COMMUNITY ENTERPRISE PROJECTS:

AN EVALUATION

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May, 1975, Boston

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE
DEGREE OF MASTER IN CITY PLANNING

at the
Massachusetts Institute of Technology
Cambridge, Massachusetts
May 23, 1977

Department of Urban Studies and Planning, May, 1977

Certified by: Thesis Supervisor
Accepted by: Chairman, MCP Committee

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<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Introduction</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>The Context: A Brief History</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>18</td>
</tr>
<tr>
<td>Methodology</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>26</td>
</tr>
<tr>
<td>MOC Furniture Rehab Plant: A Case Study</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>38</td>
</tr>
<tr>
<td>Brightwood Corporation: A Case Study</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>56</td>
</tr>
<tr>
<td>Synthesis</td>
<td></td>
</tr>
</tbody>
</table>
CHAPTER 1:
INTRODUCTION
Purpose

The objective of this thesis is to develop a set of criteria for evaluating community economic development (CED) enterprise projects, which can be characterized as a unique blending of both public and private investment monies in ventures with both social and economic goals. We will use two case studies from the Massachusetts Department of Community Affairs (DCA) Community Enterprise Projects program as representative examples of CED: The Brightwood Corporation, a Local Development Corporation located in Springfield which has developed a shopping center and is involved in many other projects, and The Montachusetts Opportunity Council Furniture Rehabilitation Project (Hereinafter referred to as MOC), a social service community action agency (CAA or often called CAP) which operates a furniture rehab shop in Fitchburg, Massachusetts. There is much yet to be learned and tested about the utility of these community economic development activities, as many agencies and community organizations view enterprise development as one means to achieving several objectives--job creation, service provision, community development, and neighborhood preservation and stabilization, to name a few. Our self-appointed task, then, is to develop a set of both qualitative and quantitative measures that can be used to determine project feasibility and to evaluate these two case studies in light of these criteria in order to make some judgments or inferences about the viability of community enterprise--particularly of the type studied.

Community Economic Development: A Definition and a Rationale

Community economic development has been defined as "the support of groups of producers or consumers acting collectively, with social benefit and institutional change a more important objective of development than
private profit." As opposed to traditional capitalist goals of private ownership and profit maximization, CED can help create a strong economic base for a community by reversing the outflow of cash payments and maximizing investment dollars and other resources that flow in. CED can also be characterized as public economic decision making that generally counters prevailing private market forces that encourage disinvestment in a community when investment becomes no longer profitable. Given the assumptions that the "poor will continue to exist, that political and economic power are inextricably linked, and that power can be created through organized institutions which wield power in the form of money and votes, etc.," public programs creating CED activities have attempted to:

(a) increase opportunities for the poor and powerless to participate in a variety of areas of economic life;

(b) enhance the economic status of low-income persons by building community institutions and mechanisms independent of government funding and political largesse;

(c) increase participation of the poor and minorities as owners, entrepreneurs--with rewards of independence and economic self-sufficiency;

(d) build institutions responsive to the collective wishes of a community; with the long-run goal of achieving economic parity for the poor and minorities with the majority of Americans.

Specific milestones to be achieved by this activity included: increased income and more and better employment opportunities for community residents; participation in the ownership and management of resident-controlled firms; and the promotion of the community self-sufficiency concept.

CED also implies collective action, community responsibility, and cooperative self-help to residents of economically depressed areas. The Community Development Corporation (CDC)--a legal entity created to carry out community-based economic development--often exemplifies a form of "people's capitalism" by selling voting stock in an individual enterprise
within a community. Geoffrey Faux offers the following definition for the CDC:

The term "community development corporation" is used to identify organizations created and controlled by people living in impoverished areas for the purpose of planning, stimulating, financing, and, when necessary, owning and operating businesses that will provide employment income and a better life for the residents of these areas.

Other models of community economic development include 1) Local Development Corporations - business development entities to assist local merchants establish new or expand existing businesses; 2) Employee's Stock Ownership Trusts (ESOTs) where employees own the means of production, and in some cases make the managerial decisions as well as respond to the social goals of the community; 3) Community Action Agencies (CAAs), non-profit social service agencies that may control subsidiary CDCs, whose ventures can channel profits into social services; 4) non-profit housing development corporations for the development of quality, low-cost housing for the elderly and low-income families; and 5) consumers' cooperatives, organizations which encourage local production and are controlled by the members who patronize the cooperative's business.

Thesis Structure

In order to achieve the objectives of this thesis, we recognize the necessity for placing this activity in context by relating some historical background that will be useful in understanding the evolution of the idea of community economic development. How CED evolved then relates directly to the goals and objectives for which this activity occurs and can assist us in determining whether or not these activities are worthy of the resources allotted them. Thus, in Chapter two, we deal with a brief history of CED (on the national, state and local levels) and its evolution from many other
similar concepts proposed for poor and minority participation in the economic mainstream. In Chapter three, we establish the need for some basis to judge the possible effectiveness of CED activities. We therefore set forth our methodology for evaluating CED enterprises for use by agencies and community organizations seeking to maximize the yield on their investment dollar in terms of their rate of return in social, economic or political benefits. Developed here are criteria for evaluation of CED enterprises, the type of data necessary for such an evaluation and possible sources of data. An explanation of our case study approach will follow and will detail how and why the two particular cases were chosen. Following the two descriptive case studies in Chapters four and five, a Synthesis in Chapter six will bring all the social and economic criteria together in "matrices of evaluation" which will then be analyzed in greater detail: the enterprise's characteristics, strengths, weaknesses, and the utility of the venture to the community at large, the project participant, and the society. A last section will formulate conclusions based on an interesting discovery we made while writing this paper which has to do with a typology of organizations involved in economic development—what seems to work best with organizations having certain sets of characteristics and conditions—all of which would be useful to agencies interested in working with community groups or organizations considering or already involved in community enterprise.
CHAPTER 2: 
THE CONTEXT: 
A Brief History
Many events on the national, state, and local levels and the resultant development of statutes, agencies, and legal entities to support community economic development can be traced back to the early and mid-1960s, when recognition of vast socio-economic inequities in our urban ghetto areas exploded into widespread unrest. The solutions which resulted dealt with social problems as well as attempts to broaden and improve or even create an economic base for these chronically depressed areas.

Depending upon a particular agency's perception of "the problem," a variety of training, manpower and community development programs appeared on the national scene: Federal legislation initially enacted in 1962 called the Manpower Development and Training Act (MDTA) authorized manpower services and was initially used to retrain persons possessing obsolete skills and later redirected to emphasize training for disadvantaged persons and youth. In 1964, Congress authorized the Office of Economic Opportunity and mandated that it manage antipoverty programs, with the avowed purpose of eliminating poverty by opening to everyone the opportunity for "education, training, work, decency and dignity." With the War On Poverty as official national policy and well underway, it was soon learned that supportive social services and other sets of rights were useless without the recognition that inequities in the economic system had to be corrected before any deprived groups could gain self-sufficiency and participation in the so-called free enterprise system. This recognition culminated in December, 1966, with Title I of the 1964 Economic Opportunity Act, which was formally amended to include, under Part D, provisions to create Federally-subsidized projects for depressed inner-city areas. The program was called the Special Impact Program (SIP). The mandate of the SIP program is to provide assistance to community development corporations (CDCs) and other organizations that 1) "are directed to the solution of
the critical problems existing in particular communities or neighborhoods; and 2) are of sufficient size, scope and duration to have an appreciable impact... in arresting tendencies toward dependency, chronic unemployment, and community deterioration.  

By 1966, the Manpower Development and Training ACT (MDTA), the Economic Opportunity Act, and the Civil Rights Act of 1964 had introduced an institutional and on-the-job skills training program for unemployed persons of all ages, a residential vocational skills program for youth, separate work experience programs for in- and out-of-school youth and for the adult poor, a community action program, and the beginnings of efforts to enforce equal opportunity in employment. Other programs created to provide job training and skills enrichment opportunities to the underprivileged citizens of the country included the Work Incentive Program, the Neighborhood Youth Corps, the Concentrated Employment Program, Operation Mainstream, Public Service Careers, New Careers, and various others. Each of these programs were designed to attack specific problems based on an agency’s assumptions relating to labor market and human capital deficiencies and ways they choose to deal with such specific deficiencies.

Another forerunner of contemporary community-based economic development was "black capitalism," which represents a strategy for minority participation in the economic mainstream. This concept, embraced in 1966 and 1967 by black power leaders, politicians, and the corporate community, involved such goals as black ownership from which would stem pride, jobs, and opportunity and power. Devices to assist the minority entrepreneur with debt financing, technical assistance, and equity capital included the Office of Minority Business Enterprise (OMBE), Minority Enterprise Small Business Investment Companies (MESBICs) and the Small Business Administration (SBA). Although quite popular initially, subsequent
evaluations noted that efforts at developing successful black businesses were hampered by imposing burdens of debt financing and service upon these fledgling firms, inadequate equity investment capital, and the lack of hard business skills. There have been recent encouraging gains in CDC-related minority business enterprise, however; and trends show decreased failure rates for these minority businessmen who are overcoming the burdens of excessive debt financing and inadequate equity capital and are learning to use the available programs to package ventures with strong survival and growth capabilities.

Efforts at increased self-help and economic development for the poor were consistently battled on the national scene. Title VII, primary funding for CDCs, was always in jeopardy of being "porkbarrelled" by politicians looking for projects with high visibility. In addition, due to recessionary inflation during the period of 1972 through 1974 and the policies of the Nixon administration, there was a period of retrenchment for many social service and economic development programs; what saved many programs from total elimination was a recalcitrant and irritated democratic Congress who utilized their legislative authority to block these attempts. Despite the Ford Administration efforts to cut the CSA budget (from which community economic development funds come) in 1975, the fiscal year 1976 CSA package included an additional $7.5 million for community development corporations and an increase to $46.5 million (from $39 million) for community economic development. The mood through the mid-70's has not been positive for community economic development, but there may now be changes for the better with the new administration, which has declared itself open for suggestions, new programs, and ideas.

National concepts and activities relating to enterprise development as a means toward job creation have filtered down to the state level where
the recognition was apparent that the needed capital and technical resources for development could be applied to communities as well as agencies in the state who service poverty-striken communities in economically depressed areas.

State Activities

The first community economic development conference took place in Massachusetts in April of 1975 and signaled the beginning of a new awareness on the part of the Commonwealth: "For too long we have considered the problems of poverty and economic development as separate problems to be thought about independently and to be dealt with by different agencies," emphasized Lieutenant Governor Thomas P. O'Neill, III. "Too often we discuss economic development with the business community while we discuss poverty with the social workers." The conference, first of its kind in any state, brought together nearly 150 practitioners and others in a forum designed to approach the problems of poverty and economic development from a common perspective. Common areas and problems of concern were exchanged—scarce capital, indifferent bureaucracies, lack of cooperation from government agencies, and identification of appropriate sources of funding. What resulted from this and other meetings, conferences and seminars was a concentrated effort on the part of the state to support legislation, development entities and other mechanisms to promote community economic development as a viable job creation effort across the state. Efforts have resulted in the establishment of such entities, some of which are listed as follows:

- Community Development Finance Corporation (CDFC), an independent public agency created in December of 1975 and financed through $10 million of general obligation bonds, represents the largest investment in community economic development in the state of Massachusetts. The new corporation
will, through a nine-member board, make investments in CDC ventures, accepting lower rates of return and higher-risk investments—particularly in economically depressed areas where a project may have the potential to create permanent, reasonably well-paying jobs in poor communities and increase local capital ownership.

- **Mass Local Initiative Program and Local Economic Action Projects (LIP and LEAP)** are patterned after the Canadian employment creation models. LIP, a six-month program which began in July of 1976, permits the local community or individuals to initiate and sponsor employment creating projects that provide previously unavailable goods or services or utilize untapped resources. The LEAP program, initiated by program officials, creates employment alternatives for the chronically unemployed by either 1) increasing the participants' employability ("preparation" projects) or 2) providing good prospects for self-sustaining ventures that would provide permanent employment ("retention" projects). This program is under further study and research.

- **New England Regional Commission (NERCOM)**, a regional organization established in 1965 and comprised of organizational representatives from each state has a mandate to develop, coordinate, and implement plans and programs to further the economic well-being of New England region residents. It leverages its monies against those of other public and private sector grant-making entities to optimize the effectiveness of these monies.

- **The Economic Development Projects Coordination Committee (EDPCC)**—created in 1975—is composed of persons whose agencies administer state funding programs. This group has established a project review and coordination process. Meeting regularly to discuss economic development issues on the state level, this committee decides on the level of support for various
projects, often issuing RFP's.

Technology Development Corporation (TDC), a private, non-profit corporation assists in new product enterprise development using various levels and scales of technology, marketing, and the provision of technical assistance where necessary. Under contract to the Lynn CAP, they have assisted in the product design, testing and market development of a new energy-saving device called a WindOSeal.

