (those preventing the city and its neighborhoods from attracting its target market segments) be managed in such a way that they do not lessen the initiative’s potential? Does it differ by neighborhood?
- How, and through whom, will the initiative be operationalized?

The long-term success of the initiative depends upon these questions being addressed in an objective and inclusive manner that is broadly viewed as legitimate and apolitical.
A Continuum of Models for the Evolution of Community Development

As civic leadership seeks to articulate a defined purpose for the community development system, the system and its participants should evolve to meet this newly articulated purpose. In examining the vehicles best positioned to advance Indianapolis’ community development goals into the future, it is important to consider the context provided by the existing system. The existing community development corporations are corporations with independent legal status and, in some cases, have substantial financial interest in multiple assets. The system as a whole has a vested interest in the ongoing health of those organizations. Cutting off those organizations’ funding would not force them to close immediately; rather, they would linger impotently before collapsing. In that scenario, when those organizations eventually did collapse, the difficulties posed by unwinding them would likely be injurious to community development efforts at the neighborhood level, while simultaneously damaging the pursuit of the broader community development goals (Rohe & Bratt, 2003). Therefore, while the system and the organizations that comprise the system must evolve to meet new challenges, those changes are likely to occur incrementally and somewhat organically. Shocking the system through an abrupt departure from traditional community development approaches (e.g., abruptly consolidating all community development resources in a single entity and cutting off all other entities) would likely be counterproductive.

At the same time, civic leadership can help reshape the community development system by facilitating change through strategic and intentional actions; for example, if civic actors would like to see greater collaboration (which may eventually move organizations to mergers), they can score applications that incorporate meaningful partnerships more favorably. If it is decided that the desired vehicles to advance community development goals are different than today’s CDCs, it is likely in civic leadership’s interest to define the organizations it would like to see and help existing community-based organizations morph into the desired format—rather than force the change upon the system. In facilitating that incremental change from the top down, process and transparency will be important to smooth the transition of those organizations into fulfilling the roles envisioned by civic leadership (Bratt & Rohe, 2004).

In response to the devolution of responsibility for community development from the federal government to more locally based solutions and the local desire to be more strategic and targeted in pursuing transformational neighborhood change, there is a general recognition among practitioners, locally and in other urban areas, that they will have to evolve to succeed in today’s environment (Krumholz & Hexter, 2012). As noted previously, some practitioners stated that geography will play less of a role in their operations in the future—with some organizations already working outside of their traditional service areas. Others note that leveraging resources and pursuing mutually beneficial partnerships (among traditional community development actors and those outside of the traditional system) will be increasingly important.

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17 This statement presumes that there will be some competitive mechanism for scoring applications going forward. However, the existence of a scoring mechanism is not meant to presume that the minimum threshold approach will continue; it is likely to be more strategic for the City to use a scoring mechanism that objectively evaluates projects and simply funds the most competitive applications until its resources are expended.
Beyond those basic changes that are relatively broadly recognized if not entirely accepted, civic leadership could pursue additional changes by encouraging partnerships and specialization. Such an approach could be as simple as facilitating partnership through encouragement or as complex as entirely remaking the community development delivery system. While the prevailing system by which community development is pursued in the future exists on a continuum between those extremes, below are three potential models that provide a forum through which the pros and cons of various approaches can be discussed. In pursuing a model, one key informant insightfully noted that we have to craft the community development system that we want ten years from now, not the one that we wish we had implemented ten years ago; inherent in those remarks is that the model not only be oriented to the future, but it also must be rooted in the local culture and political realities (Katz, et al., 2003).

**Modified Status Quo: Facilitated Partnerships**

Each organization that currently operates within the community development field in Indianapolis has unique skills, expertise, and organizational cultures. In many cases the traits are reflective of the individuals who staff those organizations; in other cases they are endemic to the organizations themselves. Under an approach that sought to leverage these unique characteristics of individual organizations, civic leadership could take intentional steps to facilitate more meaningful partnerships among community development actors (such as those discussed above). Such an approach would have the benefit of leveraging existing capacity more effectively as latent expertise in the system is exercised rather than trying to develop that expertise anew. Furthermore, this approach would provide an avenue for existing organizations to further develop existing capacities (e.g., a CDC good at property management could further develop that capacity by using that capacity elsewhere) and create an additional revenue stream to support their missions. Finally, while perhaps not necessarily a benefit, this approach would likely prove less disruptive than other, more drastic, changes to the system.

On the negative side, as this approach would be less disruptive, it may also be less likely to achieve a meaningful change from the community development system’s current trajectory. If aspects of the current system are believed to be undesirable, this approach is unlikely to fully mitigate those challenges. Furthermore, if public resources for community development are to become more geographically targeted, it is not entirely clear how those organizations in untargeted areas will be able to continue to financially support the work in which they are currently engaged. Savvier organizations will be able to engage in partnerships to leverage expertise in the community development work wherever it may be; however, some organizations may become impotent and hinder broader community development goals. It will be important—if this approach is taken—to help local practitioners develop additional marketable capacities that can support broader community development goals (or help them transition into non-existence as smoothly as possible). Some organizations not located within strategic geographies could continue their work by readying their communities for future development opportunities – through community building, planning, and convening activities; however, these activities are not without cost and remains unclear where funding to support this work could be made available.

