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Community Development Intermediary Systems in the United States: Origins, Evolution, and Functions

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Abstract

Acting between the forceful capital market and the state, community development intermediaries are finding ways to assist resource-poor community development organizations to increase production volume and to gain access to a wider capital and political market.

This article presents a brief historical review of how the intermediary system originated and how it has evolved into different large-scale models since the 1960s. The philosophies and programs of three major intermediary organizations—the Local Initiatives Support Corporation, The Enterprise Foundation, and the Neighborhood Reinvestment Corporation—are considered. The article concludes by recognizing the contributions of intermediaries while raising issues with their accountability and future direction.

Keywords: Community; Redevelopment/revitalization; Nonprofit sector

Introduction

The existence of extremely poor population segments and poverty-stricken geographic areas in an affluent society presents a serious challenge to both emerging and mature capitalist societies. The tensions between the "haves" and the "have nots" have resulted in serious long-term distrust and adversity. Remedial models designed to improve this socioeconomic inequity range from ignoring the problem to aggressive government-supported programs. One model utilizes grassroots and intermediary nongovernmental organizations (NGOs) to develop low-cost housing and public benefit projects (Carroll 1992; Gunn and Gunn 1991; Schill 1994). "Growth with equity," as Martin Baily (1993) prescribed, is the driving force behind the development movement from the grassroots level that aims at "making capitalism work in poor communities" (National Congress for Community Economic Development 1992).

In the United States community-based development organizations (CBDOs), community development corporations (CDCs), and community development intermediary organizations (CDIOs) have been utilized by private foundations, corporations, and governments as poverty-fighting vehicles. These organizations have used investment grants and loans to build projects and opportunities in distressed neighborhoods and for poverty-stricken individuals since the 1960s (Brophy 1993; Ford Foundation 1973; Perry 1987; Sviridoff 1994; Zdenek 1990).

In recent years, research has begun to shed some light on the existence, functions, and performance of CDCs (Robinson 1996; Schill 1994; Vidal 1992; Walker 1993). However, there is still limited literature on the roles and functions of intermediary organizations (Berger and Kasper 1993; Cohen 1993b; Hoffman 1990; Peirce and Steinbach 1990; Steinbach 1995; Sullivan 1993; Walker 1993).

This article aims at improving our understanding of the meaning and functions of various intermediary models currently in existence through (1) a historical review of the variety of existing intermediary models and (2) a description of three major national intermediary organizations: the Local Initiatives Support Corporation (LISC), The Enterprise Foundation (Enterprise), and the Neighborhood Reinvestment Corporation (NRC) (which includes the Neighborhood Housing Services of America [NHSA]). Due to a lack of research in the area, this article relies heavily on descriptive and promotional materials such as annual reports produced by various intermediary organizations.

The community development intermediary system

By the early 1990s, national community development intermediaries such as Enterprise and LISC had become fixtures in the local community development movement. In the 1980s, figures such as James Rouse (chairman of The Enterprise Foundation and a private banker and developer) had become the de facto spokespersons of the community development movement and the sources of information and action for the community development industry.[1] Furthermore, the federal government announced in 1993 a plan to join in partnership with major foundations and corporations to utilize two major intermediaries to allocate funds through the National Community Development Initiatives (NCDI) (Pickman 1993). Early

[1] See Star (1993) for the community development industry argument. As an industry, community development organizations are able to compete in the financial market with a firmer footing, to be heard in the political arena, and to retain qualified and interested personnel.

assessment of the NCDI consortium's work was very positive (OMG, Inc. 1995).

What has happened in the community development field as a result of national intermediary actions? What kinds of community development systems have been created as a result of intermediation?

Theory and meaning of intermediation

The first task is to define *intermediation*. In the financial world, intermediation is the process of transferring funds from savers to borrowers. Commercial banks, as intermediaries, maintain a positive margin between the sources of funds and the use of funds to cover costs incurred.