DCA's entry in community economic development was partly a result of The Division of Social and Economic Opportunity participation on the Economic Development Projects Committee and the national and statewide trends toward enterprise development as a means to job creation. Early in 1976, this Committee began meeting to discuss items such as specific project review and rating criteria, and coordination of the various state economic development funding programs administered by members of the Committee. Out of this process came a series of RFP's from the various agencies for economic development projects across the state. The intent of the series of RFP's was to maximize the consolidation of grants by the various economic development projects in the state to further insure their viability. DCA's Division of Social and Economic Opportunity then sponsored an RFP for Community Enterprise Projects as a part of this effort. The funding available, $69,000, represented unexpended federal funds available to the Division. Project goals related to supporting jobs and providing for creative demonstration projects. The demand for seed money for such projects was evidenced by the number of requests and by letters of support and phone calls received from legislators, local officials and other supportive community agencies. Also, economic development is a top priority of the current state administration.
Two community enterprises from the DCA program are evaluated in case study form in Chapters four and five of this thesis. Since DCA is attempting to begin another Community Enterprise Projects program year with $300,000 of Economic Development Administration (EDA) monies, the results of this evaluation may be of particular importance in ascertaining the projects that are worthy of the agency's support.
CAAs and CDCs: A Controversy

We would like to submit for your examination an interesting diversion on the role of CAAs and CDCs in community economic development, which, although not central to the focus of this document, bears some relationship to the typology of organizations involved in CED and has major implications for the success or failure of an enterprise given its orientation, mission, and characteristics. This section presumes two major models of CED (there are others): CDCs--the organizational entity first recognized by the government as the development structure designated to carry out economic development activities for urban and rural depressed areas--and CAAs, community action agencies--whose activities are primarily social service delivery for the poor but who are likely to serve the same target population as the CDC. These organizational proponents of community economic development are sometimes not too subtly involved in organizational and turf disputes over CED activities. The primary distinctions of the two organizational types are institutional arrangements and goals and objectives; the bone of contention, as usual, involves scarce resources and their allocation among competing agencies. The confrontation never becomes violent or too upsetting--it just seethes silently for the most part, but sometimes surfaces and is manifest in deep-rooted resentment and subtle attempts to discredit the competing organizations or agencies.

Part of the problem lies in the confusing layers of federal bureaucracies which promulgate a plethora of rules and regulations for a variety of agencies some with vastly different and others with similar missions. Then the myriad number of programs emanating from these agencies--some aimed at the same target population--often demonstrate program duplicity and overlap
yet are administered by different bureaucracies, each with its own set of constituent agencies. One recent example is an RFP issued by CSA--geared to its constituent groups--for a rural home repair program. In attempting to respond to this request and demonstrate the required "mobilization of resources," one state attempted to obtain a letter of support and a commitment to coordinate activities from its local HUD office. One official declined to write such a letter because he felt that it was not necessarily good for "agencies to be supporting each other's proposals and activities." Implicit in his comments were the undercurrents of that old turf problem: The CSA program represented an attempt to break into rural housing -- a new programmatic area for CSA -- which is primarily a HUD responsibility; also the CSA proposed program was mildly duplicative of the Section 8 and other federal and state home rehab/repair programs--although it is the first program specifically targeted for low-income persons living in rural areas.

Another major problem and excellent example is the original OEO's limited definition of economic development, and its limited involvement through the administration of the Special Impact Program specifically through CDCs. By Congressional mandate, the Office of Economic Development administers the funds designed to foster economic development activity in urban and rural depressed areas through CDCs but not legislatively to the exclusion of CAAs. Therefore, an element of competition has been created between two types of organizations with somewhat of the same mission--helping the poor--but with a slightly different modus operandi. Instead of the government insisting (through the promulgation of its rules and regulations, for instance) on cooperation and actively encouraging that process through the setting up of various mechanisms likely to accomplish that purpose, by neglecting the situation, it has been allowed to fester and essentially the
two groups have, in some instances, become polarized, with each carving out their own turf and declaring itself "ruler" and daring anyone else to enter and attempt to provide services. "CAAs often are convinced of an anti-CAA bias because of the OED policy of funding CDCs directly, rather than as delegate agencies of CAAs and in OED's demand that the CDC boards be independent of the CAA (only minimal board overlap is permitted.)" Occasionally, where the feds insist on collaboration or cooperation, organizations will meet and work out inter-agency agreements, but this is the exception rather than the rule.

To further complicate the funding allocation picture, CAPs would prefer their own source of funds for economic development activities rather than competing for those of CDCs. There is also an aversion among some CAAs to forming subsidiary CDCs, due to what they feel is the lack of control factor. The CAPs are not completely aware of complex legal structures that would have to be created to allow for an umbrella non-profit corporation, for instance, to have maximum control over a subsidiary CDC's operations. The fear is that creating a CDC which is eligible for massive public and private funds can wield an enormous amount of power and gain a greater degree of control in the community than the CAP itself due to its access to and ability to create jobs. In a sense, then, the CAP agencies who are adverse to starting or coordinating with CDCs may fear the loss of their constituencies to an entity that can far better demonstrate tangible results in improving the residents' economic well-being.

The argument concerning under whose domain economic development activity should fall still rages on the national scene. CDC advocates are suspicious of CAP motives for involvement in economic development activity; they wonder whether CAPs are just seeking quick profits for service-oriented programs;
they are additionally concerned that CAA-run enterprises tend to be "Mom- and Pop-type" operations--projects for which goals are short-run in nature and which impact direct job creation only minimally. In question is the CAA's "capacity, potential, commitment and understanding of community economic development as opposed to entrepreneurial business development." CDCs see the need for a separate legal entity with its own resource and resident base for community economic development activity. They feel the Board (as well as staff) must have strong economic development expertise and establish ties and a businesslike reputation with private sector organizations and government agencies that service businesses.

CAAs, however, see economic development activity as a complementary and supportive strategy to their social service operations: It can serve the immediate needs of the poor by increasing their cash flow and it may underwrite new or extended CAA program efforts. Besides the other broad benefits of community action through economic development (neighborhood commercial revitalization, building independence, an economic base, strengthening political clout, etc.), CAAs feel they should control the majority of programs for the poor so as to maintain the credibility necessary for effective and vital advocacy. Additionally they perceive themselves in a position of comparative advantage; because of their survival struggles, CAAs have had to consolidate efforts in the face of dwindling funds, they thus claim to have access to and capability to mobilize local resources for use in economic development activities.

Another most compelling concern deals with dilution of organizational goals and objectives. Even some CAAs have reservations about the dilution of CAA purpose through redirected energies and efforts in community economic development. They feel community enterprise to be challenging and exciting, with a great potential for success; however, they recognize that such acti-
Activities can be burdensome and impose a heavy drain on an organization whose goals are service delivery. The dilemma for some CAAs is, then, how does a CAP maintain the "integrity" of the community action movement and still have enough resources left for economic development activity? We may even speculate that the reason CSA directed economic development monies through CDCs was the fear that the combination of both social service and economic development program monies in one organization may dilute either purpose and specifically that misdirected political and advocacy efforts of CAPs may diffuse economic development goals and resources.

As previously alluded to, CSA has encouraged little national support for CAAs in economic development or attempted a program for capacity building by the sharing of past mistakes of CDCs, for instance. CSA has gone as far as to suggest that CAAs do "what they know best," and has not responded to its largest agency/constituent group by developing its own capability to assist CAAs in the area of community economic development. The facts of the matter are

- CAAs, because of reduced and rechanneled funding, national program shifts and uncertainty over future CSA funding, have made efforts towards self-sufficiency and in so doing have attempted to develop enterprises independent of CSA support;
- Results of a survey taken by Communities in Action Together (CAT) (an advocacy and support group for CAAs) show that although approximately 50% of the CAAs surveyed (102 out of 218 responses) are involved in "income-generating economic development activity" (income generating was not defined by the surveyors), only 15% of the 32 projects are self-sustaining and require no operating subsidy.
- There is scarcely enough Title VII money to meet the burgeoning demand ($46.5 million is this fiscal year's allocation).
Given the above, a move needs to be made on the national level to assist and encourage both CAAs and CDCs to develop strategies—working with both state and local governments—to solve their coordination and cooperation difficulties. As asserted by John Kearse, in urging a coalition strategy in order for community economic development to survive: 15 "The CDCs must realize that community economic development can only take place if the daily social needs of the poor are met, and CAPS must recognize the necessity of tackling the basic economic and business realities in their communities." 16

Although this thesis is not designed to find a solution to the CAP/CDC problem, the findings may lead the reader to his own conclusions as to the viability of each CED model as a means of achieving both social and economic goals. The case study enterprises, for example, happen to both fall within the two genres and fit close examples of the CDC/CAA models. Therefore, a close analysis of how the two operations fared may give the reader some clue not only as to the effectiveness of the individual venture in achieving its goals, but the necessary ingredients for success and the pitfalls to avoid in the establishment of and investment in such enterprises and possible conditions to attach to assure project benefits. Which model is the most viable and produces the maximum benefits is a subject for a later study and a much more ambitious research design.
CHAPTER 3:
METHODOLOGY
Having decided that a test of effectiveness for community enterprise projects was necessary, we set out to develop some measures to evaluate these projects. Some of the criteria are more relevant to enterprises in the gestation stage and others are more pertinent to ventures in the pre-feasibility or advanced stages; however, most can be utilized at any point in time provided the relationship between the stage of the project and the measure is understood and given the proper weight. (For example, a project only in the feasibility stage would not be expected to have a "current" ratio or accounting and budget control mechanisms.)

The criteria generally fall into two broad categories: economic/financial and social. In the economic/financial category, such common business indicators as debt to equity and assets/liabilities ratios and the existence of current financial statements are noted as examples of a reasonably healthy fiscal management structure for an enterprise. Other financial indicators give evidence as to the extent of analysis prior to the venture's development or its feasibility stages: evidence of some elements of a Business Development Plan, market research and analysis, and proper legal and management structures, for instance. Private sector investment seems to signal the health of a venture as such investments show confidence in the enterprise's viability, or in some cases--particularly in the absence of venture financial and technical expertise--is an indication of political clout. The social indicators give some key as to the value of the enterprise from the viewpoint of the community, the society, and the individual project participant. How well the operation works within its surrounding organizational environment is as important as an organization's willing acknowledgement of its strengths and weaknesses.
Data was gathered from a variety of sources: some had to be intuitively extrapolated from interviews or estimates given by venture managers in casual conversations. Other data was readily obtained from examinations of financial statements, proposals written by the subject organization or Division of Employment Security (DES) publications. In most cases, we try to point the reader or researcher in the direction of potential data sources to maximize the transferrability of this exercise.

EVALUATION CRITERIA:
Some Definitions

"acid" or current ratio

This ratio is current liabilities to current assets is a measure of a venture's ability to meet its obligations for the current year. The rule of thumb for enterprises is a 2.0 ratio; however for community-based projects, a lower ratio (not under 1.0) would be acceptable as long as the firm can break even.

debt to owner's equity ratio

This ratio of debt to owner's equity (o/e) is a measure of risk. When owner's equity is much less than debt, it demonstrates that the creditors really "own" the business. It also represents the venture's inability to pay current costs out of owner's equity, if necessary. There is no rule of thumb measure; however, it is good to compare ratios over time and analyze the structure of the debt.

working capital

gives an indication of how much cash is available to meet monthly obligations and what cash disbursements have been made and for what purpose. It is calculated by subtracting current liabilities from current assets. A negative cash flow demonstrates a liquidity problem.

The above three measures can be obtained through examination of current financial position statements which itemize assets, liabilities, owner's equity and debt.
The availability of up-to-date income statements (statements of income and expenses and retained earnings for a specified period) and balance sheets (statement of a firm's current and fixed assets and liabilities, owner's equity, and stock) would reveal some positive aspects of a venture's fiscal capabilities.

How large this figure and its source gives some indication as to enterprise ownership. If the enterprise itself holds much of the equity, the key to evaluating its return on equity is not only the percentage or cash value, but to what use it will be put. In private enterprise, return on equity is distributed among owners' with community-based enterprises, it is returned to the community in the form of increased benefits--addition of new or expansion of existing services; as leverage for housing or land development, etc.

Source: financial position statement (balance sheet)

These criteria signal a healthy, capable, experienced organization. For most community economic development enterprises, this level of sophistication has not yet been attained; but careful observation and questioning of venture managers can reveal the stage at which the enterprise is at any point in time.

A good indication of private investor confidence in a community-based project is the amount of private money invested in or loaned to an enterprise. In the Brightwood Main Street Revitalization Project, a 4:1 ratio of private
to public money was desired; but a more feasible rule of thumb is 1.72:1 (mean leverage on a Special Impact Program Investment). However, depending upon the type of venture, the ratio can be much higher. Again, this measure can be obtained by careful questioning of venture managers or examination of financial statements.

Refers to how skillfully the venture managers work in various public grant monies for various functional areas. For instance, has every feasible and possible source been investigated and applied for? If so, how well have the grants been utilized in the venture—i.e., has every possible usage of the money been exploited?

A plan that should be completed prior to the establishment of an enterprise as a statement of goals and objectives and as an operating tool. Such a plan should include a description of the business, the market for the product or service, current and pro forma financial and cash statements and other supporting documents. (An excellent document that details the elements of a business plan can be obtained from the Federal Research Bank in Boston, Urban Affairs Department.)

Many community economic development projects promote this goal; however few are able to retain any surplus for regeneration for additional projects and/or social services. If this does occur, it signifies excellent project health. A healthy retained earnings figure or a positive income can demonstrate the prospects for generating this surplus.

