Building Bonds and Bridges (and Leveraging Links): A Place-Based Mobility Strategy Based on Social Capital Creation

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A Place-Based Mobility Strategy Based on Social Capital Creation

April 2019

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Abstract

Economically distressed communities often face an array of barriers related to affordable housing, job training, business development, and inadequate food systems. Local community organizations that seek to address these issues have long been considered a cornerstone of sustainable development. But the complexity of place-based challenges—including increasing income inequality and generational poverty—has made the practice of community development more difficult than perhaps ever before. One approach to addressing these issues is the leverage of trust, norms, and social networks to increase the efficacy of community development programs. This paper explores how North Carolina’s community development ecosystem uses these social capital tools to promote local economic improvements. Drawing on data from semistructured interviews with 22 leaders from the state’s development community, we find substantial evidence that organizations are engaging in place-based social capital strategies. Our data highlight several themes that add to existing research on the use of social capital in a community development context. In general, respondents perceive that the use of techniques that incorporate social capital concepts is important for promoting economic mobility. Community development leaders placed a particular emphasis on bridging social capital approaches as being critical for programmatic success. Respondents also consistently highlighted the importance of linking social capital as a tool to secure limited resources as public-funding streams continue to decline. Finally, we find evidence that the use of social capital is somewhat bound by place and dependent upon a community’s unique socioeconomic context. Our preliminary results suggest that community development organizations are uniquely positioned to leverage the place-based facets of social capital. Concurrently, there is much untapped potential in this area because some organizations are not utilizing social capital strategies in a planned and intentional manner.

Keywords: social capital, economic mobility, community and economic development, community development corporations, community development organizations, bridging social capital, bonding social capital, linking social capital
Introduction

There is growing evidence that an individual’s economic mobility, or lack thereof, is closely tied to the location of the individual’s home neighborhood.¹ Such findings have spurred academic and practitioner interest in place-based initiatives to move families out of poverty and into the middle class. A strategy that is growing in prominence is the use of social capital—the leverage of local social networks, shared norms, and trust—to generate improved economic outcomes. Existing literature suggests that nonprofit community development organizations (CDOs), including community development corporations (CDCs), may be key in the effective use of place-based social capital strategies for community revitalization.

As outlined in the literature review, CDO is an umbrella term for an array of community entities that work to improve neighborhood-level socioeconomic outcomes. CDOs have long been noted as central actors in efforts to address the endemic cycles of poverty that pervade economically distressed communities. Programming by CDOs typically addresses these issues through initiatives that provide assistance for enduring neighborhood challenges related to deteriorated housing, joblessness, welfare dependency, higher crime rates, higher school-dropout rates, health disparities, and disinvestment of private capital. We categorize CDCs as an important subset of CDOs.

The CDC movement is illustrative of the vital role community development organizations can play in improving local socioeconomic outcomes. CDCs emerged in the early 1960s as activist groups formed in response to redlining, urban renewal, and urban riots.² They gained the support of the federal government in 1966, when Senator Robert Kennedy took a tour of a predominantly African American community in Brooklyn, New York. Like so many communities in the mid-1960s, Brooklyn had gone through a period of community unrest linked to poverty, race, and political exclusion.³⁴ In response to the experience, Kennedy and his staff pursued a strategy combining self-help with linkage to power and capital structures that extended beyond the local community.⁵ The first CDC to emerge was the Bedford Stuyvesant Restoration Corporation in Brooklyn, which proved to be a model for how residents could take the lead in rebuilding their communities to address poverty and other forms of social or political exclusion.

At the same time, North Carolina Governor Terry Sanford combined federal and private funding to create the North Carolina Fund. The five-year fund reflected North Carolina’s early efforts to address persistent poverty through supporting community development networks. Programs and individuals originally involved in the North Carolina Fund would later become features of the state’s CDC industry.⁶ Over the ensuing decades, a robust coalition of CDCs and other CDOs formed across the state in a myriad variety of programmatic areas. North Carolina’s CDOs quickly gained recognition for their efforts related to affordable housing, support for local entrepreneurs, and the creation of other programs designed to stabilize neighborhoods. Emblematic of this success, in 1999 North Carolina became the first state government to
appropriate general operating support for CDCs. The annual appropriation was $4.55 million, a large sum for the time, given that the number and scope of North Carolina CDCs was small relative to activity in states with larger urban areas. With the arrival of state funding to support operations, North Carolina’s CDC industry thrived and fostered a growing network of other CDOs that had similar programmatic goals.

It is important to note that North Carolina’s CDC-funding mechanisms have historically encouraged a structure that stressed community participation. North Carolina’s CDCs are typically nonprofit corporations chartered under chapter 55A of the North Carolina General Statutes. They are usually covered by section 501(c)(3) of the Internal Revenue Code, making their receipts tax exempt and contributions to them deductible for the donor. CDCs are self-identified because there is no specific tax ID or certification that distinguishes a CDC from other community development organizations. In practice, CDCs can vary a great deal in structural form, ownership, and program structure. But based on interviews conducted with individuals who were within North Carolina’s state-level funding intermediaries, the state’s CDCs frequently share a few common qualities:

1. Localism: CDCs are engaged in place-based strategies. The scale of place may be a single neighborhood or a cluster of rural counties, but the work centers on the notion that “active community participation must take place within geographic areas.” Community empowerment depends on exerting ongoing influence over local decision making.