In the field of community development, "to intermediate" means to act for, between, and among entities that have a stake and interest in the future well-being of communities and individuals trapped in a world of poverty that is void of opportunities. The function of intermediaries is to seek and assemble resources from investors (the resource-rich) and distribute them to locally based nonprofit organizations (the resource-poor) for programs and projects that can enhance conditions and opportunities in low-income communities (National Congress for Community Economic Development 1991).

According to Walker (1993), intermediaries as a group performed three vital functions in the 1980s: (1) mobilization of capital, including project and operating support and predevelopment financing; (2) provision of technical assistance in financial packaging, project development, and local institution building; and (3) legitimization of CDCs, enhancing perceived technical competence and reducing risk to both public and private sector funders.

In their evaluation of LISC's operation, Vidal (1986) and her associates from Harvard University suggested three "images" of LISC that properly illuminate different aspects of the intermediary approach to community development: social banker, hard-nosed philanthropist, and social experiment.

Intermediaries are seen as bankers by social as well as corporate investors who place deposits and grants with intermediaries for management. Like commercial banks, community development intermediaries act as specialized organizations that are confined to business disciplines in their management and disbursement of capital (the bottom line) while maintaining a strong commitment to social causes. Measurement of their success, therefore, gauges both business discipline and social commitment.

For the community groups (end users), intermediaries are philanthropists who provide needed resources to community projects. Unlike traditional philanthropic organizations that simply dispense grant money to nonprofit organizations, intermediaries monitor whether limited resources are targeted by CDCs to make a difference in distressed communities. Intermediaries stretch the traditional philanthropic point of view that tends to focus on *causes* for assistance to include new areas such as *output* and *performance*.

Intermediaries also challenge the nation with the firm belief that quality of life in distressed communities can and should be improved by empowered stakeholders and interested investors through the CDCs' hard work. Intermediaries work directly with community development groups in partnership with local businesses and governments to increase development activities in distressed areas. When performing at their best, intermediaries can be described as follows: "As bridges between community-based development organizations (CBDOs) and the potential supporters of community-based development . . . intermediaries identify and promote intersections of interest. They serve as a point of connection and, in effect, as a means to an end" (National Congress for Community Economic Development 1991, 3).

Origins and evolution: A historical overview

When did community development intermediaries come about? Why were they created? These two questions have not yet received systematic study. Available literature on the subject reveals that the intermediary systems were first developed in the 1960s and have evolved roughly through three stages: (1) as a legal conduit for program-related investment, (2) as a tool to experiment with and expand community-based housing and development models, and (3) as a multidimensional tool for community rebuilding.

Legal conduits

According to the National Congress for Community Economic Development (1991), community development financial intermediaries trace their beginnings to 1968, when the Cooperative Assistance Fund (CAF) was formed by John Simon (a Yale scholar) in the Washington, DC, area. The CAF was a collaborative effort of the Ford Foundation and several private corporations interested in supporting the economic development of minority and low-income communities. Constrained by the tax code that disallowed private and nonprofit foundations to engage in lending activity and equity investment (a privilege enjoyed only by private entities such as commercial banks), CAF was designed as a vehicle for member organizations, such as private foundations, to provide program-related investments (PRIs) and grants for CBDOs' projects. Under this structure, CAF, acting as an intermediary organization, was a legal conduit for a group of socially conscious investors. Program-related investment was a recoverable loan from the investors' standpoint, and it was operated as a revolving loan fund by intermediaries. Only programs that had social goals and that were approved by the social investors were eligible to receive the loans.

The legal definition of PRI was established in the Tax Reform Act of 1969 and has since become viable. As one of its pioneers, the Ford Foundation has utilized PRIs to fund small business ventures, housing development, and cultural projects either through intermediaries or direct investment since 1968. By 1991, the foundation had an outstanding PRI investment of more than $108 million (Ford Foundation 1991).