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18 As noted above, the current Consolidated Plan suggests that there are capacity challenges, among other challenges, with the existing system (City of Indianapolis, 2009).

19 Even absent a more targeted geographic approach, the challenge of funding the non-development oriented aspects of community development—community building, planning, and convening—remains a consideration that will have to be addressed regardless of future funding mechanisms; to ready future geographies for investment, it will be necessary to equip them with resources necessary to engage in community building and planning.
The Generalist-Specialist Model

A proposed model that garnered many opinions (both for and against) throughout the key informant interview process is a model that could be termed the Generalist-Specialist Model. Under this model, every neighborhood would have some community-based entity that would be responsible for organizing residents, shaping a community vision, and then shepherding that vision to reality; however, the technical capacity to actually complete the developments may or may not reside with local neighborhood-based institutions. The common analogy used to describe this model is a comparison to the medical profession: every person needs to regularly patronize a general physician, but not every person needs a heart surgeon all the time; likewise, local neighborhoods need someone advocating, shepherding, and monitoring the community’s vision, but they may not need a tax credit specialist every year. Just as it would be inefficient for an individual to see the heart surgeon for a general checkup, it is inefficient for a tax credit specialist to only be utilized once every few years when the organization for which he or she works pursues an application (while tax credits are the example used here, the same could be true for property managers, commercial real estate development expertise, and a number of other functions performed by CDCs). In this model, each neighborhood would work with a local nonprofit to articulate and advance its mission and that local entity would be responsible for bringing technical experts to advance the community vision. In transitioning to such a system, it is today’s CDCs would likely morph into a neighborhood-focused entity or a technical expert.

This model is not dissimilar from that originally proposed by Randy Stoecker, a nationally-known researcher in community development and community organizing. Stoecker argues that because most neighborhood-based institutions face resource constraints, because the resources needed to advance their missions are considerable, and because those resources are controlled externally (rather within the neighborhood), CDCs cannot effectively be stewards of the neighborhood vision while serving the interests of their funders at the same time (Stoecker, 1997). Rohe and Bratt (2003, page 23) make a similar observation: “CDCs believe themselves to be autonomous organizations that serve locally defined needs and as such should not be dictated to by intermediaries and funders. Yet those groups [funders] have their own interests to consider, and it is reasonable for them to set conditions for receiving funding.” Stoecker proposes a model that emphasizes community organizing and locally controlled planning processes (similar to the GINI/LISC Sustainable Communities model), with high capacity multi-local community development entities available to do the actual physical development (Stoecker, 1997).

In practice, this approach is already occurring to a degree on the Near East side where the Boner Center is the keeper of the community vision and multiple nonprofit organizations help implement that vision with specialized services. In the case of the Near East Side, many of the organizations bringing technical capacity to support the community vision also have a mission that is geographically based in the neighborhood, so the Near East Side’s experience is not a perfect analogue to this model. Nevertheless, the neighborhood also benefits from “outside” technical experts, as Riley Area Development Corporation has increasingly engaged in projects on the Near East Side at the invitation of neighborhood-based organizations serving the east side. This partnership suggests that the technical expertise to advance community development does not necessarily have to be housed in the neighborhood if it can be brought to bear through partnership agreements in support of the community’s vision.

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20 A considerable amount of scholarly literature examines these tensions that are inherent in community development.
One benefit of this approach is that local organizations would be able to engage in self-determination, reflective of their unique abilities and organizational cultures, to define their own futures. Organizations that are grassroots-oriented and neighborhood-based would be able to more fully focus their energies on neighborhood-based endeavors, while those actors more fully vested in the technical aspects of development could further use those skills throughout the county. It may take time for the system to fully sort out the allocation of human capital to the more narrowly-defined roles envisioned by organizations, but that would likely occur over time as well. An additional benefit of this approach is that organizations could focus their attention on doing a few things really well rather than trying to meet all the needs of a neighborhood; an organization can address community organizing, housing development, economic development, property management, etc., without trying to ensure that it has enough capacity to perform those other functions as well. Furthermore, the marketplace would require organizations claiming technical expertise to actually deliver on that expertise.  

The greatest challenge with this approach is finding the business model that supports this change. At present, most CDCs engage in housing development because the resources available to engage in community development dictate that they do so. Those organizations seeking to pursue technical expertise in housing development could specialize in housing development generally, or even sub-specialize in homeowner repair, single-family development, multi-family development, etc., and probably find resources (public resources and sponsorships of various builds) to continue their work. Organizations that choose to focus on community organizing and shepherding their neighborhood’s vision will undoubtedly have a much more difficult time finding the resources to support their work in the current funding environment. To a degree, this challenge could be mitigated if the activities were linked with a specific development activity, from which the entities doing the development could share their development fees (or other sources of program income) with the community building entity. In such a model, eventually, the community builders whose processes lead to successful development opportunities will demonstrate their capacity for being successful planners/implementers for community-based work and could attract additional partners through their efforts.