2. Comprehensiveness: Although the mission of CDCs limits them to a particular geography, their strategy requires them to think holistically about how to develop the social, physical, and institutional structures of their target communities. This means CDCs are typically characterized as having a mix of programs that broadly promote local, financially sustainable development goals. For example, an affordable-housing organization that served solely as a developer could not qualify for the funding that North Carolina has historically provided for CDC general operations. This is based on CDC best practices as set forth, at the time, by the National Congress of Community Economic Development.

3. Community control: Because CDCs work to foster local development, community participation in CDC operations is a core value. Measuring community control or participation is difficult, but scholars tend to agree that resident membership on the board of directors is a primary indicator. As a matter of practice, CDCs are expected to have at least a third of their board members come from the communities they serve, an expectation originating with funding sources made available under the Equal Opportunity Act of 1964.

In North Carolina and across the country, CDCs and other CDOs grew in size and sophistication throughout the 1990s and early 2000s. At the time, most North Carolina CDCs were concentrated in the urban areas of the state, but rural organizations were the fastest-growing group. The growth of CDCs lost significant momentum after the 2008 recession. This reversal
was compounded in 2013 when CDCs lost state-appropriated funding for general operating support. The loss of state support exacerbated a decline of private support for CDCs and other CDOs by many philanthropic organizations at the state and national level.

By using CDOs as a unit of analysis, this research offers a lens to view the effects of social capital in a way that is intertwined with strategies that promote poverty reduction. Though the work of CDOs is broad in scope, the ultimate goal for every respondent organization in our dataset is tied to enhancing economic outcomes of individuals or businesses. From fostering small-firm entrepreneurship as a method to infuse distressed communities with affordable capital to using affordable housing to promote sustainable home ownership, CDOs are integrated into the economic fabric of the neighborhoods they serve. Through direct and indirect means, all interviewees have been engaging in activities that seek to improve economic mobility.

The decline in the number of CDCs and other CDOs across the nation comes at a time of growing need for strategies that enable the effective promotion of sustainable community and economic development that moves individuals and families out of poverty and into the middle class. Social capital provides one possible way to achieve this goal, although extant literature on this topic is still very exploratory. We believe social capital may be an innovative way for CDOs to improve outcomes in an environment characterized by diminished organizational capacity. CDOs by definition are community based and thus appear to be strong candidates to build or leverage social capital. This is especially true for CDCs in North Carolina, where community-member participation has been historically emphasized by funders. Our analyses will consider (a) whether CDCs (and CDOs in general) successfully build social capital, (b) if so, what kinds of social capital they build, and (c) whether use of social capital strategies makes them more effective in the promotion of their economic goals.

To explore the potential link between building social capital and fostering development, the first section of this paper reviews the literature on the role social capital plays in community and economic development. The second section is an analysis of how CDO leaders in North Carolina perceive the role of social capital in their work. Finally, we conclude with the implications of our findings and subsequent questions to be explored in future research efforts.
Literature Review

In general, there is relatively little research on how community development use of social capital might enhance or alter programmatic outcomes. In exploring the existing scholarship on this topic, we reviewed several areas of literature. We first considered research that specifically examined the use of social capital strategies by organizations that identify themselves (or are identified by other organizations) as CDCs. Due to a paucity of information on this topic, we also assessed literature that examines the use of social capital strategies by other types of community development organizations that seek to promote positive economic-development outcomes. Casting a wider net resulted in a more comprehensive assessment of extant social capital literature. Ultimately, there are many CDOs that are not CDCs, but still engage in programmatic activity that is identical to the activities performed by CDCs. Thus, while CDCs are a focus of this research, a broader review of the literature is required to fully understand the current scholarly consensus.

Defining, Operationalizing, and Categorizing Social Capital

While first popularized with Putnam’s concept of American social capital, research has long hinted at the importance of shared trust, norms, and networks in creating better community-level outcomes. The foundational ideas underlying social capital theory can be traced to theoretical work in sociology, which noted over a century ago that strengthening community social networks was essential to solving problems like endemic poverty. Although the direction of the relationship is often debated, quantitative analyses strongly support the idea that there is a connection between social network diversity and economic opportunity. For this analysis, we consider social capital as a strategic framework that enables community developers to offer services resulting in tangible economic benefits. Social relationships between and among both community members and local businesses have an innate economic dimension. Research suggests that the leverage of these relationships by CDOs enables businesses and individuals to “invest” their social capital and expect positive returns.

Scholars continue to revise and expand the definition and operationalization of social capital, stimulating new thinking about its role in a community development context. However, part of the difficulty in assessing social capital effects is the concept can apply to interactions occurring at both the individual and organizational levels. Additionally, the types of interactions that are thought to foster social capital are both formal and informal, including everything from small-business networking opportunities crafted by local Chambers of Commerce to meetings between affordable-housing tenants. In line with Putnam, Leonardi,
and Nanetti, we thus define social capital broadly as “features of social organizations, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions.” This definition is appropriate because it encompasses the multifaceted nature of social interactions that might be used by CDOs and their clients.

