

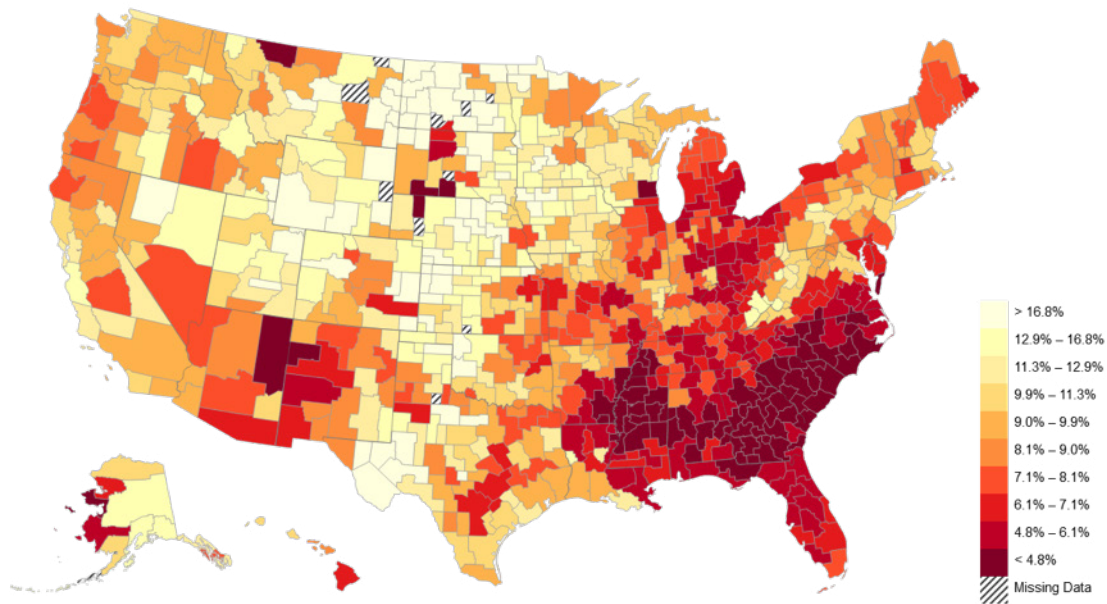
Five Insights into How Community Development Corporations in North Carolina View Social Capital Bonds, Bridges and Links

Many of us have heard the words, “No child’s future should be determined by the zip code in which they were born.” But an increasing amount

of evidence suggests that economic mobility is closely tied to our home neighborhood.

The Geography of Upward Mobility in America

Children’s Chances of Reaching Top 20% of Income Distribution Given Parents in Bottom 20%



Chetty, R., Hendren, N., Kline, P., & Saez, E. 2014

In recognition of this emerging trend, there is renewed academic and practitioner interest in place-based initiatives to move families out of poverty and into the middle class. The use of social capital—the leverage of local social networks, shared norms, and trust—is a strategy regaining prominence. Nonprofit

community development organizations (CDOs), including community development corporations (CDCs), have been key in prompting the effective use of place-based social capital strategies for community revitalization and economic mobility.

What are CDOs and CDCs?

CDO is an umbrella term for an array of community entities working to improve neighborhood-level socioeconomic outcomes. CDOs typically address poverty through initiatives targeting deteriorated housing, joblessness, welfare dependency, higher crime rates, higher school-dropout rates, health disparities, and disinvestment of private capital. CDCs, an important subset of CDOs, are illustrative of the role CDOs writ large play in improving local economic outcomes. While a great deal of variation exists, CDCs are clearly distinguished from other CDOs by embracing all three of the components below.

1. **Localism:** North Carolina's CDCs are usually 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" (Clay, R. A., & Jones, S. R. 2009). The notion is based on the belief that community economic empowerment depends on exerting ongoing, sustainable influence over local decision making.

2. **Diverse Programming:** Although the mission of CDCs limits them to a particular geography, their strategy requires holistic thinking about how to sustainably develop the community's social, physical, economic, and institutional structures (Leiterman, M., & Stillman, J. 1993; Perry, S. E. 1987). This means CDCs have a mix of programs that broadly promote local development goals. While the mix of programming used by individual CDCs varies, the goal of such activities is substantially similar across organizations: creating sustainable economic development.

3. **Community Control:** Community participation in CDC operations is a core value. Measuring this is difficult, but scholars tend to agree resident membership on the board of directors is a primary indicator (Perry, S. E. 1973). As a matter of practice, CDCs are expected to have at least a third of their board members come from the communities they serve, a practice originating with funding sources made available under the Equal Opportunity Act of 1964.