Creation of and experimentation with operational models

A variety of financial and specialty intermediaries were established in the decade following the formation of CAF that centered on specific or alternative operational philosophies and models. These intermediaries worked with community groups to expand their specific models to more communities. Chief among them are the Institute for Community Economics (ICE) for land trust, the Habitat for Humanity International for self-help housing, the NHSA (later the NRC) for neighborhood revitalization, the Housing Assistance Council (HAC) for rural housing, the National Federation of Community Development Credit Unions (NFCDCU) for low-income credit unions, and the National Cooperative Bank (NCB) for cooperative enterprises. These intermediaries all shared the common features of embracing a core operational model—such as land trust, self-help housing, or cooperatives—and providing available financing tools to community groups. In return, intermediaries gained the opportunity to plant the seeds of their networks and duplicate their operational models in communities across the country.

ICE pioneered the land trust concept in the late 1960s and later established a revolving loan fund (in 1979) that facilitated connecting ICE with community-based groups (or affiliates) interested in developing a land trust in their communities. ICE's revolving loan fund provided seed capital, which was very hard to obtain by small and young groups, to community groups to advance their projects.

HAC was established in 1971 through a federal antipoverty grant to provide seed money loans, technical assistance, and information services to public, nonprofit, and private organizations, with a special focus on rural areas. HAC assisted rural grassroots groups to develop low-income housing and undertake economic development activities by providing seed money through a set of small-scale revolving loan funds.

NFCDCU was formed in 1974 to serve low-income credit unions around the country. The federation provided critical start-up capitalization support (through deposits) to community groups that served predominantly low-income members. There are now more than 250 low-income credit unions in the United States.

In 1976, Millard Fuller pioneered the self-help Habitat for Humanity International crusade to provide low-cost housing for the needy in a rural Georgia community, Americus. Under the Habitat model, local affiliates solicit volunteers, cash and materials donations, and skilled and unskilled laborers to construct low-cost single-family houses. The homes produced are sold at cost to needy families. Prospective buyers are required to contribute “sweat equity” hours toward other Habitat projects. Home buyers make monthly mortgage payments to a house trust fund, which in turn is used to build more houses. Unlike other intermediary models, local Habitat chapters are encouraged to send 10 percent of their revenues to Habitat International for its international projects (Fuller 1993).

The NHS concept grew out of Pittsburgh’s Central Northside experience in the 1960s and early 1970s and was later applied to communities across the country through the efforts of the Urban Reinvestment Task Force, which was jointly sponsored by the Federal Home Loan Bank and the U.S. Department of Housing and Urban Development (HUD). In 1978 Congress took further steps to create the NRC to work with local NHS chapters and NHSA. Local NHSs operated under a triangle-partnership model among local governments, the private sector, and the residents for neighborhood revitalization.

NCB was chartered by Congress in 1978 in response to the credit and technical assistance needs of consumer (not producer) cooperative entities. NCB was capitalized by a congressional appropriation of $184 million. An Office of Self-Help and Technical Assistance (OSHTA), funded through a $25 million grant, was created to provide low-cost financing sources to low-income community groups. OSHTA was succeeded by NCB Development Corporation in 1981.

Although there were a number of functioning intermediaries by the end of the 1970s, their collective impact was still limited, in part due to their low visibility and a lack of significant local participation. For example, by 1980 there were fewer than 10 nonprofit land trusts in the country. Prior to NRC's creation, there were fewer than 60 NHSs in the country. The intermediaries of the 1970s suffered from what Vidal referred to as the social experiment image. In terms of Walker's intermediary functions, the organizations were gaining valuable experience in mobilizing capital, recognizing the need for building institutional relationships and support, and legitimizing CDCs in the eyes of potential funders. The decade of the 1980s was a different story.

Multidimensional approach

The 1980s saw an expansion of national intermediaries and of parallel state and local intermediaries along the line of affordable housing development. Chief among them were LISC and Enterprise. As an early sponsor of community-based activities, the Ford Foundation, at the urging of Mitchell Sviridoff, established LISC in 1979 to work with CDCs in selected "areas of concentration." In the mid-1980s, the Ford Foundation strategically shifted its direct grant making from CDCs to intermediaries. Another intermediary, Enterprise, opened its doors in 1981 under the leadership of Jim Rouse to work with grassroots organizations to develop low-cost housing.