The literature suggests there are two categories or strands of social capital: bridging and bonding. In theory, each strand might be associated with community-level economic advancement when used as part of broader revitalization strategies. Bridging capital strengthens networks of trust across groups, while bonding capital strengthens networks of trust within groups. For community development, bridging capital is vital because it can be used as a tool to connect low-income neighborhoods to economic opportunities and help them avoid social isolation. There is some evidence that bridging capital is more likely to promote positive development outcomes than bonding capital. However, not all research supports this. Lines of inquiry related to both community and economic development have found positive outcomes associated with both types of social capital. Case studies of CDOs have argued that bonding social capital strategies may help build place-linked networks within distressed communities. Bonding strategies may be especially critical for CDO clients because they can be used to promote economic mobility by reducing poverty, increasing home ownership, and encouraging civic action.

Critics of social capital scholarship have argued community development analyses of social capital are incomplete because they do not fully consider linkages between local power structures and economic capital. To partially address this concern, our research specifically assesses a subcategory of bridging relationships: linking capital. This type of social capital represents network associations between organizations or individuals that have disparate levels of influence or power. In other words, linking capital reflects the notion that networks are “not just about getting by [but] also about getting ahead—gaining access to people and institutions that add information and decision-making clout.” Scholars have suggested that linking capital may enhance the relative effectiveness of community developers because it can give access to additional resources that might not otherwise be available.

**North Carolina’s CDOs as a Lens for Assessing Social Capital Strategies**

The few studies on how CDOs leverage social capital approaches have shown mixed results and tend to focus on large urban areas. When comparing Atlanta’s CDC neighborhoods to non-CDC neighborhoods, Knotts found that communities with CDCs do not always have higher social capital levels. Although Atlanta’s CDC neighborhoods were more likely to report higher levels of trust (both among residents and in community institutions), they were less likely to score well on other social capital dimensions like civic engagement. Similarly, research has
suggested that high levels of social capital may promote community development financing of small businesses but have minimal effects on other outcomes like mortgage lending.\(^{54}\)

In contrast to such findings, other scholars have found that CDCs play a critical role in fostering collective action and are essential actors in social capital creation. For example, case study research of CDCs in California and Maine has found they are best positioned to improve neighborhood economic outcomes by using bridging capital to manage intersectoral partnerships.\(^{55}\) More recently, case studies by the Federal Reserve Bank of Richmond have chronicled a wide array of benefits that can accrue to community-development finance institutions when they engage in organizational forms of social capital.\(^{56}\)

One major limitation of the existing literature is it analyzes community development use of social capital through case studies involving single organizations or programs\(^{57}\) or via quantitative analyses of development activity within a single region or municipal area.\(^{58}\) Our research adds to the literature by presenting a statewide view of how CDOs engage in strategies using social capital. By including a variety of organizations and thought leaders in our interview dataset, our findings may be more generalizable than past case study research.

**Place-Based Variation in Effectiveness of Social Capital Strategies**

Geography and institutional history can influence a community’s social and economic destiny. “Place matters” is an oft-repeated theme throughout the development literature.\(^{59,60}\) Corollary arguments have been made that link place to a variety of patterns in community and economic development.\(^{61–65}\) Of particular relevance to this study, there is increasing evidence of strong linkages between place and multiple dimensions of economic mobility.\(^{66}\) Much research has chronicled how social capital levels seem to vary at the national,\(^{67}\) regional,\(^{68}\) state,\(^{69}\) and local levels.\(^{70}\) Based on such findings, we theorize that social capital strategies used by CDOs may be partially place linked.\(^{71}\) Because they work primarily at a local level and are structured to represent their local areas, CDOs may be uniquely equipped to make use of social capital stocks.

The literature suggests that an awareness of place—especially through an urban/rural lens—is critical for the effective use of social capital strategies by community developers.\(^{72,73}\) There is a strong consensus that social capital works through fundamentally different mechanisms in urban versus rural communities. The sociology literature has frequently made distinctions between urban communities dominated by heterogenous social ties and rural areas characterized by homogenous social ties.\(^{74–76}\) But while it appears that social capital varies greatly by population density,\(^{77}\) there is little consensus on how or why this variation occurs. Some research suggests that urban areas should have higher levels of social capital stocks compared to rural areas.\(^{78,79}\) But others, including Putnam, argue urban areas are more likely to have lower levels of interpersonal trust and less capacity to solve collective action problems.\(^{80}\) Concurrently, a growing body of literature has argued prosperous rural communities tend to be linked with a high degree of civic and social activity.\(^{37,81–83}\)
Scholars in this vein have argued social capital is the “cultural glue that binds together people in small-scale rural societies.”

Thus, while CDOs may have a unique capacity to leverage local social capital resources, they must also navigate the complex reality of networks and trust relationships that change across urban and rural geographies. For example, because of geographic distance, beneficiaries of rural community development may be less likely to interact with each other. To build social networks, rural residents may instead seek connections outside of their local area. In practice, such behavior tends to leave rural low-income and minority residents with fewer opportunities to participate in meaningful local social networks. In contrast, clients in urban areas may have many social ties, but those ties may be relatively weak. Although urban areas can serve as engines of social capital because they contain diverse individuals who are likely to come into frequent contact, it could be difficult for development organizations to leverage these weak connections.