Has the venture formed itself under the proper legal umbrella to be able to qualify for the right public as well as private money to accomplish its stated objectives and functions? For instance, all of Brightwood activities match those mandated under the Title VII legislation (Economic Opportunity Act). If Brightwood had incorporated as a CDC, it would be eligible for Title VII as well as CDFC, SBA, EDA, HUD monies. The Lawyer's Manual (Berkeley Law Project) is a good data source to determine legal structure.
Recent poverty and unemployment rates in the project area are good indications of the relative socio-economic status of target area residents; this will often relate to the amount of disinvestment in the area. Social service agencies, census information, and Division of Employment Security publications are good data sources.

This criteria is absolutely essential: there must be low-income representation on controlling Boards, and program personnel with a "community agenda," and a unified political organizing force. As stated by Parachini in the CCED newsletter: "If anything has been learned from a decade of antipoverty work, it is that community groups must design their own strategies to the greatest extent possible so as to be able to operate without dependence upon outside factors they cannot control." Careful questioning of venture managers and interviews with selected community residents should ascertain this.

Number of jobs created with subsidy is an indication of the venture's self-sufficiency and financial health and can be ascertained by persons on the organization's payroll being paid from revenues. The type of job--primary (high-wage, skilled) or secondary (lower or minimum wage, semi- or unskilled) is important as is the effect of investment, industry, or job movement from one depressed part of an area to another. This type of displacement can cause a loss of investment, industry or jobs to an area which may have a greater need. Data

Data source: The Division of Employment Security's "Employment and Earnings" lists average wages by industry and occupation. A knowledge of economic theory can assist in determining investment, industry or job displacement.

Ideally, the necessary skill levels are available locally; however, when this is not the case, this criteria should assess the prospects of on-the-job training, skills development and career ladders for personnel employed in the community economic development project. (Some CED projects, in order to maintain financial viability, cannot engage in OJT because production is more important.)
Also to be evaluated under this criteria 1) is whether or not skills learned are transferable to the larger employment sector (for upward mobility of program personnel); 2) are wages competitive or at minimum-wage levels (jobs at minimum wage levels are not always good substitutes for transfer payments)--a look at the industry prospects for improvement or expansion may give a clue to improved wage levels and upgraded job classifications for employees; 3) are supportive services available for the program personnel (often low-income employees have a myriad number of problems that can be counseled away or referred out to a specialized functional agency) so that they can be as productive as possible? Again, DES publishes average wage information and demand for labor projections by industry.

How well the agency has followed through on its mandated tasks and the agency's present level and extent of working with other organizations in the past as indicated by these organizations and groups gives some hint as to the organization's track record and relationships with other agencies. Whether or not public officials and agencies support an agency's projects can play a key role in their success or failure. Some indication of this support may be resources tied in from public agencies or officials; efforts at coordination or community agency involvement in plans impacting a target area, for instance.

The ability of an organization's managers to talk candidly and accurately about the strengths and weaknesses of the organization during interviews is an indication of the assessment capability and health of the venture. For the knowledge of what is positive and negative about the operation will enable program personnel to actively seek to remedy faults and strengthen the program's good points.

Though not relevant to this particular study, ventures, the activities of which impact or are directly related to the environment or the efficient utilization of energy, should receive special consideration as to their possible effects--positive or negative--on these two factors: for example, waste recycling for industrial development or excessive energy consumption of machinery, or capital equipment for community-based enterprises.
The Cases: Selection

The Department of Community Affairs, in addition to being the state's housing, community development and urban renewal agency, is the state's coordinating anti-poverty agency, including advocacy, program development, technical assistance, and operation of pilot or on-going service delivery programs. In this capacity, one of the major functions of the Social and Economic Opportunity Division (SEO), a division of DCA, is to provide support and technical assistance for CSA-funded Community Action Agencies, and other such agencies with a community base whose goals involve economic development. In the spring of 1976, the Division of Social and Economic Opportunity sponsored a request for proposal for community enterprise projects in support of community-based economic development. The request was sent to about 60 community-based agencies and community action agencies. Applications totaled 44 and requests amounted to $955,850—an average of $21,750 per project. In August of 1976, DCA awarded four grants to total the $69,000 available; projects funded in the initial DCA/SEO round were the Montachussets Opportunity Council (MOC) furniture rehabilitation shop; the Lynn Economic Opportunity Council's demonstration to produce and test the feasibility of casement seals (a casement seal is similar to a window shade but made of heat-reflective plastic and slides into tracks on the inside of the window) production which is designed to reduce night-time radiational heat losses; a planning grant for the Brightwood Corporation to develop new business and expand existing commercial enterprises in Springfield; and a grant to perform case studies in order to determine the most appropriate development and/or organizational mechanisms to accommodate the development (commercial, industrial, etc.) of the Southwest Corridor which is controlled by a community land trust. Two of the agencies funded
were community action agencies and two were community-based corporations; all are non-profit organizations.

Unlike the Lynn product development test and the Southwest Corridor land planning grant, the two cases selected—MOC and Brightwood—are representative samples of CAP agencies and CDCs involved in community economic development; therefore some of our findings will have a direct relationship on the controversy involving agencies primarily devoted to social services entering the economic development arena and community development agencies established for the express purpose of developing an area both economically and socially. The cases were selected also because of the ready availability of materials and the cooperative helpfulness of enterprise directors who allowed in-depth interviews and readily surrendered relevant documents that allowed the case studies to be presented in this level of detail. The availability and cooperation factors also contributed to the ability to develop the criteria at the depth in which they are presented. These two Massachusetts cases, however, comprise the extent of the sample; and we must be careful with generalizations concerning project viability and feasibility, which should only be made after careful consideration of other factors such as the economic and political environment of a particular enterprise. However, because the cases can be considered "representative" or "exemplary," some general statements can be safely inferred from comparative analysis of the data.
The Montachusett Opportunity Council, Inc., Furniture Rehabilitation Project, a 20,000 sq.ft. facility located in Fitchburg, was established to renovate furniture on a volume basis for institutions such as schools, hospitals, and other non-profit agencies and organizations. The Rehab Shop incorporates the following five functions into its operation: stripping, sanding, upholstering, spraying and finishing of furniture, using skilled craftsmen and CETA work experience personnel as labor. The goals of this project involve the creation of permanent, self-sustaining jobs and training opportunities for the area's unemployed. Other goals include the extension of various MOC social services, and the liquidation of the organization's debt and its eventual operation with an excess of income over expenditures. In July of 1976, the project was the recipient of a $20,000 grant from the Massachusetts Department of Community Affairs (in two $10,000 payments) for purposes of subsidizing the operation in order to stabilize it and help it gain self-sufficiency.

MOC is the officially designated anti-poverty agency for a ten-town area in northern Worcester County. Since no other community action agencies have a common boundary with MOC except on the west, this agency has made a practice of serving people from a much larger area. MOC administers a number of social service programs through its delegate agencies: Head Start, Community Food & Nutrition, Winterization, Summer Recreation, Food Stamps, and Elderly Nutrition, to cite a few of the major programs. The Rehab Shop became operational in February of 1976 with limited production;
and with the installation of all tooling and equipment, full production capability was achieved by June of 1976.

After receiving encouragement from the General Services Administration (GSA) in Boston with respect to tapping a secure federal market, MOC began looking for an economic development project to use some surplus equipment and also to take advantage of the CETA Job Opportunities Program. According to GSA, MOC would be able to bid on their rehab contracts, therefore a rehab furniture venture was suggested. One GSA condition was that the plant had to be operational by the first of January; therefore, space was quickly rented in December of 1975 and CETA Title X personnel were hired as a production workforce in January of 1977. MOC soon learned, however, that the organization could not bid on GSA jobs, because only for-profit firms were eligible to participate in bidding on GSA contracts since contract monies were from a "small business set aside" specifically geared for smaller, for-profit firms. A special waiver was sought, but not obtained.

Undaunted but not undone, MOC was then faced with the task of seeking a non-Federal market. A sales force of two was hired in March and within one month had located approximately $100,000 in contracts, and after six weeks had sold $200,000 in contractual services. There seemed to be more demand then the shop could satisfy, and monthly sales figures were projected to $15,000 per month. By April of 1976, MOC Rehab employed 14 persons, nine employees of whom were Title X Job Opportunities employees and two were CETA Work Experience enrollees. Production was in full swing for most of the summer, and the prospects for the business' viability were increased. However, orders and work slowed down in the late fall and early winter. With the end of the Title X program scheduled for January,
1977, Furniture Rehab Shop began cutting its work force through attrition in late fall. By January, eleven of 17 Title X employees remained. Three of these were laid off and two resigned, leaving six who ultimately transferred to the permanent payroll.

MOC Rehab established a "detailed marketing plan" and hired two trained salespersons who set out to canvass the local and regional market with a 34-page price list and general pricing and customer service policies. An analysis of the market for their services had its basis in "the unexpected sales volume and heavy demand already encountered." MOC interpreted the "prospective backlog of nearly $150,000 in sales for its low-priced quantity rehabilitated furniture as untapped demand--the results of a combination of factors:

Prices for new furniture have increased substantially in the last five years, while government and non-profit organization budgets are feeling the pinch. School committees, city offices and social agencies are no longer in a financial position to acquire new furniture due to low budgets, but still require desks, chairs, and other types of furniture in order to continue providing services. Because of strict budgets, rehabilitation is the only solution. 17

MOC further asserted the existence of this market and its capability to capitalize on that market; citing prevailing economic trends in the Montachusettts region, MOC expressed "little doubt that the market (would) be sustained for many years."

The MOC market analysis, therefore, warranted a strategy aimed at primarily capturing business from schools and other non-profit organizations. In retrospect, however, the resultant focus on schools proved to harbor difficulties since the inflow of orders and the scheduling of pro-
duction became essentially a function of the individual client institution's budgeting cycle. Additionally, since these budgeting cycles would vary with each institution, MOC could not rely on a base projection of revenues per month to finance operating expenses nor could it pace its materials and workforce requirement needs to meet the demand as it fluctuated. The MOC market analysis, therefore, should have included a study of institutional procurement procedures and budget cycles so that the venture could be assured a more continual flow of revenues.

Adequate research by MOC or by a state TA/research entity would have revealed the seasonal nature of the furniture rehab business, particularly with heavy reliance on institutions as a prime market. With many schools, the entire budget cycle must be completed before any new business can be added or "put on" the budget. According to the sales manager, a number of persons within institutions are how aware of MOC's operation and are budgeting in the future for rehabilitation. With respect to doing business with state governmental agencies, some budget people in certain agencies are able to make decisions regarding expenditures for this purpose; however other agencies give all sorts of red tape reasons why they cannot make those type of spending allocation decisions. Although MOC has contacted personnel in Administration and Finance, the state's contracting agency, contractual issues never get resolved to the point where MOC and the State could conduct business, most likely due to lack of persistent follow through on the part of MOC staff and also lack of clear and concise contractual and procedurement procedures for small organizations.

A business Development Plan (BDP) is key to organizational growth and orderly development as well as a tool for managerial control.
MOC lacked a full-blown BDP, due primarily to the way in which the organization got started. The MOC proposal, however, indicated that various elements of a business plan had been either discussed, thought about, or addressed in varying levels of detail. For instance, a description of the proposed venture, its market, location, personnel, and management are all adequately described and documented in the MOC proposal to DCA. However, a discussion of possible competition from other area concerns, and certain financial data was apparently not considered in any kind of detail by MOC.

Had MOC the time to do some initial research on or had informal discussions with area competitors regarding how their operation may affect existing businesses, it would have gleaned much information, including that about the seasonal nature of the rehab furniture business.

Although MOC has excellent financial statements—income and balance sheets—other important financial data were not available. The exclusion of several key elements of a BDP—breakeven analyses and pro forma cash flow statements, for instance, reflect a basic organizational deficiency and also a key disadvantage which faced MOC upon first entering the venture. Breakeven analysis, based upon realistic sales projections, would have provided MOC with the knowledge of how many units of production or dollars of revenue at which the venture would be breaking even—neither making a profit or losing money. This information, along with the knowledge on timing of monies for labor subsidies and other grants would have helped MOC do a better job of planning and targeting for realistic expenses. Projections of cash flow along with the knowledge of the furniture rehab market may have predicted a cash flow crunch and plans could have been made to apply for a loan for working capital or early decisions made on whether or not to enter the furniture rehab business without large subsidies for slow
periods. A one-year pro forma cash flow provides a kind of operating budget for many small businesses, and MOC could have also used this tool as a means of identifying potential problems with meeting operating expenses before they arose.

In retrospect, the MOC executive director feels that the operation could have started off smaller, grown at a more modest pace and become larger over time without the massive subsidies that it had. A business plan and realistic financial projections would have allowed a kind of phased growth and development by singling out key factors (net revenues, labor and other direct costs, accounts payable and other liabilities) that would signal the organization to hold down costs in particular line items or when expansion of services or products is particularly appropriate. Without the availability of large subsidies, the venture would have been planned more carefully and production capacity built at a pace more compatible with the existing market in furniture rehab.