Another Ford-sponsored intermediary, the Structured Employment Economic Development Corporation (SEEDCO) was reorganized in 1986 to act as an intermediary that aims at revitalizing low-income neighborhoods through partnerships embracing community groups, public benefit institutions such as universities and hospitals, and other public and private organizations (SEEDCO 1994).

The National Association of Community Development Loan Funds (NACDLF), initiated by ICE and a result of a 1985 national conference on community loan funds, was formed in 1986 as an operational model intermediary. NACDLF provided technical assistance, seed grants, and equity loans to members. In 1997 it had more than 40 members nationwide and became one of the major contributors to President Clinton's Community Development Bank program.

While the number of national intermediaries was rising in the early 1980s, several communities also saw the rise of locally and regionally based intermediaries (Bradford 1991; Peirce and Steinbach 1990). Local and regional intermediaries such as the Boston Housing Partnership, New England's Community Builders, the Chicago Housing Partnership, the Kansas City Neighborhood Alliance, Cleveland's Neighborhood Progress, Inc., and the Pittsburgh Neighborhood Development Partnership, modeled after the national intermediary, functioned like a mini-intermediary system at the local level with participation from the public and private sectors.[2] With the addition of major national as well as local intermediary organizations (including the United Way of America network) and increasing state and local supports, the CDC network was significantly expanded to more than 2,000 organizations by the end of the decade. In the absence of significant federal sponsorship, a longtime observer of the CDC movement, Christopher Walker (1993, 393–94), noted that "the rise of national, state, and local intermediaries is the single most important story of the nonprofit development sector in the 1980s. Arguably, without this source of support for grassroots development activity, state and local governments would have displayed far less responsiveness to nonprofit developer needs over the decade."

By 1993 the combined assets of 11 major intermediaries totaled more than $420 million and total revenues exceeded $210 million.[3] Their quasi-franchised operation has attracted a network of more than 2,000 local community development organizations systemwide. They have indeed assembled a nonprofit community development industry.

Description of three major intermediary models

Although the intermediary concept had been evolving for more than two decades, the field reached its peak only in the 1980s when three major national intermediaries were created: the Neighborhood Reinvestment Corporation, the Local Initiatives Support Corporation, and The Enterprise Foundation. Each operates under different philosophies and strategies, in some cases serving different clientele. The following section describes each intermediary's principal approaches and programs geared toward the community-based development groups. Current and past agency annual financial reports and progress reports are the major sources of information.

[2] Mini-intermediaries should be distinguished from some state and local partnerships that are less project driven and more process oriented. In most cases mini-intermediaries are not directly engaged in project development by themselves. On the other hand, state and local partnerships are more likely to perform consensus building and project development jointly. See the National Association of Housing Partnerships' 1992–93 Catalogue of Local Housing Partnerships for examples of state and local partnerships.

[3] These figures are calculated by the authors based on the most recent annual reports from LISC, Enterprise, NRC, Low-Income Housing Fund, NACDLF, ICE, Habitat for Humanity International, NFCDCU, NCB Development Corporation, SEEDCO, and HAC.

The Enterprise approach

The Enterprise Foundation was incorporated in 1981 as a 501(c)(3) nonprofit, publicly supported foundation by developer James Rouse and began operation in 1982. The foundation is governed by a 39-member board of trustees, which meets four times a year. According to its 1983 annual report, "The Enterprise Foundation applies business entrepreneurship and disciplines to the support of nonprofit groups in its network, and the Development Company operates as a profit-making, tax-paying corporation [i.e., the Enterprise Company] to build earnings for its parent foundation. Thus, Enterprise is a resourceful application of the free enterprise system to the solution of an important national problem involving deep human needs" (Enterprise Foundation Annual Report 1983, 3).

The Enterprise Company, which was designed to generate funds for the foundation's charitable efforts, did not perform as well as planned (Fulton 1989). Instead, Enterprise became quite successful in attracting foundation and corporate equity investment dollars. From 1982 to 1991, the Ford Foundation alone contributed more than $8 million to Enterprise (Ford Foundation Annual Report 1991).