**Mechanisms of Action for CDO Use of Social Capital Strategies**

There has been limited theory-building on the question of why CDOs’ use of social capital strategies might enhance programmatic outcomes. However, by drawing on literature concerning connections between community economic development and local social capital levels, several theoretical mechanisms of action emerge. Some scholars have suggested that using social capital enables CDOs to have more interactions with local governments. Because government institutions play a key role in social capital formation and set the “rules of the game” for solving collective action problems, bridging- and linking-capital activities could improve organizational capacity and help CDOs achieve their strategic goals. As public financing of community development work continues to decline, the use of social capital networks by CDOs to strengthen ties to both public institutions generally and individual policymakers specifically may be especially important.

The scope of programmatic activities CDOs undertake is broad, including work related to affordable housing, job training, business development, commercial development, and food systems. But while the type of programming varies, the goal of such activities is substantially similar across organizations: creating sustainable economic development. To the extent that these programs seek to build the capacity of clients and help them realize their full economic potential, the economic development literature suggests some additional reasons for the effectiveness of community-based social capital strategies. Of note, programmatic activities in the community development realm are frequently aimed at improving the human capital capacity of clients. Because human and social capital are strongly intertwined, programs that increase the education or financial capacity of community members also improve the strength of local social networks. Human capital theory suggests that, by encouraging formal and informal participation in civil society, community members may be better able to build their financial and educational resources.
Methodology

Meta-analyses have shown that social capital’s wide array of operationalizations and definitions has led to little consensus on best methodological practices for studying the concept.102 For example, some literature notes that qualitative data collection in this area often suffers from a lack of depth because it rarely considers the bridging-and-bonding typology of social capital.32 In recognition of such critiques, we used a semistructured-interview format to ask respondents consistently about social capital use for both bridging and bonding purposes. Our use of semistructured interviews is consistent with other social capital literature that explores how community organizations draw on networks, norms, and trust relationships to promote sustainable-development outcomes.103 Like other studies that seek to explore community power structures and political regimes,104,105 ours included interviewees who were broadly representative of a cohort of community development leaders across the public and nonprofit spectra. Our dataset includes both CDCs and CDOs, since the latter are substantially like the former in terms of programmatic scope and goals. When outlining findings, the use of the CDO term indicates findings from both CDCs and other types of community organizations.

Research that uses single-state data sets is subject to perennial concerns about generalizability. Our focus on North Carolina is designed to ensure that respondents share a similar understanding of community development institutions. Our approach is consistent with Nicholson-Crotty and Meier, who have demonstrated that single-state studies are valid research designs when they provide data that can be generalized to contexts beyond the state level.106 Literature on the study of community leaders has shown that the methodology is appropriate because it facilitates a wide range of contextual variables107 than would otherwise be obtainable through quantitative methodologies.108,109 The research design allowed us to hold state-level institutional factors constant across interviewees while also being able to assess a wider range of organizations that operate in an array of different programmatic areas. For that reason, our findings speak to the use of social capital by CDOs in a way that is not specific to a single state. As we outline in our findings, the data are broadly applicable to the operations of CDOs in other regions.

The nature of programmatic work conducted by CDCs specifically and CDOs more broadly predisposes them to be located in urban areas. In addition, because our lens of analysis includes thought leaders representing statewide organizations, many of them are located near North Carolina’s capital of Raleigh. But while the location of respondents is clustered, figures 1 through 4 also illustrate that there is variation across represented organizations in terms of socioeconomic context. Levels of aggregate social capital, income inequality, economic mobility, and household income all vary even within the tight geographic clusters of interviewees.
Figure 1. Practitioner Leader Locations and Social Capital Levels

Social Capital Index
Normalized Values

★ Community Development Organization Interviewee

-2.9 to -1.5
-1.5 to -0.4
-0.4 to 0.2
0.2 to 1.1
1.16 to 2.9 The higher the number, the darker the color, the greater the social capital.