**Personnel & Training**

One assumption which was basic to the viability of the enterprise was the availability of CETA work-experience personnel, which in effect is a subsidy of labor to the venture. If for some reason, such personnel were not forthcoming, reasoned Mr. Ed Kepler, Executive Director of MOC, regular trainees for jobs in the area would always be available to support the MOC project at minimum wage levels. Always a proponent of enterprises to ultimately service the poor in addition to providing jobs for the poor, MOC now feels that employing the hard-core unemployed in marginal ventures requires massive subsidies for labor and extensive support services for trainees.

Most of MOC's CETA people were from the Title I category - young and
older persons sometimes with personal problems making them very difficult to work with. Although there were some fairly good workers from CETA, there were also many previously unemployed people who had poor work habits for a variety of reasons—some attributable to societal ills, others to people deficiencies. MOC needed special support services for some of these trainees. The agency itself could offer the types of support (food stamps, counseling, consumer education, etc.) available through their other programs, and did so; however, in terms of the time and staff and the intensity of services required in order to make trainees fully productive, MOC fell far short and could have used more specialized support services for trainees.

These persons who for the most part lacked efficiency and had low productivity often spoke of the work as "mean and dirty, no fun and low paying." Trainees often thought of the "company" as "big Daddy," a large-hearted benefactor to which their local CETA office sent them for a short duration. Because CETA employees are not paid directly by the venture but through CETA, trainee loyalties were not with MOC, and therefore there is not that direct employer/employee relationship. MOC tried the "buddy" system, but it did not work perhaps because of disinterest on the part of managers.

Problems also arose with the combination of training and production. It was difficult to cultivate a good attitude towards work and the correct atmosphere for productivity when training is combined with production. Workers are trained in five areas: stripping, sanding, upholstery, spray- ing and finishing, all by a Title X head trainer. The MOC operation allowed for a one-month period of on-the-job-training for work-experience personnel. The MOC proposal states that "trainees are supervised and instructed simultaneously"; however, in practice, MOC found that when a training
factor is added productivity was extremely low and therefore had to reduce the projected amount of units to be completed per month. In addition, MOC found that personnel who were hired and told they were going to be instructors wanted to instruct and train -- not to be productive workers as well. Good managerial personnel were hard to find. The first general manager was released after five months. A second foreman who was experienced in furniture rehab ran the Shop for a period of time but had to be let go after nine months because under his management costs became too high and production was too low to compensate for the increased costs. A third general manager, formerly the operation's accountant, is now in charge.

The furniture Rehab Shop has been unable to obtain Title II of Title IV CETA help from the local CETA office. CETA Title I people are available to the project for work experience. In its attempts to get a better quality worker, MOC would like to have Title VI CETA personnel and has applied for such. However, the principal problem is that CETA won't make Title II and Title IV people available to organizations that are generating revenues--the income of which must be turned over to CETA as per their regulations. (Certain CETA titles --i.e. Title X allow an organization to have funds to hire their own workers.) This is the way in which the Balance of State Prime Sponsor people interpret the regulation; however, MOC submits that this ruling should be determined on a case-by-case basis. MOC cannot understand why, if the income that is generated is going to be used to extend employment, such use cannot be considered exempt from this CETA regulation. MOC has not pursued the issue; but the state Manpower Affairs has written a letter requesting an interpretation of this ruling.
Project goals included establishing the MOC Furniture Rehab Project as a debt-free self-sustaining enterprise by the final quarter of 1976; and it was expected that this goal would be accomplished with the assistance of a $50,000 grant from NERCOM/CSA and a $20,000 grant from DCA. However, this MOC goal has not been met despite the subsidies (which fortunately "took the edge off any pressing threat"); in fact, the operators of the enterprise will be faced with making a decision by the fall of 1977. Either MOC will recover over the summer months by generating enough revenue to liquidate past debt and meet present operating expenses or it will hopefully make enough money to keep itself operating over the summer and can liquidate its assets to pay its debt in order to dissolve the project without incurring any additional risk. This state of affairs is the result of a number of factors, some over which MOC had little or no control:

a) If MOC took any of their projections seriously, they were grossly misled, due to the inaccuracies in the projections. They are thus rendered useless as a planning tool. Consider:

<table>
<thead>
<tr>
<th>Actual*</th>
<th>Projected*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts</td>
<td>$63,188</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>113,510</td>
</tr>
</tbody>
</table>

As can be seen, a more realistic projection of income and expenses might have saved the organization many problems.

b) MOC estimated that "full production rate of 40 units per day (would) be reached by the month of September," a rate which was based upon anticipated capability of the installed tooling and equipment. (These rates established the

*August 1976 - January 1977
monthly gross receipts based on 40 units and an average sales price of $20 per unit, 840 units per 21-day month). In actuality, however, units completed per day averaged 15, according to a MOC spokesperson. Given the combined problems of low worker productivity, high turnover in CETA personnel, and managerial difficulties, MOC has done well to achieve even that present level of production; however, it is not enough to meet the project goals of self-sustenance and providing subsidy-free employment for low-income area residents.

c) MOC has invested in the Rehab shop through intra-agency loans from its operation. With the present fiscal crisis, payback of these loans are questionable and may be achieved only if certain conditions exist: 1) revenues from the MOC operation cover operational expenses; 2) under the present law, unneeded surplus is to be turned back to the Government. Title to the rest may pass to MOC as the holder of surplus equipment at some time in early summer. If this occurs, and if MOC then determined that they had some furniture they didn't need, they presumably would be free to sell it to help liquidate its debt; and 3) the worst possible situation to occur would be that MOC would close the operation. At the end of February, the ratio of current liabilities to current assets is 2:1 (current liabilities are $50,559 and current assets are $26,992, not including Work in Process)
which indicates that MOC may have to absorb some of the liquidating expenses if there are not sufficient funds to do so. MOC has indicated that it can absorb perhaps up to $15,000 of this debt if necessary. However, the likelihood of MOC successfully liquidating its debt decreases with each month that there is an operating loss.

d) MOC has had to "juggle" and play around with CETA slots with MOC-paid personnel; and in its attempts to get quality managerial and production help, it has had to incur unexpected labor costs. Yet despite various public sector subsidies (including DCA, NERCOM/CSA, and Title X CETA labor grants) in the period between December 1976 and February 1977, payroll, direct labor, operating expenses and other costs were 36% over and above income in the form of subsidies and sales. Clearly, labor costs—costs MOC assumed it would not incur—were vastly under-calculated.

As of April 8, 1977, there are six persons on staff who are paid directly by MOC itself—there are no subsidies forthcoming and as of May, 1977, 12 CETA work-experience enrollees have joined the staff in preparation for the heavy season. MOC Rehab is trying very hard to control costs and increase production; and is considering the following to help upgrade the venture: (1) addition of a time-saving, efficiency-oriented stripping machine that will perform the "dirtiest job in the shop" and free up personnel to do other jobs; MOC asserts the addition of this machine will not cause a reduction in employment; (2) year-round marketing and more aggressive marketing in the slower season; (3) maintenance of a small, manageable core staff
and the subcontracting out for specialty overflow work such as upholstering; 
this would keep MOC from having to hire a craftsmen who would not be kept 
bussy all the time but yet provide work for some smaller specialty shop and 
perhaps help keep them in business.
CHAPTER 5:
THE BRIGHTWOOD CORPORATION
The Brightwood neighborhood, with a population of approximately 4,000, is located in the North End of Springfield. It is an isolated community, bounded by the Connecticut River, the Chicopee city line, I-91 and the Boston and Maine Railroad tracts. Since 1974, the Brightwood Corporation, a local development corporation, has been working to improve the economic conditions of the residents and business in the North End of Springfield.

The organization proposed to use DCA Community Enterprise Project funds to develop an incentive package to enhance or expand existing neighborhood businesses and attract other needed retail development. Brightwood, currently operates a shopping center and is concerned with the improvement of the neighborhood's business conditions, which they feel is essential to achieve and maintain retail commercial viability and thus the neighborhood's preservation and stabilization. Brightwood is a community development corporation with community resident participation both as stockholders and members of the Board; it also has local-agency representation on its board.

Some of the projects undertaken by the Corporation (see Organization chart) include the Chores program which provides services to the elderly, the development of the Brightwood Shopping Center on Plainfield Street and the CETA program for which Brightwood Corporation acts as recruiter and advocate. The Corporation responded to DCA's request for proposal by presenting two projects: (1) a feasibility study for development of parcel of land for which the corporation held the designation of "preferred developer", and (2) the revitalization of retail activity along Main Street in the North End of Springfield. DCA chose the latter
project and granted it $15,000. Although this case study is an evaluation of the commercial revitalization effort, it is appropriate to look at other activities of the Brightwood Corporation (the shopping center, in particular) as a replicable CED model; therefore, a brief section on the commercial center activity is included.

**The Shopping Center**

The North End of Springfield has long been one of the most economically and socially disadvantaged sections of the city. In 1963 an Urban Renewal Plan was developed for Brightwood in order to stem the physical deterioration of the neighborhood. The growth of social, community development and economic development programs in Springfield's North End is in great measure linked to this urban renewal project. Many of the programs received their initial impetus through funds supplied by the local renewal agency in an innovative attempt to develop services which would complement physical programs carried out under traditional urban renewal.

Central to Brightwood's renewal plan was the development of a commercial site within Brightwood. This was essential since the buildings containing commercial services for the neighborhood were slated for demolition. With the elimination of retail grocery facilities, food services became the highest priority of area residents. Because of the area's isolation, its limited market, the low-income level residents, and the reduced population, difficulties were encountered in attracting a private commercial developer to Brightwood. Housing developers were also having difficulties renting units because of the lack of convenience food stores in the area. Therefore pressure was brought to bear by the city and
developers on the community to approve a location for a shopping center.

As part of the original Springfield Redevelopment Authority (SRA) contract to develop social and supportive services in Brightwood, the Community Council of Greater Springfield contracted with the Chamber of Commerce to establish an Economic Development Office to deal with problems of employment, consumer and credit information and counseling, and business development. An Economic Development Committee composed of Brightwood residents and Chamber advisors was formed, and in November, 1972, this committee was given policy direction of the Economic Development Office. In response to the problem of attracting a commercial developer to Brightwood, the Economic Development Committee proposed the establishment of a local development corporation to construct and own a small shopping center. The Brightwood Corporation was formed for this purpose in January, 1973; and in April, 1974, the Brightwood Corporation was named by the SRA as preferred developer for the Brightwood Shopping Center.

Upon being named preferred developer, Brightwood Corporation and the Economic Development Committee began examining financing and design alternatives. After several compromises, plans were accepted by the SRA for a ten thousand square foot shopping center which would contain a full-service grocery store, a drug store, a laundromat, and a credit union. A neighborhood cooperative market was formed and identified as the prime tenant. After many delays, the shopping center was partially completed in March of 1976.

Main Street Commercial Revitalization

Because Brightwood sees itself as the lead agency for CED activity in the North End of Springfield, it is actively promoting economic
development along the North Main Street Retail strip with efforts under the DCA Community Enterprise Project Grant for $15,000.

The research component of the project include a census and consumer survey of a sample of residents of the Memorial Square and Brightwood areas. The survey was designed to provide the Corporation and those businesses involved in the project with an assessment of the consumer needs of area residents. Based on this information, a determination of improvements in the quality and type of businesses and services (new and/or existing) providing along North Main Street was made.

Five new or existing businesses will be selected to participate in the business improvement component of the project. Each business selected will be awarded grant monies to improve an existing business or begin a new one by renovating a deteriorated facade, investing in inventory or attractive display cases, and so on. For each of the five businesses selected a grant of $1,140 will be given to defray the cost of labor and materials necessary for remodeling or renovation. Hopefully these funds will leverage larger private investment.

Upon receipt of the completed applications, project participants will be selected by a committee of the Board of the Corporation based on eligibility guidelines.

In order to reach the overall goal of the revitalization of retail activity along Main Street, the Corporation identified four required sub-goals: (1) an analysis of the demand for commercial services in the area; (2) an assessment of the potential for expansion and improvement of existing commercial services; (3) development and offer of incentives to appropriate new ventures; and (4)
the preparation of financing and develop feasibility plan for a minimum of five businesses along Main Street. Although slightly behind schedule, the Corporation staff has been enthusiastically implementing the revitalization project activities. A survey written in both English and Spanish was taken of a 12% random sample of North End households. Interviewers had little difficulty obtaining access and information from residents since Brightwood and other community groups had widely publicized the survey and its purpose. However, some information dealing with household income was not divulged to interviewers. The National Center for Urban Ethnic Affairs is providing technical assistance (TA) to the effort by tabulating and analyzing the data. Unfortunately, as of this writing only an initial compilation of survey results is available, as the Center determined that a substantial amount of cross checking of data will be necessary before any valid conclusions can be made, particularly for questions where there were not many respondents. Results of initial survey compilation demonstrate that 31% of North End residents have no transportation (public transportation is very poor in the area) and are therefore "locked" into neighborhood purchasing. In Brightwood, 76.6% of the households utilize neighborhood facilities. Additionally, 49% of the monies in the area spent for groceries were spent in the North End area, and a full-service grocery store turned out to be the highest priority as expressed by community residents.