Enterprise adopted three unique approaches in its interaction with community groups. First, it works directly with CDCs and community groups in various communities to develop low-cost housing. This approach is modeled after the example of Jubilee in Washington, DC, which acquired six buildings and rehabilitated 213 dwelling units between 1973 and 1979 (Enterprise Foundation Annual Report 1984). Under this model, the CDCs are Enterprise's contact points.

Second, Enterprise City programs are aimed at working in partnership with the nonprofit, public, and private sectors to create long-term nonprofit development capacity in a larger context. According to Rick Cohen (1993a, 244) of The Enterprise Foundation: "In response to requests for assistance, Enterprise initiates assessments of low-income housing needs, conditions, production, resources, and public-private partnership opportunities, followed by cooperative ventures with municipal governments, local foundations, and community-based nonprofits to fashion workable public-private partnerships devoted to low-income housing. The assessments ensure that Enterprise responds to local needs and fits its resources and problems to the uniqueness of each community."

Third, Enterprise created the first Neighborhood Development Center (NDC) in Miami in 1985 as a demonstration of a locally sponsored mini-Enterprise model. Through the NDC, Enterprise helped incubate a local network of community groups to become housing developers. In less than eight years, Enterprise created more than eight staffed NDCs around the country. In 1994 Enterprise began to focus on 16 Concentration Cities as part of a strategic move to monitor and quantify the results of its investment. In addition to the above approaches, in 1991 Enterprise launched as a pilot program a full-scale neighborhood transformation effort in the Sandtown-Winchester area of Baltimore to revitalize a badly distressed neighborhood. The project represented not only the maturation of Enterprise but also further commitment to its social mission. Transformation of a badly distressed neighborhood had been talked about for many years but with little success.

Two types of programs are available from Enterprise. First, experimental programs are created and offered to the network groups for trial and improvement. The most famous project was the *Cost Cuts* manual produced by Enterprise. Second, some programs are created and implemented by Enterprise itself. Network programs can be classified into three groups: (1) financing, (2) training and technical assistance, and (3) information services. Equity and loan financing are provided by two major subsidiaries: Enterprise Social Investment Corporation and Enterprise Housing Financial Services. Enterprise also distributes a limited amount of grant money to network groups for start-up and capacity-building activities. From 1982 to 1996, the Enterprise network helped produce more than 72,000 housing units and distributed more than $146 million in grant and loan funds to community groups. Table 1 shows a summary of the Enterprise network's growth and table 2 summarizes the growth of its revenues and expenses.

The LISC approach

LISC was created in 1979 under Ford Foundation sponsorship as a nonprofit intermediary organization and became operational in

Table 1. **Growth of the Enterprise Network**

Year	Number of Cities in Network	Number of CDCs in Network	Network's Cumulated Unit Output	Staff Size
1982	6	9	NA	NA
1986	27	54	1,000	71
1988	30	100	5,500	104
1990	60	130	14,500	139
1993	153	500	36,300	147
1996	200	700	72,000	NA

Source: Enterprise annual reports.
Note: NA = not available.

Table 2. **Growth of Enterprise Revenues and Expenses**

Year	Revenues ($1,000)	Expenses ($1,000)	Grants/Loans ($1,000)*
1983	3,500	1,600	2,500
1986	3,100	4,600	5,800
1990	9,600	8,200	24,000
1993	16,500	12,500	52,000
1996	NA	NA	146,000

Source: Enterprise annual reports.
Note: NA = not available.
*Cumulatively to local groups.

1980 with a $9.35 million capitalization from a consortium formed by Ford and six private corporations and foundations. From 1980 to 1991, the Ford Foundation contributed more than $44 million to LISC (Ford Foundation Annual Report 1991). LISC is governed by a 25-member national board of directors that meets four times a year.

According to LISC's 1986 Progress Report, the organization operates under two principles: (1) to raise corporate and foundation funds for the support of locally created, locally executed community development projects in cities across the country and (2) to work in communities where there is evidence of existing local initiative (LISC Annual Report 1986, 5).