Figure 1. Social capital index scores for each county, normalized and displayed in terms of how many standard deviations the county is from the state’s mean level of social capital. Values can theoretically range from a maximum of +3 standard deviations above the mean to a minimum of -3 standard deviations below the mean. Values incorporate individual, associational, and civic-participation operationalizations of social capital. About 70% of interviewees represent organizations headquartered in counties with relatively high social capital scores. Rupasingha, A., Goetz, S. J., & Freshwater, D. (2006, updated 2014). The production of social capital in US counties. *Journal of Socio-Economics*, 35, 83–101.
Figure 2. Income-inequality variation across North Carolina using the Gini coefficient. The Gini coefficient measures income distribution from a range of 0 to 1, where 0 represents perfect equality and 1 represents perfect inequality. Practitioner leaders tended to come from organizations in counties with higher levels of income inequality. United States Census Bureau. Gini index estimates based on household income from 2013 to 2017. American Community Survey.
Figure 3. Median levels of household income for each county in 2017. Because practitioner leaders tended to come from organizations in urban areas, only about half of respondents come from counties with median incomes below the state median of $50,320. However, as noted in Figure 2, many of these counties are areas with high levels of income inequality. United States Census Bureau. Estimated median household income in the past 12 months from 2013–2017. American Community Survey.
Figure 4. Although economic mobility is difficult to operationalize in a single variable, this figure uses data that project the net percentage gain (or loss) to an individual’s income at age 26 from residing one year or more in the county during childhood. To illustrate differences in economic mobility between higher-income and lower-income households, the data were transformed to show the difference between households at the 75th percentile of the income distribution minus individuals living in households at the 25th percentile of income distribution. All organizations in our dataset come from counties where there is relatively low economic mobility for children growing up in lower-income households versus higher-income households. Chetty, R., & Hendren, N. (2018). The impacts of neighborhoods on intergenerational mobility I: Childhood exposure effects. Quarterly Journal of Economics, 133, 1107–1162.
To develop our target-population framework, we first constructed a list of thought leaders. Thought leaders are individuals who were involved with North Carolina institutions that were integral to providing initial funding for CDO work in the 1990s and 2000s. Next, we included practitioner leaders, those whom thought leaders identified as being involved with CDOs currently in operation throughout the state. This snowball approach is consistent with established research methods for interviewing community leadership. In total, 101 potential interviewees were identified. Ultimately 7 statewide thought leaders and 15 local-serving community development practitioners were interviewed in February and March 2019. Each interview lasted between one and two hours. Interview sessions included one primary interviewer, but in most cases multiple researchers were present taking simultaneous notes. Each interview was transcribed with the permission of the respondent. Interview notes and transcripts were later compared to ensure reliability.

Our results reflect common themes identified by a total of 22 individuals, encompassing both thought leaders and current practitioners. Two question templates were created, one for each group of interviewees, and each designed to fit the knowledge area and experience of the targeted leadership group. For thought leaders, interview questions focused on (a) defining and discussing different types of social capital in a community development context and (b) identifying best practices (or areas lacking best practices) for using social capital within the state’s community development ecosystem. The question list was crafted to gather information from thought leaders’ high degree of institutional knowledge and intersectional experience in the state’s community development networks.

For community development practitioners, a second question list was designed to create conversations around (a) whether the interviewee’s organization engaged in programming to promote or use social capital and (b) whether interviewees believed that leveraging social capital could make their organizations more successful or improve the economic mobility of their clients. Interviews with practitioners were designed to assess individual-level and organizational-level use of social capital strategies “on the ground” in everyday community-development work. Table 1 highlights the different types of organizations included in the dataset and the social capital method(s) discussed by the respondents during the interview process.
### Table 1. Emphasized Social Capital Methods, by Organization Type

<table>
<thead>
<tr>
<th>Organization/Area</th>
<th>Focus Area(s)</th>
<th>Social Capital Method(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Bonding</td>
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<tr>
<td><strong>Community Development Corporations (CDCs)</strong></td>
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<td></td>
</tr>
<tr>
<td>CDC #1 Durham</td>
<td>Affordable housing, Financial education</td>
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</tr>
<tr>
<td>CDC #2 Fayetteville</td>
<td>Affordable housing, Personal financial counseling</td>
<td></td>
</tr>
<tr>
<td>CDC #3 Winston Salem</td>
<td>Affordable housing, Commercial development training</td>
<td></td>
</tr>
<tr>
<td>CDC #4 Columbus County</td>
<td>Personal financial counseling, Public-health programs, Workforce training</td>
<td>×</td>
</tr>
<tr>
<td>CDC #5 Edgecombe County</td>
<td>Affordable housing, Commercial development, Small-business counseling</td>
<td></td>
</tr>
<tr>
<td>CDC #6 Lee County</td>
<td>Affordable housing</td>
<td>×</td>
</tr>
<tr>
<td>CDC #7 Wake County</td>
<td>Affordable housing, Public-health programs, Workforce training, Youth development</td>
<td></td>
</tr>
<tr>
<td>CDC #8 Wayne County</td>
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<td>CDC #9 Western NC region</td>
<td>Personal financial counseling, Workforce training</td>
<td>×</td>
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<td><strong>Other Community Development Organizations</strong></td>
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<td></td>
</tr>
<tr>
<td>Community development finance institution #1 Statewide</td>
<td>Research / policy advocacy, Small-business counseling, Small-business financing</td>
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<tr>
<td>Community development finance institution #2 Statewide</td>
<td>Affordable housing, Small-business financing</td>
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<tr>
<td>Other S01(c)3 #1 Chapel Hill</td>
<td>Affordable housing, Personal financial counseling</td>
<td>×</td>
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<tr>
<td>Other S01(c)3 #2 Kinston</td>
<td>Affordable housing, Workforce training</td>
<td></td>
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<tr>
<td>Other S01(c)3 #3 Statewide</td>
<td>Small-business counseling, Workforce training</td>
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<tr>
<td>Other S01(c)3 #4 Statewide</td>
<td>Affordable housing, Personal financial counseling, Research / policy advocacy</td>
<td>×</td>
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<td><strong>Statewide Support and Partner Organizations</strong></td>
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<tr>
<td>State government agency</td>
<td>Development support services, Grantmaking/funding</td>
<td></td>
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<tr>
<td>University program</td>
<td>Development support services</td>
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<td>Regional bank</td>
<td>Small-business financing, Grantmaking/funding</td>
<td></td>
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<tr>
<td>CDC trade association #1</td>
<td>Development support services, Research / policy advocacy</td>
<td></td>
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<tr>
<td>CDC trade association #2</td>
<td>Development support services, Research / policy advocacy</td>
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<tr>
<td>Foundation S01(c)3 #1</td>
<td>Grantmaking/funding</td>
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<td>Foundation S01(c)3 #2</td>
<td>Grantmaking / funding</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td>6</td>
</tr>
</tbody>
</table>