Should civic leadership choose to pursue this model, they will need some mechanism for raising and distributing unrestricted resources to support community organizing, visioning, and monitoring, at least within the short term. Civic leaders will need to consider how they can support the development of these capacities in areas of the city lacking an organization to engage in these local activities. Nevertheless, this approach represents an opportunity as the City considers how to be more targeted and impactful in its work. Stoecker argues: “Residents need material reasons to stay, which means that their personal circumstances and their surroundings must improve together. That means redevelopment cannot be conducted by a small CDC doing a house here or there. It requires a massive influx of resources all at once” (Stoecker, 1997, page 15).

**The Super CDC Model**

At the far end of the continuum of how the community development system could be aligned to the purpose of achieving transformational impacts in neighborhoods, civic leadership could take steps to create “Super CDCs” with large staffs and various areas of expertise that would be a one-stop shop for any number of community development services across the county. On some level, this approach would

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21 Of course there are inherent challenges in that as well, as those organizations have assets that will have to be conveyed to other organizations as smoothly as possible if an organization fails; nevertheless, it is unlikely that a number of organizations would fail at the exact same time, so the process should be easier to manage than it would be if all funding were cut off to particular organizations.
be somewhat unconventional for cities similar to Indianapolis – it is more prevalent in Sunbelt cities and/or relatively affluent cities where development has occurred more recently and community development challenges are more fully realized in individual families than in disinvested places.

The primary benefit of this approach is that certain economies of scale would be achieved through combining all services into one (or a few) organizations; systemic efficiencies would likely result. At the same time, there are a number of inherent risks in pursuing this model. Fully pursuing this model could mean that civic leadership become beholden to the one organization upon which the City is relying on to advance its community development agenda. In addition, the experience of Eastside Community Investments (while not countywide in nature) should provide a cautionary tale about what can happen if one very large community development entity fails. Should civic leadership fully embrace this model, systemic risks will be tied to the financial viability of that one organization; in other words, that developer will be “too big to fail.” Finally, organizations this large are unlikely to be able to be actively responsive to neighborhood-level concerns; if community input is valued as an essential part of the community development process, someone will have to be the steward of that vision. That entity would either have to be local nonprofit organizations, for which civic leadership would have to find unrestricted resources (i.e., more similar to the centrist model above); or, more likely, DMD’s Division of Planning would have to assume a much larger responsibility in advancing sub-area plans throughout the city, which may not be feasible in the current fiscal environment.22

Given the risks of fully pursuing this model, it is unrealistic for civic leadership to fully embrace this model; it is more likely that aspects of this model would be incorporated into a version of the Generalist-Specialist Model with one (or a few) nonprofit real estate developers serving as the primary development entities. Nevertheless, as an end point on a continuum of possible approaches, these risks are not unique to this model; they become increasingly relevant the more civic leadership relies on fewer organizations to pursue the entirety of its community development agenda.

Next Steps
As the funding streams for community development evolve, local policymakers and civic leaders examine various strategies to drive revitalization efforts throughout Marion County, and different opportunities for investment arise, it is inevitable that the community development delivery system will evolve as well, as it has done in the past. Like many other cities throughout the nation, community development corporations in Indianapolis often started as concerned neighborhood groups, professionalized to deliver housing production in accordance with the program requirements of the CDBG and HOME programs, and often shifted to targeting strategies within their neighborhoods. Likewise, the City and other investors in community development are evolving as well, as they consider their investments within the context of what is showing opportunities for success across the country. In that respect, whatever the future holds for community development is just the continuation of a relatively new industry that is continuing to evolve as the industry learns more about how successes can be realized and liabilities mitigated.

Given that evolution is occurring, and will continue to occur, it is reasonable for civic leaders and practitioners to base their conversations from a common understanding of the current issues that exist within the system. As noted above, the current Consolidated Plan calls attention to existing capacity challenges in the system being readily apparent when that document was drafted in 2009; conversations

22 This model is typically pursued elsewhere through City-driven sub-area plans.
with stakeholders in 2013 suggested that those capacity challenges remained four years later. While there was broad recognition that challenges existed, there did not seem to be any attempt, within a formal research study and following document, to enumerate those challenges and establish a common understanding of the current state of the system. This study and this document seek to fill that void.

The City of Indianapolis is about to embark on its five-year update to the Consolidated Plan, in addition to a number of other planning efforts. As civic leaders and practitioners examine how the community development delivery system should evolve to meet current challenges and how it can be best positioned to deliver services in the future, this document should serve as a baseline for those conversations. Further, this document should serve as a historical artifact articulating the concerns of 2013, when future efforts around the evolution of Indianapolis’ community development system are considered.
Sources