The demand for LISC's services can best be illustrated by its early years, when it was not well established organizationally. In its first 18 months, LISC received more than 600 applications for project and organizational support, of which 80 were initially funded. By 1982 LISC had established project relations with 80 CDCs in 16 cities. Three years later, more than 350 CDCs in 30 regions had been assisted by LISC.

Of its two operating principles, LISC's selection of communities is the first strategic consideration. Once LISC has selected a community to work with, it assembles a local advisory committee to act as the intermediary between LISC and local groups. LISC and its subsidiaries (the National Equity Fund) approve grants, loans, and equity to local projects recommended by the local board.

The focus areas LISC chooses to work with are known as urban areas of concentration (UAOCs). The number of UAOCs receiving support has fluctuated between 20 and 40. In 1997 LISC had designated a total of 41 UAOCs that included CDCs in 150 cities and rural communities (see table 3). In 1994 LISC began to include rural CDCs as part of its network. In 1997 Rural LISC, as it is called, was a $302 million initiative focusing on enhancing the financial and technical resources of 68 rural CDCs in 38 states and Puerto Rico (LISC Annual Report 1997).

In 1986 and 1992 respectively, LISC created two subsidiaries to buy back loans generated by LISC's affiliated groups: Local Initiatives Managed Assets Corporation and Local Retail Initiatives, Inc. From 1979 to 1997, LISC assembled more than $3 billion in investment capital from 1,800 individuals, private corporations, and foundations, and its network members produced more than 80,000 housing units and 10.3 million square feet of industrial and commercial space (LISC Annual Report 1997). More than $106 million in grants/soft loans was distributed to local CDCs for capacity building. Organizationally, LISC has grown substantially since 1980. In 1997 LISC had annual revenues of more than $100 million and assets of more than $140 million. It has more than 300 staff in the New York headquarters office and more than 700 affiliated staff in major program locations (see tables 3 and 4).

The NRC approach

Unlike Enterprise and LISC, the Neighborhood Reinvestment Corporation was created in 1978 by Congress (Public Law 95–557) to

Table 3. **Changes in the LISC Network**

Year	Number of Urban Cities in Network	Number of CDCs in Network	Network Output (Housing Units)
1980	NA	15	NA
1986	27	408	10,000
1988	22	525	17,000
1990	24	770	28,800
1993	34	1,000+	50,000
1997	41	1,000+	80,000

Source: LISC annual reports.
Note: NA = not available.

Table 4. **Growth of LISC**

Year	Revenues ($1,000)	Expenses ($1,000)	Loan/Grants ($1,000)	Staff Size
1987	12,397	10,158	NA	53
1991	39,384	24,729	32,000	NA
1993	47,205	34,459	50,000	300
1997	108,692	91,635	106,000	1,000+

Source: LISC progress reports and annual reports.
Note: NA = not available.

coordinate the activities of existing and future NHS members and to work closely with NHSA, the nonprofit entity incorporated in 1974, and local NHS members. As a federal entity, NRC relies on annual congressional appropriations and little outside support. By congressional directives, NRC is governed by a six-member board of directors.[4] On the other hand, NHSA works closely with private corporations and financial institutions and is governed by a 10-member board of trustees. NHSA also works closely with a 13-member board of directors.

Central to the NHS model is the firm belief in the active partnership among local residents, local governments, and financial institutions for the purpose of upgrading targeted older neighborhoods (in most cases through housing rehabilitation). By 1993 NRC's 182 network members served 360 neighborhoods, where 82 percent of the residents were low- and very low income. According to NRC director George Knight (1993, 218), "The mission of NRC is not only to change the buildings in which people live, but to give residents the power to change the way they live and the tools by which they can make the changes they decide are necessary."

NRC provides limited amounts of grants and loans to local NHS groups. Its other major functions are training, technical assistance, quality control (through periodic membership review by the headquarters and nine regional offices), and systematic network performance reporting. NRC also coordinates the mutual housing association and apartment improvement programs.