For many years North Carolina supported community development organizations with appropriations for general operations. While this funding was eliminated in 2013, we theorize the funding structure likely incentivized social capital activity. Through community board representation directly and similar approaches more generally, CDCs were predisposed to activities that promoted local trust, norms, and social networks. Our research offers a compelling lens to view the effects of social capital on neighborhood economic improvements through both CDCs and a larger subset of CDOs.

How do CDOs and CDCs use social capital?

As organizations designed to draw on community networks, CDOs offer compelling lessons in institutional use of social capital for economic development. There are two primary types of social capital: bridging and bonding. Bridging capital strengthens networks of trust across groups or individuals with heterogeneous characteristics. A key type of bridging connection is called linking capital, which occurs when networks are created between individuals or groups with disparate power. In contrast, bonding capital strengthens networks of trust within homogeneous groups or clusters of individuals.

Like other work that seeks to explore community power structures and political regimes, we conducted interviews with a cohort of leaders across North Carolina's public and nonprofit spectra (Stone, C. N. 1993). To develop our list of interviewees, we first constructed a list of thought leaders. Thought leaders are individuals who were involved with North Carolina institutions that have been integral to state-level support of CDO work. Next, we included practitioner leaders, those whom thought leaders identified as being involved with CDOs throughout the state.

What lessons did we learn about how community development organizations use social capital?

1. The concept of social capital is not new to practitioners. As one interviewee noted, CDCs and CDOs were “engaging in social capital leverage before they even knew what it was called.” We agreed. Our findings suggest the use of social capital enhances local community economic development outcomes.

2. Success for community development is as much about process as it is about development outcomes. Respondents expressed that the leverage of trust, shared norms, and social networks are integral to organizational measures of success. Notably, ideas of success tend to revolve around strategies that emphasize the linking form of bridging capital. The prominence of linking capital as both a programmatic strategy and organizational output or outcome is a recurring theme in our findings.

3. Connecting residents of distressed communities to each other is a necessary input, but not a sufficient outcome for community developers. In a surprising result, with the exception

of practitioners involved in entrepreneurship and small business promotion, few leaders viewed their organizations as primarily focused on promoting bonding capital outcomes. Generally, bonding networks were framed as the inputs of community development work. Bridging/linking networks, on the other hand, were frequently conceptualized as organizational outputs or outcomes. This finding suggests a gap between theory and practice.

4. Linking capital reigns supreme. The importance of individual connections that bring about linking capital for financial resources was mentioned in almost all interviews. Perhaps in response to the declining trend of an infrastructure for financial support, our data hint at an increasing reliance on personal relationships between individual charismatic CDO leaders and policy actors. And while this strategy appears to be working for now, most respondents are concerned with what will happen when the individual leaders that have fostered these relationships retire.

5. If you have seen one set of CDO connections, you have seen one set of CDO connections. The data point toward social capital development as a characteristic of CDOs that is, at least partially, defined by context and geography. Our findings echo other research that suggest social capital networks have a high degree of variance across local neighborhoods. The interviews provide evidence CDOs, especially CDCs, uniquely shape community connections in ways that are extremely responsive and local in nature.

Adapted from

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

Produced for Renewing the Promise of the Middle
Class, Federal Reserve System Community
Development Research Conference, May 2019

Authored by:

Maureen Berner*
Anita Brown-Graham*
Jamie McCall**
Jonathan Morgan*
Tyler Mulligan*
Nathalie Floyd*
Christopher Hatton*
Alice Mahood*

*School of Government
University of North Carolina at Chapel Hill
400 South RoadChapel Hill, NC 27514

**Carolina Small Business Development Fund
3128 Highwoods Blvd, Suite 170
Raleigh, NC 27604

References

- Chetty, R., Hendren, N., Kline, P., & Saez, E. (2014). Where is the land of opportunity? The geography of intergenerational mobility in the United States. *Quarterly Journal of Economics*, 129, 1553–1623.
- Clay, R. A., & Jones, S. R. (2009). *Building healthy communities: A guide to community economic development for advocates, lawyers, and policymakers*. Chicago, IL: American Bar Association.
- Leiterman, M., & Stillman, J. (1993). *Building community: A report on social community development initiatives*. New York, NY: Local Initiatives Support Corporation.
- Perry, S. (1973). Federal support for CDCs: Some of the history and issues of community control. *Review of Black Political Economy*, 3(3), 17–42.
- Perry, S. E. (1987). *Communities on the way: Rebuilding local economies in the United States and Canada*. Albany, NY: SUNY Press.
- Stone, C. N. (1993). Urban regimes and the capacity to govern: A political economy approach. *Journal of Urban Affairs*, 15, 1–28.
- Stoutland, S. E. (1999). Community development corporations: Mission, strategy, and accomplishments. In R. F. Ferfuson & W. T. Dickens (Eds.), *Urban problems and community development* (pp. 193–240), Washington, DC: Brookings Institution Press.