

Chapter 1

Community Economic Development—An Overview

Imagine two neighborhoods. The first one has a weak local economy. Storefronts are boarded up. Litter swirls around on the sidewalk. Unemployed people hang out in front of these buildings, unable to get a job. Residents do most of their shopping somewhere else, where they feel safe and have lots of shopping options. Most work outside of the neighborhood since there are few jobs close to home. The houses in the neighborhood are poorly maintained, and, like the storefronts, many of them are boarded up. Nothing ever seems to get better, so people are gloomy about their future.

The second neighborhood has a strong local economy. Businesses fill the commercial buildings. Storefronts are well maintained, with full-sized windows and new signs and awnings. Shoppers and workers come and go, and most people have a decent job. Houses in the surrounding streets seem well maintained. Litter, weeds, and junk in vacant lots are gone. A few new commercial buildings fit in well with the older structures. Progress occurs regularly.

Now, imagine that these two neighborhoods are actually the *same* neighborhood, five or ten years apart in time. The run-down neighborhood represents the “before” picture; the revitalized neighborhood represents the “after” picture.

Beyond the fresher and livelier appearance, what is different in the second picture?

Chapter 1 at a Glance



Chapter 1 introduces some building blocks that will be the foundation for your new effort to improve your local economy. In this chapter, you will learn about

- Two primary goals of most community economic development: to increase the income of families, and to rebuild the community as a whole
- The vehicle for all these efforts: a community-based economic development organization
- Four economic pivot points: commercial district revitalization, microbusiness development, workforce development, and businesses that grow good neighborhood jobs
- A four-step community economic development process

Based on the experiences of community groups across the United States that have actually participated in such a transformation, the answer very often relates to the condition of four key parts of any neighborhood economy. These four *pivot points* can make an enormous difference in the lives of community residents and businesses:

- The condition of the neighborhood’s commercial district
- The ability of local entrepreneurs to start and maintain small businesses
- The ability of local residents to find and keep good jobs
- The ability of neighborhood businesses to create good jobs for community residents

These are the economic forces that many well-run community groups change successfully as they strive to improve where they live and work. This book will teach you how to change them in your community.

This vision—creating economic opportunity, reversing negative perceptions, and stimulating purchases and investments—is the vision embraced by most groups doing community economic development in the United States. Some of these communities are African American, some are Latino, some are European American, some are Asian American, and some are Native American. Some are populated by thousands of recent immigrants. More and more, these communities are a dynamic mixture of two or more of these groups.

Their vision is the same—economic progress for their neighborhood. This vision is achieved through activities that focus on increasing the income and assets of local residents; through building the community up as a whole; and through continual, visible changes that make the community a better place to live.

From the Field

“Community economic development is connecting the dots between people, land, and money. It’s building on your local assets to improve your local economy. It’s both assisting businesses to grow and residents to improve their income.”

TED WYSOCKI, current president and CEO of Local Economic and Employment Development (LEED) Council and past CEO of the Chicago Association of Neighborhood Development Organizations (CANDO)

One important note: *Community economic development is not just about developing buildings and businesses.* Rather, it is about developing the talent, skills, and living conditions of the people who live in those buildings, the people who own those businesses, and the people who become their customers. Community economic development is not a vision of exchanging one group of people with lower incomes for another group of people with higher incomes. It is about assisting an entire community to rise up, helping people to live better individually and as neighbors.

Two Goals of Community Economic Development

Before going further, consider this definition of community economic development:

Actions taken by an organization representing an urban neighborhood or rural community in order to

- 1. Improve the economic situation of local residents (disposable income and assets) and local businesses (profitability and growth); and*
- 2. Enhance the community's quality of life as a whole (appearance, safety, networks, gathering places, and sense of positive momentum)*

This definition captures the two key goals of community economic development.

Most community residents focus on their individual and family well-being. Certain questions guide their daily economic life: Do they have the material goods needed to make their life comfortable, or are they always desperately trying to stay one step ahead of the bill collector? When they are done paying for the necessities of life, do they have any money left to spend on anything else? Do they accumulate any savings to be used for larger purchases or for that “rainy day” that always comes?¹

This measure of how individuals and families are doing financially in your community is half of the picture. The other half is how the community is doing as a whole. Certain questions arise here as well: Do people believe the community is declining or rising into the future? Does it feel safe and attractive? Do people have a strong sense of knowing one another, of being connected to one another, because of living in the same neighborhood?

In short, the two primary goals of community economic development in low-income communities are to improve conditions for individuals and families on the one hand and for the community as a whole on the other. Community economic development is both people-based and place-based.

Individual and family impact means increasing the economic standard of living for low-income persons in low-income neighborhoods. This includes increasing residents' discretionary income (income available after paying necessities) and wealth (assets and savings).

Community impact means rebuilding the prosperity and livability of an entire community for the benefit of existing residents and businesses. This can include rebuilding the community's social fabric through economic means such as

- Creating new community gathering places—restaurants, child care centers, and coffee shops

¹ For a groundbreaking discussion of wealth (assets) as a crucial measure of and barrier to community economic development, read *Black Wealth/White Wealth* by Melvin L. Oliver and Thomas M. Shapiro (see Appendix A: Resources).