*Note. I = Individual-Level Bridging, O = Organizational-Level Bridging*
These pathways for building and using social capital are broadly characterized below.

**Figure 1. Pathways for Social Capital Interactions in CDOs**

<table>
<thead>
<tr>
<th>Level</th>
<th>Type</th>
<th>Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>Bonding</td>
<td>Formal</td>
</tr>
<tr>
<td>Organization</td>
<td>Bridging</td>
<td>Informal</td>
</tr>
<tr>
<td></td>
<td>Linking</td>
<td></td>
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</tbody>
</table>

For example, in this framework, a CDO may use organizational programming to develop linking social capital through informal networks. This is exemplified by one respondent, who described her organization’s efforts to bring representatives from banks into community gatherings so they could form relationships and share information with residents. For many CDOs, “information sharing . . . is about trust, so we are forever trying to figure out a way to create a trust factor with people.” Other respondents used different pathways. For example, one leader in affordable housing described pursuit of individual-level bonding capital through informal networks in order to ensure long-term and sustainable outcomes. This was arguably most evident in one CDO’s efforts to ensure continued care of rehabilitated neighborhoods through a garden-of-the-month club: “It became a contest and competitive . . . you don’t want to come out of the ghetto and then create another ghetto. The [watchword] was, ‘Don’t you be the one.’”
Theme 1: CDOs primarily focus on bridging and linking social capital strategies.

Respondents generally expressed a perception that social capital is an integral component to community development work. In practice the scope of programming that CDOs are engaged with often promotes social capital, even if staff and clients are not explicitly aware of the strategy. As one interviewee noted, CDOs were “engaging in social capital leverage before they even knew what it was called.”

CDO leaders focused on the use of bridging and linking social capital. Many thought leaders stressed the importance of linking capital as a way to build rapport with state policymakers and funders. Their comments suggest that linking social capital offers community developers a pathway to maximize their limited financial resources. Leaders who are current practitioners tended to focus on examples involving bridging social capital between the CDO and other community organizations.

Surprisingly, CDO activities with clear bonding components were less emphasized, as shown in Table 1. Despite the common practice of having community residents on the board, no respondent focused on how building bonds among those board members or using them to build bonds within the community helped to move residents out of poverty. One CDO leader commented that integrating individuals into community networks was key to ensuring neighborhood economic success. However, even this example implied that the value lay in the access to networks rather than bonding within the community. Interview comments did not clarify whether this lack of emphasis on bonding stemmed from a lack of mission focus on developing this type of capital or from a desire to leverage an already sufficient amount of bonding capital. In other words, it could be that North Carolina CDOs believe they are already operating from a robust base of strong bonding capital.

While the interviews suggested that bonding is not often a deliberate component of community development efforts, leaders indicated that it frequently can develop organically in ways that support desired programmatic outcomes. In one instance, a CDO sought to rehabilitate and employ former convicts while building affordable housing. Over time, these employees were able to develop stronger trust relationships within their community, which was noted as being critical to their self-fulfillment and societal reintegration. Such examples demonstrate that bonding capital can still support CDO goals, even if it emerges in an unintended manner.

"A success story was helping a neighborhood association [receive] a $1,500 grant from the city to establish a community garden. The neighborhood garden was not successful, but the neighborhood development was."

—Thought leader

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An important exception to respondents’ de-emphasis on bonding capital can be seen in CDO efforts to foster bonding across individuals within the business community. Multiple CDOs emphasized the importance of fostering relationships among historically underutilized business groups (i.e., minority- and women-owned businesses). By bringing business leaders together and establishing minority business coalitions, these CDOs have sought to give business owners the opportunity to network and develop possible joint ventures or coalitions. Such findings hint that intentional development of bonding social capital may be more common when CDOs are primarily working toward business-development goals.

How CDOs engage in social capital building has a large amount of variance, but a recurring factor for success appears to be early engagement and building trust with community members. One leader noted intentionally not beginning programmatic activity until staff had a chance to build trust in the community and ensure that community members believed the CDO was able to act in their best interest. Some respondents noted that the process of building community trust can sometimes be a challenge for CDOs. The distressed populations served by community developers often have numerous needs, and finding consensus on how to prioritize those needs is often a difficult task. For example, CDO engagement through bonding capital often included free events like monthly community dinners or family social nights. Even once community needs are agreed on and prioritized, the process of building trust and legitimacy within the community can be long and arduous.

