

# COMMUNITY DEVELOPMENT CORPORATIONS

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## WHAT IS A CDC?

A Community Development Corporation (CDC) is a 501©3 non-profit, community-based organization designed to create or provide the infrastructure, services, and amenities often overlooked by private businesses, corporations, and local governments. CDCs began to gain support as an important community development tool in the late 1960s. Today, there are over 4,000 CDCs operating in the U.S.

In the same way that traditional businesses seek venture capital to start or expand, CDCs seek grants and investors interested in moving the market toward more social purposes (affordable housing, job training, commercial development, health clinics) while still generating a return on the initial investment. CDC's help recirculate capital to build community wealth and address social issues. They are run by a local board of directors and have a mission of community improvement that often emphasizes democracy, social justice and equity, and quality of life.

## WHAT DOES A CDC DO?

Community Development Corporations work as brokers, catalysts, and facilitators between public and private interests and investments. Where nonprofit organizations normally seek annual grants to accomplish their socially oriented mission, CDCs operate more like a business. By creating products and services the market values and people will purchase, CDCs use market mechanisms to achieve their social mission – a double bottom line. This approach combines the generosity, caring, and determined optimism of the non-profit sector with the financial sense and innovation of the for-profit sector.

Two CDC examples illustrate this merger of the non-profit and for-profit mindsets:

- In 1993, the **Unity Council**, a nonprofit working to create a healthier and safer community for families and residents in Oakland CA, began the Fruitvale Village Project to revitalize a neighborhood and create much needed affordable housing. The Unity Council redeveloped a former parking lot owned by the Bay Area Rapid Transit (BART) into a \$65 million, 225,000 square foot "transit village" that includes 47 units of mixed income housing (10 of which are permanently affordable); 68,000 square feet devoted to community resources, including a public library, a senior center, a Head Start facility, and the headquarters of the Unity Council, and 38,000 is for neighborhood retail shops and restaurants.

Unity used a combination of over 30 public and private sources, including Citibank and the City of Oakland to finance a project that the private sector alone had no interest in attempting. The profit margins were too small and the process too long (roughly 10 years) for a private developer to justify given the more lucrative options available in the Bay Area. Unity was also able to attract public and private foundation investment in ways a private developer could not.

- **Community Health Plan of the Siskiyous (CHPS)** in California is a CDC currently providing self-insured employers with claims processing and medical management services. CHPS serves over 3,000 enrollees. These services help CHPS accomplish its mission of offering health services to all residents in several ways. First, CHPS redirects back into the local economy dollars that would otherwise leave to pay for management expenses and dividends of for-profit companies, and to pay for medical and administrative services that could be provided locally. Second, by effectively managing care, CHPS not only improves people's health, but also reduces costs. The combination of business savvy and social purpose enables CHPS to make health services and coverage more affordable and frees up resources to subsidize wellness care for the uninsured – a double bottom line.

These examples illustrate how CDCs can offer a place of trust for private and public interests and investments to meet, innovate, and create solutions to community problems in ways that enlarge the range of possible solutions. Given the number of areas where public and private interests meet, and the lack of trust between those interests, we have only scratched the surface of the roles CDCs can play and what they can help accomplish.