- Strengthening community pride and confidence through continual, visible improvements
- Providing long-term stability and affordability through local ownership of businesses and properties
- Generating inspiring new role models through local entrepreneur development and employment career development

Community economic development differs from development projects led by the private or public sector alone. One of the main distinctions is this dual purpose: individual and community impact. Another distinction is the long-term focus on a particular neighborhood—a persistent effort that is concerned about one community. The third main distinction is that community economic development is carried out in accord with a plan (and often by an organization) created and controlled by neighborhood residents, businesses, and institutions themselves. (See also the sidebar Traditional Economic Development Versus Community Economic Development, on page 9.)

From the Field

“Look at community economic development holistically. Don’t just develop any type of business without taking into consideration the makeup of the neighborhood, the job skills of the residents, and your overall community development goals.”

GUS NEWPORT, former mayor of Berkeley, California, and former executive director of Dudley Street Neighborhood Initiative, Boston; currently program consultant with Urban Strategies Council in Oakland

Community economic development, then, takes place in a particular neighborhood, directed by the citizens of that community, with the goal of improving their own neighborhood for the sake of existing residents and businesses.

Your Vehicle to Meet Those Goals— an Organization

Starting from a can-do attitude and strong local roots and networks, community groups have taken two primary tracks to improve their neighborhoods.

One is “action organizing”—leaning on the powers-that-be for solutions. This path has forced corporations, banks, and government at all levels to be more inclusive and responsive with practices that affect low-income neighborhoods. Through action organizing, groups often take on large-scale issues such as urban sprawl, poor-quality schools, or mortgage discrimination by banks who “redline” low-income communities out of their lending areas. One outstanding product of action organizing (led by Gale Cincotta and the National People’s Action in Chicago) is the federal Community Reinvestment Act of 1977, which requires all banks to affirmatively meet the credit needs of all communities within their market areas.

The second track for community groups has been to solve their problems themselves. These groups tend to take on smaller-scale problems and seek many small solutions rather than one big resolution from an outside force. They identify and

utilize many resources within their own community, and they seek resources from beyond their boundaries to help with their work. Hands-on activities such as housing or business development are characteristic of such groups.

This book focuses on the second type of community group, those that use neighborhood assets and elbow grease to work directly on solving community problems themselves. Some of these groups are known as *community development corporations (CDCs)*; others are *neighborhood business associations*. Some are *faith-based organizations* that grew out of local churches; others are led by members of *specific ethnic groups*.

In particular, this book targets groups that harness the strength and potential of local entrepreneurs and small-to-midsize businesses to reach their goals. This focus is a fairly recent addition to the community development field. Prior to 1980, relatively few community-based organizations did economic development directly. It wasn't until the mid-1980s and early 1990s that this focus began to proliferate and achieve successes across the country.

From the Field

"There will be a trade-off between economic feasibility and social goals. The ability to achieve that balance is the magic of community economic development."

JOE MCNEELY, executive director, Development Training Institute, Baltimore

Four Pivot-Point Strategies

As mentioned above, community economic development focuses on four pivot points, turning them into economic engines for family and community impact. These economic pivot points are the community's

1. Commercial district
2. Microbusinesses
3. Workforce
4. Job opportunities

Because these pivot points are so crucial to neighborhood economies, many community groups use them as primary strategies for community economic development. Let's look at each.

Revitalizing your commercial district

A neighborhood's "Main Street" represents the "face" of the community—what most people know of a community. This street forms perceptions, and perceptions—be they negative or positive—often lead to reality. In the eyes of customers and businesses, highly visible commercial districts that deteriorate are undesirable. For low-income communities, therefore, commercial district revitalization is critical. Neighborhood business and resident groups have had great success with revitalizing commercial districts.

Consistent storefront design sends a positive message of revitalization. Following are before and after shots of a facade improvement project in the Fruitvale Commercial District of Oakland, California. This project was completed by the Unity Council Main Street Facade Improvement Program. Project coordinator and design: Raquel Contreras. Muralist/Artist: Juan Zagal. Funded by the City of Oakland Neighborhood Commercial Revitalization Program.

Before



Photograph by Evelyn Johnson. Used with permission.

After



Photograph by Raquel Contreras. Used with permission.

Developing microbusinesses

“Microbusinesses” are often defined as having five or fewer employees. Most low-income communities lack opportunities and assistance for local entrepreneurs to start and grow these tiny businesses. These entrepreneurs, if nurtured, can generate substantial economic activity in a community. Equally important, they can fill vacant storefronts, serve as positive role models and gathering places, bring in new goods and services, create local jobs, and bring positive momentum to all community economic development efforts. Community economic development groups can do a great deal to find and support these valuable neighborhood assets.

Developing the community workforce

The largest single economic problem in low-income neighborhoods is unemployed or underemployed residents. Many of these people lack the skills, connections, or support necessary to get and keep good jobs. For most residents, the best path to