Consistent with the goals of community development work, most interviewees said their organizations sought to promote the needs of underserved individuals and communities. Assisting these types of subpopulations requires understanding and pre-existing trust networks. Distressed areas often have strong bridging social capital that community members use to solve collective action problems. Our interviews suggest that harnessing existing networks in combination with other strategies may be important for long-term success, particularly in terms of crafting new initiatives and engaging in strategic planning.” This is consistent with literature showing that community organizations often have a highly specialized and unique understanding of local-development needs, which enables them to harness existing social networks more effectively.
Theme 2: Bridging social capital is seen as vital to CDO success.

Respondents were asked to explain whether they believed social capital strategies enabled CDOs to be successful. A common theme from respondents was that, while each CDO had a clear conception of what it meant to be successful, there were few standard rubrics or quantitative outcome measures. In general, respondents tended to measure success by whether they believed the organization was achieving its primary mission. While all of the CDOs were involved in poverty alleviation, they each defined success in the ways they thought most appropriate to their specific strategies. For example, a CDO engaged in creating affordable homeownership opportunities defined success as the number of homeowners created.

Perceptions of success tended to fall into two primary categories. First, output measures (clients served, jobs created, homes saved, etc.) were frequently cited by respondents, though leaders also noted that such measures were insufficient to gauge CDO impact. Second, some respondents viewed success through the lens of organizational sustainability and the ability to leverage and establish relationships with other organizations. Our analysis framework has conceptualized social capital as a method or tool for community developers to better achieve their goals. But in some cases, the creation of organizational relationships, successful partnerships, or simple operational survival is an outcome metric in itself.

CDO leaders framed strategies for using bridging social capital to achieve mission success in ways that showed a great deal of variation. For one current practitioner leader, bridging capital took the form of connecting community institutions to external resources: “We nail [developing relationships] down the line, depending on what it is. You have churches that need relationships with financial institutions.” Another leader stated that trust between a CDO and local businesses was used to foster relationships that enabled employment for young community members. Overall, interviewees indicated that developing bridging social capital is important in helping CDOs fulfill their mission.

Use of pre-existing organizational relationships through bridging social capital also emerged as a salient trend. CDO leaders frequently mentioned the importance of cementing organizational relationships with local finance institutions and key public-sector agencies (e.g., police departments) as critical to ensuring their activities were accepted by a community’s pre-existing power structure. In particular, practitioner leaders indicated that being viewed as “nonthreatening” by other community organizations and local policymakers was important for
success. Being seen as an ally and partner by existing institutions is key because it enables CDOs to act as a consensus-building conduit for the communities they serve.

Our data on the importance of bridging relationships are consistent with literature suggesting that successful CDOs find ways to become embedded in local power structures. To the extent CDO leaders are able to be seen as partners by local development regimes, they are likely to achieve greater sustainability. However, many interviewees indicated that achieving high visibility to local governing regimes is becoming increasingly difficult for a variety of reasons. For example, CDO boards often consist of leaders that are respected within narrow (bonding) social networks but are not necessarily prominent in the community at large.

"Simply put, social capital means relationships . . . that are beneficial to building communities, built on respect and a common understanding that the relationship will produce a mutual benefit—whatever it could be, like expertise [or] knowledge, brought by parties to the table."

—Thought leader
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</table>

**Total** | 14 | 3 | 15 | 17 | 18 |

*Note: Levels in Table 2 reference the context in which an interviewee defined social capital. This may be different from the level at which the interviewee’s organization uses social capital (e.g., as indicated in the individual-bridging and organizational-bridging columns in Table 1).*
Theme 3: Linking social capital is vital to securing CDO resources, but this strategy relies heavily on charismatic leaders.

Research has long demonstrated funding is a core predictor of CDO programmatic success. Many respondents stated their organization mostly used social capital to secure funding and increase organizational capacity. Because most community developers face endemic funding constraints, programmatic use of social capital is often secondary to using trust and networks to gain resources. Multiple respondents noted that the ability to do things like formally collaborate with other community organizations (bridging capital) was limited due to budgetary and time constraints. The primacy of leveraging networks for funding is consistent with data showing that public financial support of CDO work is in decline.120 While talking about recent funding reductions, one leader noted, “A lot of CDCs went out of business then. I think it was the fact that we did have relationships, [that] we did know how to partner with those that had money . . . that has been key [to why we are still operating].”

Consistent with this theme, respondents frequently indicated they were often forced to find creative ways to support operations in an environment of decreasing funding opportunities. For example, multiple interviewees said they were leveraging both community networks to find volunteers and the personal networks of their board members for fundraising. However, while using these types of social capital can help support program expenses, there are few avenues to cover operating expenses in the absence of government funding. In some cases, funding shortfalls have resulted in pared-back programming, difficulties with scaling up program activities, or charging nominal program costs to clients. And though some organizations have dealt with the negative impacts of declining resources through leveraging social capital, lack of organizational capacity ultimately restricts the use of more meaningful and nuanced strategies. As one practitioner leader noted: “We need to be [organizing], but we don’t have enough staff to do that. . . . As we get more dollars in the door, then we can do all those things.” Even CDOs with strategies in place for coping with decreased funding are ultimately limited by the funding environment.