A revolving loan fund for housing rehabilitation is the essential component of local NHS operation. NHSA, capitalized by a network of social and corporate investors and NRC, provides a secondary market outlet to allow portions of the local NHS revolving loans and local government loans to be replenished. According to NRC's 1997 Annual Report, more than 11,400 units were rehabilitated or produced by its 181 members during the year (see table 5). This 1996–97 production figure represents a 69 percent increase over 1993 figures. In 1997 alone, the network stimulated $544 million worth of reinvestment impact. NRC contributed more than $32 million to that effort (see table 6). NHSA's secondary market for NHS loans grew from less than $5 million in 1986 to more than $29 million in 1993 (NRC Annual Report 1993). Between 1991 and 1997, the share of financial institutions' investment in NHS organizations climbed from 32 to 55 percent. At the same time, the investment of

[4] Membership of the board includes the heads of six federal agencies: the Federal Reserve, the Comptroller of the Currency, the National Credit Union Administration, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and HUD.

public funds declined from 37 to 19 percent. The implication is a maturing of the organizational image and increased ability to leverage public funds.

A comparison of the three intermediary models

In this section the three intermediary models are compared in terms of their governance structures and the characteristics of their network members.

Governance structure. This type of structure affects how decisions are made internally and where the organization is moving. Two areas are examined here: (1) structure of the governing board and (2) tenure of the chief executive. First, all three organizations have quarterly board meetings. LISC and Enterprise are both governed by a fairly large board of directors (25 and 39, respectively). LISC's directors include a fairly equal number of bankers, corporate execu-

Table 5. **Growth of the NHS Network**

Year	Number of Local NHSs in Network	NHS Network's Annual Output of Programmatic Units*	Staff Size
1976	45	NA	NA
1980	121	NA	NA
1988	139	NA	213
1993	182	6,762	220
1996	177	9,198	213
1997	181	11,405	213

Source: NRC annual reports.
Note: NA = not available.
*Programmatic units are housing units that have received substantial rehabilitation (typically over $2,000).

Table 6. **NRC Revenues and Expenses**

Year	Revenues ($1,000)	Expenses ($1,000)	Annual Grants ($1,000)
1980	14,000	NA	NA
1988	19,952	19,718	4,209
1991	27,270	27,029	9,361
1993	30,647	30,899	11,389
1996	42,516	42,530	20,109
1997	57,200	56,563	32,221

Source: NRC annual reports.
Note: NA = not available.

tives, and executives of LISC's local nonprofit partners. On the other hand, Enterprise's board of trustees does not include representatives from its network CDCs. As a public corporation, NRC's governance structure differs markedly from that of LISC and Enterprise. However, NRC does have a 20-member national advisory council, which includes some local NHS executives. Its sister organization, NHSA, has two governance entities: a board of trustees and a board of directors. Neither entities have representation from local NHS executives.

Second, on the management side, both NRC and LISC have experienced little turnover of chief executives since inception. Both have had only two executive directors (or chief executive officers). Enterprise was under the leadership of founder Jim Rouse from 1981 until 1993, when he stepped down to become the founding chairman.[5] All three organizations have so far experienced few leadership changes. Whether this phenomenon contributes to the steady growth of intermediaries is an area in need of further exploration (see table 7).

Characteristics of network members. Although each intermediary works directly with community-based development groups, there are notable differences among the respective local clientele and in the working relationship between intermediaries and local groups.

First, because of LISC's focus on large urban areas, most of its network members are inner-city CDCs. Enterprise's network members include both rural and urban CDCs, neighborhood groups, church groups, and citywide groups. NRC works exclusively with its network NHS members, which are located in both urban and rural areas.

Table 7. **Board and Management Structure of Intermediaries, 1996**

Governance Indicators	NRC	LISC	Enterprise
Total governing board members (1993)	6	25	39
Network CDC members on the governing board	No	Yes	No
Number of chief executives since inception	2 in 18 years	2 in 17 years	2 in 16 years

[5] James Rouse passed away in April 1996 and was replaced by F. Barton Harvey III as chairman and CEO.