Brightwood assessed the potential for expansion and improvement of existing commercial services in a meeting with the businessmen of the North End in early October, 1976 at which a variety of problems common to Main Street businesses were identified and discussed. Subsequently, each shop along North Main Street was visited, an inventory of all shops was
taken and a listing compiled of all services and merchandise available in stores along North Main Street. This information was consolidated into directory form. A joint effort on the part of the Brightwood Corporation and citizen's groups in the North End has produced a stable businessmen's organization. Largely made up of Spanish-speaking entrepreneurs, the potential rewards of such an organization include cooperative advertising and promotion and greater ability to deal with local government for improved services. For instance, the group is now promoting private investment by (1) refurbishing store fronts, and (2) asking the City for reduced tax assessments for retail shopwons.

The incentive package has been developed and sent out to area businessmen for any five presently established or new retail or profit-making enterprises that are located or proposing to locate along the North End of Main Street in Springfield. Grants of $1140 will be given for purposes of physical rehabilitation—primarily for labor, supplies, and purchases of equipment, etc. To supplement the grant, the Corporation proposes to assist the businesses in cooperative purchasing of legal, financial and design assistance and supply CETA-supported workers, wherever possible. Guidelines for selection and prioritizing of project participants include (1) businesses specializing in a community-expressed (through survey analysis) priority service need; (2) willingness to invest and leverage the grant with other necessary funds (Brightwood suggests the seed monies be matched by 20% private sources to result in a 5:1 ratio of grant to private monies; (3) willingness to join the neighborhood businessmen's organization; (4) the applicant's personal income level; and (5) a business which will foster a growth in employment opportunities—specifically, the number of new employees hired as a result of the expansion or opening of
their business. The latter guideline will be difficult to judge, as most small businesses can run into difficulty when in an expansion mode, and usually cannot afford new help unless a large increased sales volume occurs. Generally, a more attractive storefront, increased or upgraded inventory and physical appearance will not necessarily generate enough additional revenue for the small business person to expand employment, but may allow him/her to break even or earn a more decent living commensurate with his/her efforts. After the selection of project participants, the Brightwood Corporation will assist them in preparation of financing and development feasibility plans.

Initial response to the Brightwood RFP demonstrates an interest on the part of area businessmen to expand and improve existing services. The following table summarizes eight profiles of North Main Street businessmen or potential entrepreneurs who were respondents to the Brightwood RFP:
<table>
<thead>
<tr>
<th>Type of Commercial Activity</th>
<th>Project Description</th>
<th>Amount of Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>luncheonette</td>
<td>refurbish façade, broken window; redecorate interior; replace and renew furniture, some equipment</td>
<td>$2500</td>
</tr>
<tr>
<td>pool &amp; recreation center (new)</td>
<td>building fire damaged; extensive interior rehab; front work-signs, windows, etc.</td>
<td>4860</td>
</tr>
<tr>
<td>record shop</td>
<td>redecorate interior; minor facade equipment, etc.</td>
<td>685</td>
</tr>
<tr>
<td>clothing store - boutique (new)</td>
<td>rehab of store space; inventory, equipment, etc.</td>
<td>not given</td>
</tr>
<tr>
<td>housing</td>
<td>housing rehab - not under project guidelines but will be advised re: other source of funds</td>
<td>12,000</td>
</tr>
<tr>
<td>cafe &amp; restaurant</td>
<td>new facade; improve kitchen facilities</td>
<td>8860</td>
</tr>
<tr>
<td>general store</td>
<td>new display cases, light fixtures, doors. sink &amp; repairs</td>
<td>1910</td>
</tr>
<tr>
<td>drug store</td>
<td>installation of smoke &amp; fire detectors to protect employees, and residents of apartments above.</td>
<td>2500</td>
</tr>
</tbody>
</table>

TOTAL PRIVATE INVESTMENT $21,315

Ratio Calculation:

\[
\frac{21315}{6840} = \frac{\text{private investment}}{\text{DCA grant monies}} = 3.3
\]
Brightwood anticipated major problems that would impact the feasibility study—among them a climate unfavorable to business development. One of the Brightwood Corporation's tasks was to analyze impediments to growth of existing businesses. Two of the major impediments, it was learned, are vandalism to property and safety of the customers—two phenomena to be expected in low-income neighborhoods where unemployment is high. Brightwood has not dealt adequately with this question in terms of perhaps organizing a neighborhood security patrol or other devices and mechanisms designed to combat excessive crime in the commercial area along North Main Street. The Corporation has the skills to organize with respect to this issue.

Another major impediment is a tenant's unwillingness to invest in a commercial property he doesn't own. Along these lines, the Corporation intends to work with the building owner to try to negotiate assistance for the tenant in improving his business.

The Shopping Center

Development

The need for a shopping center was established after the formation of an Economic Development Committee composed of Brightwood residents and Chamber of Commerce advisors. They noted that proprietors were leaving the area due to urban renewal and other factors, and residents had strongly expressed their need for a centrally-located, full-line grocery store. The Brightwood area, it was argued, could serve a larger market and would help the community obtain the convenience store it so desperately needed. For three years attempts were made to find a convenience store franchise or private entrepreneur to be prime tenant and lease space in the proposed center. Because of the relative isolation
of the area, and the socio-economic characteristics of the population, a private commercial developer could not be found. Thus the Brightwood Corporation named the Cooperative Food Market as prime tenant in the shopping center.

The actual development of the Shopping Center is a classic example of the struggles of community economic development enterprises. There were financial difficulties: the Corporation had no staff or budget; each tenant was under capitalized--no working capital was available since it was spent on inventory and equipment and unexpected expenditures before the Center opened. The construction got bogged down: overruns occurred because unexpected change orders were necessary to meet health department requirements; and additional plans had to be developed for the retail market's compressor unit, because the Cooperative purchased the wrong type of equipment. No assistance was forthcoming from any organization during this time, with the exception of a $20,000 loan from equipment from the National Center for Urban Ethnic Affairs. Despite the obstacles, the shopping center opened partially in March of 1976 with the Cooperative Market as lead tenant and Casa Credit Union, Leonard's Drug Store, and Ramon's Laundromat as other tenants. Technical experts will be brought in for three weeks to assess the progress of the Center; this time, the neighborhood councils, feeling more confident about their role and understanding of the enterprise, and what they should be doing of the enterprise, plan to carefully question the consultants and will assist in the determination of the study's validity.

Finances

For the development of the Brightwood Commercial Center, capitalization of the Corporation has come from several sources. These sources
include sale of common stock to neighborhood residents; a preferred stock purchase by Memorial Development Corporation, a quasi-public investment fund for the purpose of stimulating economic development in low-income neighborhoods; a grant and loan from a private foundation; administration of sponsored programs; and loans from local banks and the Small Business Administration. They are outlined as follows:

**Capitalization:**

1. From Sale of Stock 43 shareholders @ $5.00 each $ 215
2. From Sale of Preferred Stock to Memorial Development Corporation 39,100
3. Grant from Raskob Foundation 1,000
4. No-interest loan from Raskob Foundation 4,000
5. Administration of Programs 8,000
6. Loan from Springfield Institution for Savings, Community and Hampden Savings Banks 102,000
7. Loan from Small Business Administration 266,900

Total to date (April, 1976) $421,215

In addition, Brightwood Corporation is seeking to develop further capital by offering 12,500 shares of Common Stock at $5.00 each, generating $52,500 in additional funds. The first share held by any individual are voting shares and all subsequent shares shall be non-voting. No individual is allowed to own more than 20% of the shares at any given time. Through these conditions, the Corporation wishes to encourage the maximum number of $5 investor/owners. Although anyone is allowed to purchase shares, the Corporation will concentrate its sales efforts in the North End of Springfield. However, in its efforts to develop further capital and better the capital position of the Corporation, Brightwood has encountered difficulties with the Securities and Exchange Commission (SEC). The Corporation
had to prepare a prospectus for SEC including up-to-date financial statements audited and signed off by a certified Public Accountant (CPA).

Despite the fact that all of Brightwood Corporation's subsidiaries (see Organization chart) are regularly audited, the CPA would not sign an audit for less than $2,000—a sum which the Corporation just did not have on hand. Brightwood applied to SEC for a waiver some time ago in order to continue selling the $5 shares but they are still awaiting a response from SEC—despite the fact they've contacted their state representative for assistance.

Regarding the sale of stocks, the Corporation's executive director was asked whether their policy (one vote per any number of shares for neighborhood residents) would encourage board ownership but limit the neighborhood voice; Brightwood, it was noted, operates like a cooperative and decisions are made cooperatively. Although there is no formalized effective rate of return for neighborhood residents, any profits that are made can be returned to the community through distribution of a dividend authorized by the shareholders. Most importantly, benefits are returned to the community in the form of a viable environment that encourages neighborhood preservation and stability. Memorial Development Corporation, the largest shareholders in the Corporation, has no vote at all; the Memorial Square Citizens' Council, a neighborhood-based organization, has three members on the Brightwood Board of Directors, however.

Stock ownership has levered private sector loans. A consortium of banks stepped in and loaned the Corporation 20% of construction costs due to an SBA ruling which started that the square footage of the Credit Union could not be included in the construction loan because it was a Cooperative. On its loan to the Corporation, the Memorial Development Corporation granted
a three-year moratorium on interest payments, with payments accruing at the rate of 6% thereafter; additionally the Memorial Development Corporation's generous terms include a ten-year payback period. The Corporation has applied for public sector loans and grants—they were turned down for Title VII CDC funds due to what they feel was a badly-written proposal.

The Brightwood project has been the recipient of well-intended but grossly misguided technical assistance from a variety of sources. The Pioneer Valley MESBIC, for instance, projected revenues from the center's laundromat at $59,000 a year based on 96% usage; in actuality the figure was close to $17,000, which made the venture unprofitable for any private entrepreneur. In the setting up of the food coop market, the Corporation sought "expert" advice on freezer equipment from a variety of professionals and was burned again by making a purchase of faulty equipment which deteriorated so badly that an alarm had to be wired to the executive director's home to alert her when the temperature in the freezer either rose above or dropped below normal so that she could marshal the necessary resources to save the food from spoilage! Here are classic examples of community groups accepting at face value the "sacred" words of consultants or so-called experts. Brightwood tried to avoid this by layering the assistance such that each subsequent layer would act as a check on the other; they soon learned the naivete of this idea. The problem still remains, however, that in order for a community to be able to use experts, it must ask the right questions which in itself often necessitates some expertise or access to it. One solution that would revolutionize the consulting industry deals with making the experts accountable for the advice and services they offer, and tie payment of ser-
of the Brightwood Corporation ventures as well as experienced department heads and managers. Practically everyone had to be trained on the job, however, since little expertise in the area of retail management was available. Even with the commercial revitalization project, interviewers were specially trained by Brightwood Corporation staff, the Chairman of the Community Leadership and Development Department of Springfield College and staff of the National Center on Urban Ethnic Affairs.

One problem the Corporation consistently had to deal with was obtaining the proper mix of managerial skills and community sensitivity. One of the requirements to run the coop market, for instance, was to have these mix of skills; however, the Cooperation went through five managers who were not able to deal with community ownership or work with a community board. Many of these managers were not from the community; however, the present manager is from the area. Brightwood feels that the most important point is that managers must have the commitment necessary to keep the projects going, and this will not be the case unless the individual has a "community agenda." Nonetheless, this mix of skills is extremely hard to locate—but the Corporation has been able to find a corporate manager who seems to embody both of these requirements; she is paid from City block grant funds.

In addition, it seems to be necessary to consistently make the staff aware and remind them of the social goals and objectives of the project—that the Coop is their store and it is their job to keep it operating. This
fact is just indicative of how difficult it is to exhort people to think cooperatively and joint ownership in a society where rugged individualism and its resultant mentalities are paramount. And it is somewhat surprising though understandable that, in a strong community environment such as that which exists in Brightwood, workers would have to be reminded of this issue as much as seems evident.

The Brightwood Corporation is very active in the neighborhood; in addition to the following existing developments, the Corporation is considering other activities. The descriptions that follow represent a sampling of existing as well as new developments:

**Laundromat**

Brightwood Corporation operates a laundry in the shopping center. Initially, an individual entrepreneur operated the venture as a single proprietorship under the name of J and C Lauderette; however due to errors made by the inexperienced Brightwood community businessmen and technical business experts, Brightwood had to take over the ailing venture. The laundromat got off to a poor start with underestimated cost and revenue projections made by the Pioneer Valley MESBIC. The operation covered all costs except labor. As previously cited, income from the washers and dryers were estimated at the high level of $59,000, and the costs of changing coin boxes, utility rates, etc., were estimated lower than actual. Actual gross income for the operation was more like $17,000; a student group from the University of Massachusetts, upon close examination of the MESBIC documents, found that the projections were based on a 96% usage. This usage rate was unrealistic owing to the fact that the nearby housing developments had laundromats of their own. It was not until there were machine malfunctions in these laundromats that the Brightwood laundry experienced an increase in revenues; the laundry managers
have considered advertising campaigns to the possibility of combining commercial with retail services in attempts to divert business from competing laundries. (There is an insignificant amount of job and wage displacement when Brightwood successfully competes.) Once again the community had been the recipient of poor technical assistance which they took at face value. The result was a tremendous amount of sacrifice on the part of residents to hold the venture together and keep the laundry operating. The laundromat, under the direction of the Brightwood Corporation now brokers dry cleaning and offers shoe repair in addition to servicing laundry needs.