Linking capital strategies are one way that CDOs have sought to increase their financial resources. However, the types of networks created by linking capital to secure funding may not necessarily promote long-term sustainability. Of note, some respondents emphasized that the social networks created between community developers and funders are often symbolic or transactional because it can be difficult to create, as one respondent put it, a meaningful “intersection of values.” For that reason, leaders generally reported mixed success in being able to secure long-term
commitments from state and local governments. Interviewees perceived local and state policymakers as having low awareness of the importance and effectiveness of CDOs. They stressed that this low awareness frequently results in uncertain and unpredictable public financial support.

To the extent that community developers could secure public sector resources, many respondents noted that continued funding often relied on personal relationships between local leaders and policymakers. Interviewees gave examples of organizations that were led or founded by a charismatic individuals who utilized social networking to help their CDOs grow and thrive through relationships with individual policymakers or industry champions. These founders were key to bridging the gap between community needs and resources.

However, many of these charismatic leaders are now retiring and being replaced with the next generation of community leadership. To the extent that historical funding success has relied on relationships forged by individual community development leaders, organizational sustainability may be a challenge. When linking social capital networks are not institutionalized but are instead concentrated within a small cadre of local leaders, leveraging these relationships over the long term becomes difficult.

**Theme 4: Social capital is partially place based and is shaped by a community’s institutions and socioeconomic context.**

Conversations with interviewees show that the effectiveness of social capital strategies are frequently place linked and highly dependent on the characteristics of local communities. The economic needs of distressed communities and individuals are not static. Interviewees noted that use of social capital networks enables CDOs to be responsive and adaptive to changing community needs. A typical example included one CDC practitioner who discussed how the organization created programs to address emergent local opioid-abuse issues. Similarly, a different CDO leader discussed the importance of launching recovery initiatives in targeted areas after natural disasters.

The importance of using social capital in a way that matches a community’s geographic place also emerged as a frequent theme. For example, rural CDO leaders frequently noted that use of social capital strategies requires an awareness of how clients are limited by sheer geographic distance. Building robust local social-capital networks can be challenging when it takes an hour for clients to travel to places where jobs are available. Leaders also noted that urban CDOs often come with their own unique and place-
dependent needs. Of note, urban CDOs often have to work in a development environment characterized by uneven economic growth, which can sometimes come with disproportionately negative impacts on clients. Residents of urban areas are confronted with their inequality in small geographic areas, whereas rural residents may not experience inequality in such stark terms on a regular basis due to geography or distance. Our data on the place-linked nature of social capital suggest that networks, trust, and shared norms operate differently across geography. CDOs may ultimately be in a unique position to leverage social capital strategies in part because of their local approach and their understanding of existing community barriers to development.
Conclusions and Implications

Data from the semistructured interviews highlighted four recurring themes on how CDCs specifically, and CDOs more broadly, harness social capital to promote greater economic mobility. While our findings are preliminary, both thought leaders and local development practitioners perceived that community organizations engage in a great deal of activity that uses and fosters social capital. Importantly though, community development practitioners do not frequently view their organizational operations through a social capital framework. The use of bridging, bonding, and linking strategies is largely embedded in the day-to-day operations of CDOs.

Although community development leaders may not think of their work in a social capital context, the data show that organizational activities have tended to favor the use of networks that rely heavily on bridging relationships. Participants tended to view the production of client-level and organization-level bridging relationships as a primary output or outcome of their activities. To the extent that leaders described specific and discrete strategies that involved core components of our definition of social capital, those strategies were largely in the bridging subcategory of linking capital. In particular, interviewees frequently described individual linking relationships between local leaders, policymakers, and funders.

In contrast, interviewees rarely mentioned examples or programs that focused on bonding relationships. When leaders did talk about bonding networks, they often framed them as the inputs of community development work. This pattern may be important because it could highlight why leveraging different types of social capital is a challenge for many CDOs. The literature suggests that use of bonding relationships is an integral part of the successful utilization of social capital for improved community-level economic outcomes. While community developers are undoubtedly using bonding capital, interviewees seemed to indicate that this strategy was not an integral part of their activities. Our data thus suggest there may be a gap between theory and practice in this area. Further research is needed to understand why respondents tended to emphasize bridging relationships and how this affects the use of bonding strategies for economic mobility.

The pathways for how CDCs and CDOs utilize social capital are complex and multifaceted. Our research helps illustrate this complexity by demonstrating that social capital pathways are harnessed even without use of a discrete strategy. In conjunction with our findings about the place-based nature of social capital, the data suggest a large amount of untapped potential for CDOs that use social capital to reach their programmatic goals. Charismatic leaders could benefit from learning how to institutionalize linking social capital networks and involve successors in order to facilitate long-term sustainability. CDOs have already seen much success simply by engaging in work that frequently, although sometimes unintentionally, fosters social capital networks. Given the unique capabilities of CDCs and CDOs to work in a local context, we believe the promotion of more intentional strategizing and planning around social capital would likely yield more positive economic outcomes for both CDOs and their clients.
References


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