Second, LISC's areas-of-concentration strategy is in effect a targeting approach. Through area offices, LISC maintains a more direct contact with local CDCs and community leaders. Enterprise, on the other hand, has a more loosely defined working relationship with local CDCs. NRC's membership approach limits the size of its network and through regional offices maintains close contact with local NHSs. Third, network membership does not guarantee core-funding support in the case of LISC and Enterprise. NRC does provide limited grants on an annual basis to all network members.

Conclusion and future direction

Community development intermediaries are not themselves the solution to the problems affecting the production of affordable housing and community revitalization, but in the past decade their operation has been critical to the continued growth of community-based organizations when federal domestic programs were scaled back. By acting between the capital and the state, several intermediaries have succeeded in broadening the social investment market and gaining access to the mainstream capital market. The community development intermediary system was initiated without much government support and market notice, yet within three decades its operation has become an integral part of the community rebuilding efforts across the country.

From this review of the evolution of various intermediary models, it is clear that multidimensional intermediaries (e.g., LISC) formed in the late 1970s and early 1980s had become large-scale operations by the early 1990s. Some model-specific intermediaries such as Habitat for Humanity International have also formed a strong network of local affiliates. However, several model-specific intermediaries such as ICE have not fared as well as others.

The 1986 Tax Reform Act was critical to the growth of intermediaries. The tax credit program provided several intermediaries a powerful means to pool private corporate investment for low-income housing projects through syndication. Relationships between both parties have been warm due to the high return rate of low-income housing tax credit projects. By gaining access to the mainstream capital market, multidimensional intermediaries were able to assist network members to reach certain levels of production volume. By contrast, model-specific intermediaries such as ICE are too dependent on nontraditional capital sources (social investors) to have a major impact on the volume of production.

If current trends continue, several existing multidimensional intermediaries will grow bigger and may eventually move to take up some of the model-specific intermediaries' program areas such as land trusts, development financing institutions, and cooperatives. Through diversification, larger intermediaries will become more inclusive in network membership and financing arrangement. It is likely that the current conservative areas-of-concentration approach adopted by LISC, NRC, and Enterprise will be expanded to more receptive communities.[6]

The question remains as to sustainability. That is, can existing and future intermediaries manage a nationwide network of diverse community groups? So far, intermediaries have succeeded in creating a large network of local development organizations and to some extent have helped expand private investment in affordable housing and community development projects. The task facing intermediaries is no longer simply creating more "newly franchised CDCs." Instead, their next step is to sustain the accomplishment and to meet the increasing demands of more mature community groups. The new task calls for a new level of strategy and capacity. Regional difference also calls for region-based intermediaries rather than national ones. Lack of past CDC activities in the South leads one to question the importability of northeastern CDC models and philosophy. Instead of intervention by national intermediaries, perhaps regional or metropolitan-wide intermediaries can be more effective or appropriate.

Accountability is another emerging issue. Because the receiving and lending activities of most intermediaries have not been regulated, there are very few built-in mechanisms for self-correction. Good intentions, however, do not directly lead to intended results. United Way of America's 1992 scandal revealed that even a highly regarded charitable organization can become corrupt and unresponsive. Constant checks by outside agencies or interindustry watchdogs are necessary if the whole intermediary system, except NRC, is to remain healthy and responsive. The ultimate challenge facing the intermediaries remains the same as ever: making capitalism work in poor communities through more intelligent and targeted use (Dreier 1997; Sullivan 1993). Collectively, CDCs shall not be seen as the local convenience store outlet of national intermediaries, but the seed army for the betterment of urban and rural American communities.

[6] See Osborne and Gaebler's (1992) argument for enterprising government and nonprofit organizations. LISC and Enterprise are the two best examples of enterprising nonprofits. Through a network of subsidiaries and grassroots organizations, these two organizations have rewritten the traditional practice of limited action by nonprofits. See also Drucker's *Post-Capitalism Society* (1993).

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