Credit Union

The Casa Credit Union, the only organization of its kind in the Brightwood area, was opened in 1973. It is also the only organization within the Springfield area giving institutional mortgages in the North End. From within the neighborhood, Casa has attained a level of $850,000 in deposits, and it will need approximately $100,000 to be self-supporting. It has been steadily growing at a rapid pace, such that even the staff is having problems managing the growth. With over $1 million in credit outstanding, Casa has financed 23 first mortgages in the Brightwood area. The credit union has recently looked at earnings and decided to ask members to voluntarily reduce the dividend. The members agreed that, in the interests of the organization, members would settle for a 5½% rate of interest instead of a 6% rate.

Drug Store

Leonard's Drug Store is the only clearly profitable venture in the Center—its experienced entrepreneur was a drugstore manager for many years. The drugstore has the only liquor license in Brightwood and the remainder of
the business is solid.

**Housing**

In the North End of Springfield, there is a large (600 families) contingent of families who earn their living from working at tobacco farms. The Brightwood Corporation is considering a housing development for these farm families consisting of 24 units to be built on 4 acres of land granted by the Springfield Redevelopment Authority. In order to be eligible for the most beneficial housing and economic development funding, a non-profit corporation, Brightwood Development Corporation, has been chartered. The project had not yet been costed out as of this writing; however it seems as though the land may be either free or paid for at a cost of $500 per unit. The project will be financed through Farmer's Home Administration (FmHA) and Department of Labor (DOL) construction grants. The Corporation is also purchasing several severely deteriorated but structurally sound two-family dwelling units in the neighborhood from the SRA and rehabilitating them for future sale to low-income families.

**Land Development**

The Corporation has applied for and received a continuing designation of preferred developer for a land parcel adjacent to the area occupied by the commercial center. Brightwood is considering feasibility studies including neighborhood surveys to determine the best use of this land—commercial, residential, open space, etc.

**Chores Corp.**

The purpose of the Chores Corporation is to provide a home-maintenance service for the elderly of the Springfield area. Chores does heavy household cleaning, grass cutting, leaf-raking, painting, small carpentry and numerous
other home-related tasks. Chores has acquired $10,000 worth of long-term maintenance contracts during the year. These yearly contracts have increased the amount of private income Chores is receiving and has enabled Chores to operate in its slow season. In the future, Chores hopes to increase its private contracts to the point where they comprise a third to a half of Chores' total income. This will make Chores less dependent upon Home Care and thereby more financially secure.
CHORES CORPORATION (Non-Profit)

BRIGHTWOOD CORPORATION (156 B)

BRIGHTWOOD DEVELOPMENT CORPORATION

DIRECTOR

CHORES PROGRAM

BRIGHTWOOD CORPORATION

REVITALIZATION

SHOPPING CENTER

LAUNDROMAT

RURAL HOUSING

HOUSING REHAB

CETA
CHAPTER 6: SYNTHESIS
Introduction

We have now successfully defined community economic development, given a brief history of past efforts, developed criteria for measuring "project success" and documented two exemplary case studies of CED to evaluate them according to the set of criteria designed specifically for this effort. It would be most appropriate now to discuss the viability of community economic development--using the case studies as examples--and make inferences and judgments (albeit subjective at times) about the value of community economic development as a means to achieving some stated objective--be it job creation or provision of some needed product or service. CED will provide benefits to the community, the society at large, and the project participant, but not entirely without costs; and the value of the activity depends largely upon its nature and the economic and social environment within which it operates. This section will first present the evaluation matrices for the two projects studies, then analyze the worth of the two enterprises according to their stated goals and objectives and will conclude with some general remarks relative to some optimum environment or set of conditions under which various forms of community economic development activities are likely to grow and flourish.
Ingredients for Successful Community Economic Development: An Evaluation of Two Enterprises

This section takes the viewpoint that the state is an investor, investing in community development enterprise, and must optimize the use of its public dollars for the good of the public. Presented here are some criteria which, I feel, signal healthy, productive efforts at economic development for communities in depressed areas. Such criteria can be applied to any community economic development enterprise, but is here applied to the two subject ventures for purposes of evaluation. In Chapter Three these criteria are outlined in detail and a rationale for each criteria is presented, attempting to validate its use as a measure. More information and background appear in the Synthesis (Chapter Six).

<table>
<thead>
<tr>
<th>Economic/Financial Criteria</th>
<th>MOC</th>
<th>MAIN ST. REVITALIZATION SHOPPING CENTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Common Business Indicators (Quantitative)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- &quot;acid&quot; or current ratio (ratio of assets to liabilities)</td>
<td>.5 to 1</td>
<td></td>
</tr>
<tr>
<td>- debt to equity (ownership) ratio</td>
<td>debt to retained earnings 2 to 1</td>
<td></td>
</tr>
<tr>
<td>- cash flow statements (working capital)</td>
<td>none</td>
<td></td>
</tr>
<tr>
<td>- current financial statements</td>
<td>yes</td>
<td></td>
</tr>
<tr>
<td>- owner's equity &amp; return to equity position</td>
<td>no owner's equity (o/e)</td>
<td></td>
</tr>
<tr>
<td>- available capital</td>
<td>$1,090 (12/76)</td>
<td></td>
</tr>
<tr>
<td>2. Other Financial Indicators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- availability of capital</td>
<td>initial indications are positive</td>
<td></td>
</tr>
<tr>
<td>Social Indicators</td>
<td>NOC</td>
<td>MAIN ST. REVITALIZATION</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------</td>
<td>------------------------------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>1. Socio-economic characteristics of geographical area served</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- % poverty (updated from 1970 census)</td>
<td>in excess of 30%</td>
<td>50%</td>
</tr>
<tr>
<td>- % unemployment</td>
<td>in excess of 12%</td>
<td>at least 30%</td>
</tr>
<tr>
<td>2. Ventures—are they community based?</td>
<td>yes</td>
<td>yes; merchants are community residents</td>
</tr>
<tr>
<td>- % low-income representation</td>
<td>one-third CSA low-income representation</td>
<td>one-third</td>
</tr>
<tr>
<td>- is Board community controlled:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- program personnel from community</td>
<td>Fitchburg-Leominster</td>
<td></td>
</tr>
<tr>
<td>3. Job Creation</td>
<td>six; poor</td>
<td>one (part-time)</td>
</tr>
<tr>
<td>- # jobs created (with &amp; without subsidy) and prospects for their continuance</td>
<td>secondary</td>
<td></td>
</tr>
<tr>
<td>- type (primary, secondary, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- investment, industry displacement effect</td>
<td>insignificant (see case study)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MOC</td>
<td>MAIN ST. REVITALIZATION</td>
</tr>
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</tr>
<tr>
<td>4.</td>
<td>Manpower Training &amp; Development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- necessary skill levels (are they available locally?)</td>
<td>yes; and untrained workers were trained in this project</td>
</tr>
<tr>
<td></td>
<td>- prospects for human development (OJT, skills &amp; career growth and development)</td>
<td>good - given the continuation of the project</td>
</tr>
<tr>
<td></td>
<td>- are skills to be learned transferrable</td>
<td>yes - see case study;</td>
</tr>
<tr>
<td></td>
<td>- wage levels - are they competitive</td>
<td>yes - but demand for jobs is high</td>
</tr>
<tr>
<td></td>
<td>- supportive service for the hard-core unemployed - are they available</td>
<td>some; but specialized support services referred</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Agency Relationships and Track Record</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- past program performance</td>
<td>good coordinates with many agencies</td>
</tr>
<tr>
<td></td>
<td>- interagency coordination</td>
<td>has had problems with CETA</td>
</tr>
<tr>
<td></td>
<td>- agency and public officials support</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Organizational Strengths (i.e. structure, reputation, credibility, self-sufficiency)</td>
<td>satisfied a developed market; gained consumer confidence--repeat business</td>
</tr>
<tr>
<td>7.</td>
<td>Organizational Weaknesses (i.e., weak community base, leadership, reputation, etc.)</td>
<td>lack of hard business skills; dilution of social service goals</td>
</tr>
<tr>
<td>8.</td>
<td>Environmental Considerations (pollution, density, damage to air, land or sea)</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Energy Efficiency - prospects for energy conservation measures to be employed?</td>
<td></td>
</tr>
</tbody>
</table>
MOC Rehab, a community-based furniture rehab enterprise, imposed admirable goals upon itself that will, in all probability, be very difficult to achieve. A standing committee of the MOC Board, concerned exclusively with evaluating MOC operations, has developed several self-evaluation criteria upon which to base the effectiveness of the enterprise. In this summary I will briefly analyze MOC strengths and weaknesses, particularly as they relate to the Board criteria and to the "evaluation matrices" presented in Chapter 3.

The MOC project got its start in an unorthodox manner—it was essentially created to take advantage of several existing programs. Although there is nothing wrong with a venture being created for this purpose, there needs to be much more thought and analysis put into the social, economic and financial feasibility of any such proposed community economic development enterprise. There is a great deal of risk involved in operating smaller-scaled businesses even with the proper feasibility analysis. When a project involves the inclusion of social goals as well, there is always the danger that the proliferation of goals and objectives will become diffused and little may be accomplished. One goal—that of training the hard-core unemployed, for instance—may predominate or may take precedence over goals of increased production to generate a surplus, for instance. In a marginal venture where low productivity workers are hired to fulfill social objectives, there is always the danger of diluting either social or economic goals and objectives such that the venture fails due to its attempts to accomplish too much for too little.

The following summarizes MOC's position with respect to the "evaluation matrices". Also included in the analysis is how MOC stacks up against
its own self-evaluation criteria from its proposal of April, 1976 and its Program Report of September/November, 1976 - see Appendix.

Economic/Financial Criteria

MOC's "acid" ratio (or ratio of assets to liabilities) is 0.5 which indicates that for every dollar of current liabilities there is 50¢ of current assets. Consequently, in the event the MOC board chose to liquidate the venture as of February, 1977, assets would cover only one-half of the current debt, which would somehow have to be paid or absorbed. Because there is no "owner's equity" (MOC holds no "equity" in the strictest sense of the word, even though it loaned the venture money at the outset, rather than investing equity for a future dividend) and no return on the MOC investment, the venture was not in a position to meet its goal of "generation of capital for additional new ventures." Monies for expansion of the existing enterprise of new ventures would have to come from a net income added to retained earnings (and owners' equity) and such was not available. Because of the precarious position the venture is now in, MOC will not have available additional monies "for use in extending MOC services to low-income people," a MOC goal in April of 1976. Approximately one year later, it is now clear that the MOC venture has borrowed monies earmarked for social service purposes which severely jeopardizes maintenance of the delivery of present as well as future social services to the low-income person in its target area. Additionally, according to MOC, it has been estimated that $50-60,000 was saved by 35 non-profit institutions that did business with the project rather than buying new furniture. However, if MOC goes out of existence, not only will these agencies lose MOC services, but many may have to increase their client loads which will place additional burdens on their service delivery.
if MOC finds itself in a position to provide fewer and lower quality services to fewer persons due to lack of resources.

The quality of the MOC financial statements improved over time; however, in order to use these statements effectively, a knowledge of financial controls and analysis is necessary. MOC had no cash flow statements; surely an in-depth look at comparative weekly or monthly cash flow statements would have indicated a cash flow deficiency without the aid of subsidies. An indication of such a cash flow crisis may have then precipitated other necessary actions—such as a 60 or 90-day note against inventory or accounts receivable for working capital. And as previously indicated, MOC's pro forma financial statements were misleading and unrealistic, because they were based on production projections approximating nowhere near reality.

The availability of capital is demonstrated by a $50,000 bank loan MOC obtained early in the venture's operation; this loan was repaid (to save on bank interest) with MOC grant (social service) monies. As previously alluded to, this action severely jeopardizes the viability of the service delivery should the venture fail. Although investment from the private sector indicates a level of institutional investor confidence that cannot be discounted in the financial analysis of the enterprise, the manner in which the investment was repaid must be viewed as an organizational weakness.

MOC was successful at consolidating state and federal grants for this venture; monies from DCA, CSA and CETA; Titles I and X were utilized along with revenues from services rendered. With respect to the business plan, however, MOC was very weak in the area of market research and analysis, as previously cited. For instance, MOC neglected to approximate
the demand for its service, nor did it judge sufficiently accurately the 
market needed to support its operation. In its haste to begin this ven-
ture, moreover, MOC did not entertain the option of alternative legal 
entities available for structuring this venture such that it may be 
eligible for a number of federal or state programs—CDCs, for example, 
who are funded under CSA's Office of Economic Development and are eligible 
for CDFC funding.

Social Indicators

MOC's target area—the Fitchburg-Leominster SMSA—certainly meet 
the criteria for community economic development—poverty is in excess of 
30% and over 12% unemployment. The venture has a community base—in the 
sense that the MOC board meets the CSA one-third low-income representation 
requirement; program personnel are hired from within the community and 
the probability of target area resident employment is excellent. However, 
only six permanent jobs have been created without subsidies and prospects 
for the continuance of these jobs are poor, given the fiscal condition of 
the enterprise. Most of the remaining jobs are non-trainee positions, 
which indicates that not many (if any) CETA work-experience personnel got 
permanent employment from working in the venture. Many of the jobs were 
secondary with poor prospects of their ever becoming primary; a quick 
check of the DES publication, "Employment and Earnings" revealed that as 
of February, 1977 the average wage for production workers in the furniture 
refinishing (not the exact SIC industry/occupational code but very close) 
industry was $6,445, including part-time workers. Additionally, it was 
learned from the Fitchburg/Leominster DES office that there is little 
call for workers in this field, and that for the entire state there are 
191 firms in the refinishing/upholstery industry with a total employment
of 708. Each firm, then, averages 3.7 workers (not including self-employed) which is an indication of the average firm size, growth of the industry and the prospects for job upward mobility for project trainees and the transferrability of these skills learned to the labor market place at large. It is safe to say that the best way skills can be utilized outside of MOC Rehab is in an individual venture - perhaps in some specialty area. One woman who learned the trade of upholstery subsequently left the MOC project and opened up her own business as an furniture upholsterer, working from her home. It becomes especially important, then, for ventures like MOC to become self-sustaining since the probability that workers and/or trainees-skilled or unskilled-will find related employment elsewhere is very small given the industry and the economic environment of the area. However, with the exception of 12 CETA work-experience trainees, the majority of workers now operating the venture are semi-professional or skilled craftsmen, making a competitively decent, but slightly less than market wage. These persons are employable and could probably obtain work elsewhere, provided the area was not as economically depressed as is presently.

MOC rarely had problems locating the necessary skill levels locally as a general depression in the area resulted in an oversupply of available workers. With the help of CETA, MOC was able to reach its goal of "employing the unemployed skilled and unskilled workers to help alleviate the chronic unemployment problem in the area." However, the managerial capability of even experienced foremen was found to be lacking. And although on-the-job training and skills orientation was provided, productive capacity was often sacrificed to accommodate social goals and objections. Limited supportive services were available for "problem"
workers, and MOC tried to build in incentives by planning a job redesign program which would initiate a management system involving "industrial democracy" including planning, profit sharing, and equity acquisition by employees. This effort was initiated to enlist the understanding and help of the full work force in meeting the crisis situation, but it was only moderately successful, in all likelihood due to the lack of interest on the part of supervisory personnel, who were not enthusiastic about the idea.

There was little displacement of industry or investment. Upon learning of a small stripping shop in Fitchburg which could do some surplus work for the project, MOC executives approached the shopowner with an offer to do some contract work. It was then they learned the businessman and his wife had been working long hard hours and not making earnings commensurate with his efforts. MOC subsequently bought out the business and hired the man as head stripper. This worked out well for a while; however, in the money crunch, the former shopowner had to be laid off and his whereabouts are presently unknown to MOC executives at this time.

MOC has good interagency relationships and has performed well in the past in its social service functional areas. Organizational strengths include its track record in social services, access to resources, the ability to find a market of satisfied customers in an area where some demand is evidenced as well as creation of a work place designed to employ skilled and unskilled workers to satisfy this demand. MOC has some negative qualities, however; it began the venture with little study and analysis and lacked business skills that hampered its operation as an efficient productive enterprise. In addition, MOC dangerously threatened
the continuance of service delivery by "loaning" the venture social service grant monies.
For the most part, Brightwood projects are well thought out and executed in the most feasible manner, given the enormity of some of the constraints. The corporation, though plagued with lack of staff and professional Board direction, has been remarkably able to marshall the resources to provide a vital community service—despite nearly insurmountable odds. Clearly, certain peculiarities of the Brightwood project are partially responsible for its apparent success: The relative isolation of the area from the rest of the city and the actions of the SRA in its urban renewal activity brought out a sense of community solidarity which in turn resulted in political clout (against the external "oppressor," as the SRA was no doubt seen); additionally, the Corporation had a community-endorsed mandate to carry out most of its plans and programs. It would benefit us to take a close look at how both the Main Street Revitalization operation measures up to our evaluation criteria. Unlike MOC, Brightwood does not have any self-evaluation criteria by which we can additionally monitor corporate activity.

**Economic and Financial Criteria**

Brightwood's "acid" or current ratio indicates that for every $1 of current liabilities incurred, there is only 85¢ in current assets—an insufficient amount to cover current debts. However, the ratio of both current and fixed assets and liabilities is 1:1 which demonstrates that should Brightwood have to abandon the commercial center and liquidate its assets to pay creditors, they would in all likelihood break even. A major danger signal is the Corporation's negative working capital figure of $-1,090 (current assets minus current liabilities): this demonstrates Brightwood's inability to meet its cash obligations. The Corporation's board and staff are well aware of the firm's fiscal position and it is their action that
led to the request to the SBA to consider refinancing their original loan, the amount of which caused all the ventures to be undercapitalized. Other solutions to Brightwood illiquidity may be long-term borrowing or accounts payable financing; however, the corporation must wait for the Securities and Exchange Commission (SEC) review of the current financial statements and prospectus for approval of final stock offerings. Equity is held by the community who (along with the financial institutions and the SBA) are the "owners" of the enterprise; the community at large holds $215 in equity and the Memorial Development Corporation -- also a community-based corporation -- purchased $39,100 in shares for a future return of 6% in the form of interest payments to begin three years hence. (As such, the Memorial Development Corporation is not an equity investor in the strictest sense of the word, but has loaned the Corporation funds by purchasing shares.) The Corporation lacked pro forma financial statements (which would probably have been rendered useless anyway due to unforeseen occurrences), and does not use accounting computers due to lack of staff and money to purchase such equipment. Budgetary control mechanisms are now being attempted in the launderette and retail market in order to improve the financial position of these two ventures--but again efforts are hampered due to lack of staff; SBA will give technical assistance in this area by loaning the Corporation some business technicians for a period of three weeks to take an in-depth look at the operation of the center.

Other Financial Indicators

The availability of capital from non-public sources for the Brightwood Corporation has been good--1% of construction funds raised was obtained in grants and loans from a private foundation, and nearly one-fourth of the commercial center construction loan was obtained from a consortia of area banks. A calculation of the ratio of private to public dollars -- private
monies leveraged -- indicates, however, that for every public (including community equity) dollar, there was 34¢ of private money injected into the shopping center project. Although injection of these monies into the project displays private investor confidence, this private money is in the form of burdensome debt financing (with the exception of a $1,000 foundation grant); meeting these debt service requirements may cause Brightwood future problems. There are early indications that the grant monies to be allocated under the Main Street Revitalization project will successfully act as seed money to lever some personal or institutional finances. Of the eight profiles obtained from area businessmen and potential entrepreneurs in response to the Brightwood RFP, a total of $6840 in grant monies will lever private monies in excess of $21,300 -- which yields a private/public money ratio of 3:1. Though it doesn't meet the organizations self-imposed goal of 5:1 ratio, it still demonstrates project strength and viability. If these projects are selected by the Corporation Board and if each individual businessman's financing goes as expected, the Brightwood Corporation would have assisted in obtaining $3 from private and personal financial sources for every $1 of grant money DCA had awarded under the Community Enterprise Project Grant! The corporation is also considering working with building owners who have tenants interested in rehabilitating their stores, since often tenants will not make investments in property they don't own or have any interest in.

As far as we're able to ascertain, the Shopping Center did not have a business development plan, unlike the North Main Street Revitalization project--which incorporated some elements of a business plan in its goals, objectives, and timetables. A business plan prepared in advance may have alerted project planners to the fact that the Health Department had to approve shopping center plans prior to construction thereby avoiding any
potential delays in the development of the commercial center. In the case of both projects, market research/analysis/development was carried out in the form of surveys to 1) approximate the demand for both a commercial center and business revitalization project and 2) to determine whether or not the market was sufficient enough to support the operation of the ventures. For the launderette, the initial market survey produced by the Pioneer Valley MESBIC unsuccessfully projected the demand for laundry services to the extent that the venture came very close to folding and would have done so had it not been for the community support Brightwood was able to garner. Unfortunately neither project will generate funds for additional projects or social services for the following reasons: 1) it is not a project goal with the Main Street Revitalization Project; and 2) the Brightwood project was undercapitalized and there is no surplus available for such regeneration.

Social Indicators

The Brightwood area is severely depressed with 50% poverty (updated by Brightwood estimates from the 1970 census) and a 30% rate of unemployment. All Brightwood ventures employ target area residents and are community-based -- there is low-income Board and agency representation and community stockholders ($5/share) can vote in corporate matters. Approximately twenty-five jobs have been created by development of the shopping center and these employees are either CETA workers or full-time paid staff (no subsidy). One part-time position has been created with DCA funds for the Main Street Revitalization Project (the individual is presently being paid out of the Executive Director's salary; a line item change from a travel account to be a salary account will be requested from DCA for the assistant Director's salary). Most of the managerial positions are of the primary type, and many of the secondary positions are either CETA or other
workers who are paid at minimum wage levels. The average wage in the retail food industry in Massachusetts is $6,416. There are good prospects of employment continuity; however, according to industry reviews conducted by Mary Helen Lorenz, the food (wholesale) industry will experience a 15.7% decline, which has major implications for the retail food industry, the Cooperative market and the upward mobility or transferrability of trainee skills to the larger labor market. There is no chance whatsoever that investment or employment displacement can occur since Brightwood is the only organization offering these services in the area - thereby filling a gap and performing a needed community service that was previously nonexistent due to the lack of private investment.

Training had to be provided (primarily on-the-job training) for all retail market employees since none had experience in retailing food. Even the original cooperative manager, who had twenty years of experience with a large supermarket chain, made some categorical errors that cost the venture additional money and problems for which they were not equipped to handle. (For instance, purchase of the market's faulty equipment was made from the original coop manager's former employer, a large A & P market.) The National Center will provide Board, staff, and community training, provided there is enough interest and demand for these discussion groups. The Center will additionally work with the staff of the Credit Union to help them understand their function and role as a community development credit union. Interviewers with the commercial revitalization project were specially trained by Brightwood Corporation staff, Chairman of the Community Leadership and Development Department of Springfield College and staff of the National Center. In both projects, therefore, training was available to upgrade local skills to the required levels, and prospects for skills and career ladder development will improve as the project
continues and progresses. Supportive services were made available, particularly for CETA workers, since the Brightwood Advocacy Team (a division of the Corporation) is a subgrantee of the Hampden County Manpower Consortium and administers one-half of the total Springfield CETA program within the North End. A multiplicity of services—including day care, health, education, transportation, and assistance with housing needs are made available to CETA as well as non-CETA workers through efforts of the Advocacy Team.

Except for a few historical problems with the Springfield Action Commission (the designated CAP agency for the city), the Brightwood Corporation and its projects have a positive performance record, coordinate regularly with other community, city and state organizations and have received widespread agency and public official support. Brightwood Corporation would not have had the success it can claim without the support of the community or the many agencies in the city. For instance, the SRA is assisting the Corporation in land and housing development: it has assigned four acres to the Corporation for housing development; and with the open space management plan that Brightwood is considering, the SRA will assist in plans to develop the land and sell the land to the Corporation for 10c a square foot. An architect has volunteered his services for this project. The City of Springfield has funded the Brightwood executive director's salary for one year through local options funds (the City and the Brightwood Corporation Board are considering a new arrangement where the Corporation could expand its paid staff with City funds in return for a small percentage (10%) of the executive director's time for other city development projects.) The Springfield Housing Authority cleared land for the Corporation for its proposed farm housing development; the Chamber of Commerce has provided ongoing technical assistance to Brightwood efforts; the City's Bicentennial Committee will assist in beautification projects; and finally the Governor of
Massachusetts, on a recent field trip to the shopping center site, granted the Corporation $7400 for new freezer equipment—just to cite some of the agency and individual assistance the Corporation has received.

Brightwood's organizational strengths are (1) its community solidarity: despite differences, the conflicts are resolved and negotiated to the point where developments have been able to proceed at a steady pace; (2) political clout: its ability to lever private funding and marshall other public resources—Brightwood had to display some strengths in its structure, reputation, credibility and self-sufficiency in order to convince potential financiers of the viability of the commercial center project; and (3) its community agenda that affects corporate priorities: without such, the community would not have rallied in support of the various ventures when they were in trouble; the community realizes the development was by and for themselves, is responsive to their needs, and have often volunteered community labor to keep a venture afloat, when necessary. Lack of core staff and a operation budget is one of Brightwood's major organization weaknesses, which may be overcome in the near future (whether or not to the community's satisfaction remains to be seen); the project was sorely undercapitalized, which through SBA action may soon be remedied; and since many of the projects could use professional assessment, the lack of available Board professionals often hampers the decision-making ability of the Corporation. With respect to the Main Street Revitalization Project: its strengths are its responsiveness to the needs of the area residents and local merchants. The initial conceptualization of the project originated with tabulation of a survey, one question of which dealt with the reason consumers were not using the North Main Street shopping area. Selection and quality of stores/services and cost of goods were some of the main areas of concern to community residents, and these are the areas upon which Brightwood chose to focus in
One weakness of the project, however, concerns the eight initial profiles (see pg.45) and the categories of products/services they represent and how they relate to community-expressed needs. Initial compilation of survey results revealed that the stores or services which households indicated were most needed on North Main Street included: 1) a grocery store; 2) a department store, 3) a clothing store, 4) medical offices, and 5) movies. Of the eight profiles received thus far, only two businesses relate remotely to those expressed community priorities—the grocery store, an existing business that would like to refurbish its interior; and the boutique—a new business slated to carry men’s and women’s casual wear and accessories that would like to rehab store space and purchase necessary inventory and equipment. It may be that the services that are really needed cannot be handled by community entrepreneurs; this should put Brightwood Corporation in the role of advocate/market agents for the neighborhood by attempting to attract those enterprises and professionals into the area to provide services in which a majority of community residents have expressed an interest.

Despite the many problems, the activities of the Brightwood Corporation are ongoing and providing a much needed service to the community. The neighborhood development corporation, cooperative market, and credit union are excellent models of neighborhood ownership and control, and present viable means to effective community development.
Conclusions

Community economic development ventures are established for a myriad number of reasons—among them are the goals of community control of local institutions, the creation of jobs in impoverished areas, the provision of needed goods or services, or the creation of opportunities for the poor and minorities to participate in the economic mainstream. It then becomes necessary to try to judge the effectiveness of community enterprise as a method to achieve any one or all of these stated goals, given the reality of a limited amount of resources to allocate. We will therefore attempt, in this section, to draw some conclusions about the viability of CED enterprises in general and the case study ventures in particular. In the process of doing this study, we began by assuming that all CED enterprises were basically the same and that what applied to one would be relevant to another. However, we soon discovered a typology of CED enterprises—of which the two case studies are representative samples; and in this section we will attempt to assist anyone interested in making community economic development investment decisions by drawing conclusions and a few recommendations for any technical assistance needed by these ventures based on this typology.

First, what is the value of a community enterprise to a community to which the venture responds? For the community to benefit from enterprise activity, a product or service should be provided that will not be undertaken by the private sector. (In some cases, I feel, a community enterprise can and should feel comfortable with openly competing with the private sector to provide some good or service if, through skillful management and leverage of private capital, grants consolidation, a quality good or service can be provided at a lower cost for the benefit of consumers in
the low-income neighborhood.) The North End of Springfield is definitely benefiting from the development of the shopping center and will benefit indirectly from the revitalization of the North Main Street commercial area in the form of better quality goods, consumer amenities, and stabilization of the neighborhood. There are no direct benefits to the "community" from the MOC enterprise, in terms of service provision; institutional savings from rehabing rather than replacing furniture are not often passed through in the form of savings to consumers of institutional services in the form of reduced costs for services--such savings would most likely be spent on administrative expenditures.

A community can also benefit through increased employment and creation of a workplace where none previously existed. If job creation is a project goal, then the value of the enterprise to the community is the number of previously unemployed workers who are able to obtain permanent jobs from creation of the enterprise. In both cases--MOC and Brightwood--jobs were created; however, the degree of permanency of work in the MOC rehab project is questionable as is the cost of the workplace when compared to the amount of permanent jobs created. Not including CETA workers, the cost in both public and private dollars to create and keep six permanent and an average of 9 CETA workers approximates $11,250; and with Brightwood's 25 CETA and other employees, the cost per job created is nearly $16,000. The question can then be asked: Is this the most efficient use of resources or the most efficient manner in which to achieve a job creation goal? For Brightwood, the high cost per job is somewhat justified because other goals of service provision and opportunity creation are being achieved; contrastly, goals of direct service provision or opportunity creation to the community at large are not really met by the MOC project--
even though an early MOC goal was to achieve a surplus revenue to begin rehabilitating the furniture of low-income residents in the target area. If project goals involved the creation of opportunities for poor and/or minority participation in the economic mainstream, project costs would still be an important factor; and although some projects can achieve this goal better than others and at a more minimal cost, MOC and Brightwood would both pass the test.

Finally the community benefits by being able to boast trained workers as a resource it can utilize primarily to export labor in return for a wage which can then be spent in the community. It does little good, however, to have trained workers in areas where labor surpluses occur or in declining non-growth industries; training workers for non-existent jobs (should be community enterprise fail) would cause an increase in the unemployment rolls and a resultant decline in neighborhood stability. Both MOC Rehab and the Brightwood project are guilty of training workers in secondary, low-skilled jobs with little prospects for upward mobility. An argument can be made, however, to justify this action: Such semi- and unskilled workers are moving from no job to a (for some their first) job with relative ease of entry. From this job they may cultivate work habits that would assist them in attempts to enter the larger labor market in search of further training or related employment. It can also be said that employment (be the jobs primary or secondary) helps create community stability which in turn aids in neighborhood preservation, reduction in crime, etc.; however, this employment stability is based upon enterprise continuation.

We can next discuss the value of community enterprise to the individual participant—the enterprise trainee in particular. Assuming a rational
trainee, his primary concerns are gaining a skill and earning a wage. From his viewpoint, participation in the project is only valuable if 1) if pays off; and 2) he can use his skill elsewhere. For a formerly unemployed worker, training and employment in a community enterprise brings greater return than a transfer payment or not having any job at all; and sometimes even though there is little net increase over previous earnings (transfer payments or other income), a trainee will recognize the benefit of being employed, developing good work habits, and of learning a skill. Not every trainee is capable of evaluating job mobility, but a rational trainee is interested in selling his skill in the larger labor market and knowing how far the skill can take him. Therefore, one benefit of community enterprise to an individual may be the creation of opportunities where trainees can use skills in an industry where there are established career ladders and few barriers to entry or routes to access at various levels. Clearly, this is extremely difficult due to factors that serve to block trainee access to jobs in the employment market--education, experience, discrimination, rates of turnover and attrition, and a slack demand for workers in a particular field or industry. For MOC trainees, the industry situation is grim, both for job mobility and earnings payoff because average wages are at the secondary level, and there are many small (under 10 employees) firms, which may be an indication of industry weakness. The situation is not much better at Brightwood, with the low average wage in the retail food industry and the 15% projected decline in the industry as a whole. What cannot be discounted, again however, are the benefits of these jobs as opposed to the alternative of no jobs in terms of development of work habits, worker satisfaction, community pride and solidarity, and neighborhood stability.
A Typology

As previously stated, two general models of CED enterprises have emerged—one a social service agency dependent upon government funding—reorienting agency missions and objectives to venture creation and the other a community development-type organization whose goals are primarily economic and who must depend upon the private market as well as public sources for survival. The organizational arrangements for these two models differ as do the origins from which they sprung: the CAP agency has long been institutionalized as a part of the antipoverty neighborhood action scene. These organizations have the CSA-required one-third low-income Board representation (which is also institutionalized); a secure funding base and lines of credit with local banks, little "grass-roots" involvement, and were most often not formed in response to or as a result of some volatile, emotional local issue. In marked contrast, the Brightwood Corporation has no institutional base to speak of, has true "grass-roots" representation (two-thirds), a strong political base, good inter-agency cooperation and was organized around an emotional issue—urban renewal. This fact has tremendous implications for the way each entity view community enterprise, how it goes about initiating a venture, and what each needs in order to make a success of attempts at community economic development.

I would venture to infer that some CAPs view community economic development more as entrepreneurial business development because they are attempting to move away from their social service orientation. Decisions to enter a particular venture most often are not the result of some community-initiated request or badly-needed service. Rather, a CAP will see an opportunity to get an "edge" in on a particular market, and try to enter it and reap the benefits in the name of community enterprise. (In some
localities, there are CAPs competing against private businesses for food stamp activity because of the revenue creation potential! They goals or hidden agendas may be to increase agency cash flows or to underwrite new or expanded social services; however, in their attempts to become more CED or business oriented, they are in constant danger of losing sight of their agency mission. Often, the community is not even consulted as to what venture or service would best meet their needs. The Brightwood model explicitly infers community consultation before any venture direction is taken—community surveys, hearings, and constant attendance at agency board meetings helps Brightwood personnel keep abreast of their community's needs. This community mandate is what has helped Brightwood obtain its resources; whereas with MOC, it has had to rely on its relationships with the local bank (where it regularly deposits its money and probably has a line of credit) and other public agencies with whom it does business and administers existing grants. Agencies like MOC, therefore, have to display a degree of technical expertise, given their present level of institutional sophistication, in order to be able to attract the resources as well as convince their present funding sources about the viability of the proposed venture.

**TYPOLOGY**

<table>
<thead>
<tr>
<th>Source (mandate, origins)</th>
<th>institutional</th>
<th>community</th>
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<tbody>
<tr>
<td>social</td>
<td>CSA (MOC)</td>
<td>day care, health, etc.</td>
</tr>
<tr>
<td>economic</td>
<td>Model Cities (CDCs)</td>
<td>LDCs, CDCs (Brightwood)</td>
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The above chart depicts the typology of which we speak and categorizes organizations by mandate and origins.
On the other hand, the mentality of social service organizations such as MOC may not be geared sufficiently towards venture creation in a hard business context, but in the context of helping people; the proper balance needed for revenue creation, venture permanency, payoff for monies spent, and social service aggrandizement may be difficult to understand. With MOC, it was entirely too easy to liquidate bank debt through use of social service funds; this action demonstrates the difficulties faced by social service agencies involved in community enterprise. There is a strong temptation to use existing available programmatic monies when enterprises are in need of resources. This most compelling concern is referred to in previously mentioned ideas of maintaining and preventing the dilution of organizational goals and objectives. We can then generalize that for social service organizations desiring to create enterprises, training first in the concepts of community economic development and in the management of fiscal resources is mandatory and a necessary ingredient for project success. In addition, technical assistance in the form of project feasibility and a Business Development Plan is most essential since the enterprise will be viewed by the financial community purely as a business venture utilizing CETA workers.

MOC, because of its institutional setting and the fact that there is a continual flow of dollars in and out of the organization was able to marshall mainly public resources for its venture but not as successfully as Brightwood. Because of its strong political base and clout, Brightwood was the recipient of much-needed support from all levels of government, private foundations and financial institutions and the community residents themselves. For these grass-roots-type organizations, funding sources tend to give more guidance and direction in the form of technical assistance, therefore for Brightwood-type community-based organizations, a necessary
ingredient for successful enterprise development is a strong community base and the political clout necessary to get what it wants from the "powers that be." Grass-roots-type organizations like Brightwood are more likely to become involved in long-range economic planning which may include physical planning, employment creation or social services planning -- largely because they have a more total community focus and perspective than many CAP agencies. Often, however, whether or not a CAP becomes involved in overall planning and development for long-range economic and social impacts is very much a function of the institutional environment in which the CAP finds itself, the number of organizations "crowding" the field, available funds, and turf considerations. When CAPs find themselves competing with other organizations, they are hampered in their ability to participate or be included in any such planning--nor are they often prepared to engage themselves in such efforts.

Providing training opportunities for the hard-core unemployed through CETA programs proved to be trying for organizations in both modes: MOC had problems with a trainee "big Daddy" attitude towards the enterprise where trainees were not taking the shop as a serious workplace. Although Brightwood community residents pitched in and volunteered their labor whenever asked, workers had to be consistently and constantly reminded that the shopping center was theirs and was their responsibility. It thus seems safe to conclude that for both types of agency involvement in CED, a no-nonsense atmosphere of work should be introduced into the venture and in community-based organizations, creation of a work environment and reminders of the "community agenda" will serve to help foster successful enterprises.
For investors seeking to know just what organizations to support, where to put resources, or what conditions for investment are optimum, a mini-checklist is offered:

a) Understand the institutional setting — if any — and the social, economic, and political environment of the enterprise (for instance if investment is to be made in a non-growth industry or occupation, investors should be prepared to grant massive subsidies to keep the venture alive thereby preventing a glut on the market of skilled workers for which there are no jobs);

b) Know in detail what the enterprise is supposed to achieve — what goals and objectives have been set and by whom;

c) Be certain the proposed (or existing) venture has access to technical expertise for
   - development of a business plan
   - market feasibility studies
   - determination of available capital in the area for purposes of leverage
   - determination of the available managerial talent, the necessary labor pool, and supportive services for trainees, if needed;

d) Learn the organizational fiscal structure and insist on financial analysis training for venture managers prior to the granting of any funds.

In addition to the criteria listed in Chapter three, potential investors in community economic development should consider the

1) advantage of investment in human capital;

2) the opportunity cost of each dollar invested — the cost effectiveness of the enterprise as compared to other use of resources
designed to achieve the same goals; and do their best to promote an environment in which community economic development can flourish:

- encourage the development of educational workshops and seminars for organizations presently involved in or seeking involvement in community enterprise;

- advocate for establishment of agencies to facilitate resources; broker business and financial assistance; conduct community organizational training and organizational sessions;

- pressure institutional purchasers of goods and services to patronize small community-based businesses

and keep in mind that the purpose of these activities, in the words of Geoffrey Faux, "... is owning and operating businesses and other enterprises that will provide employment income and a better life for the residents of these target areas."
FOOTNOTES


8. With venture performance, SIP ventures consistently averaged a higher number of employees and sales for all sectors (except agriculture) than general Census data on minority businesses; for instance, SIP data on average employees is over three time higher and SIP sales are approximately 50% higher than Census data for all sectors. Additionally, in 1974, two CDC made the "Black Enterprise" top 100 firms list and in 1976 four CDC-related firms were on the list.


16. CCED "Newsletter," *op. cit.*, February, 1976, p. 11
17. Excerpted from the April, 1976 MOC proposal to DCA for funding.

18. Lorenz, Mary Helen, "Criteria and Methodology to Select Target Industries," CDC of Boston, 1976, memo.