

ORIGINAL

THE NEIGHBORHOOD DEVELOPMENT DEMONSTRATION PROGRAM

An Analysis of Applications

Office of Policy Development and Research
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Table of Contents

	<u>Page</u>
1 Summary	1
2 Introduction	3
3 Demonstration Design	4
4 Data Base	5
5 Neighborhood Characteristics	6
6 Organization Characteristics	7
7 NDO Budgets	9
8 Demonstration Projects	10
9 Footnote	13
10 Tables	16

NEIGHBORHOOD DEVELOPMENT DEMONSTRATION

SUMMARY

The objectives of the Neighborhood Development Demonstration are to assist Neighborhood Development Organizations in becoming more self-sufficient and in establishing new working relationships with the private sector to achieve tangible neighborhood improvements. The program attempts to accomplish these goals primarily through the following requirements:

- (1) NDOs must raise local matching funds before receiving any of the Federal grant.
- (2) The local match must be in the form of monetary contributions from private sources within the neighborhood.
- (3) A majority of NDO governing board members must reside in the neighborhood.

Of the 282 applications received, 40% were found ineligible primarily because a majority of the governing board were not neighborhood residents. Of those eligible, 128 received a sufficiently high score to be read by at the least two reviewers, and they formed the data source for this report. Ultimately 44 organizations were selected for award. The characteristics of the applicant organizations and their neighborhoods are similar to those found in other studies of NDOs. ^{13/} The Northeast is disproportionately represented among both the applicants and the winners, and many of the neighborhoods have a black or Hispanic majority.

Requiring a local match represents a departure from prior neighborhood improvement initiatives that had only encouraged NDOs to seek out other public and private resources. The applicants, including the eventual winners, revealed some confusion and uncertainty concerning the fundraising requirement. Some NDOs did not provide any information as to how they proposed to raise the local match. Others did, but also included revenue sources that were clearly ineligible, such as grants from national foundations or bank loans. The first quarterly report from the grantees will offer early evidence of the effect of this requirement on the ability of NDOs to raise funds within their self defined neighborhood boundaries.

NDOs were encouraged to develop public-private partnerships to increase local private sector involvement in their development activities. While this was neither an eligibility factor nor a specific requirement, Demonstration guidelines clearly envisioned strong NDO/private sector working relationships as a means for NDOs to establish a long term resource base in the community. Most of the applicants, however, payed little attention to this aspect.

Local governments, which had to approve the proposals, were not directly involved in most of the projects. It remains for the evaluation to determine if this issue was merely overlooked in the proposals, and if not, why NDOs are not developing working relationships with their local governments.

All applicants had a record of accomplishment in their communities in the kinds of activities eligible for support under the Demonstration. Demonstration projects could be an addition to an ongoing project or a new independent effort. NDOs were afforded broad leeway to focus on economic development, social services, or other neighborhood projects. They were not limited to "brick and mortar" projects. Most NDOs however, proposed to continue doing what they had been doing, with housing, especially rehabilitation, the major focus of activity.

The assessment of the project's impact on the neighborhood will be complicated by several factors. First is the inability to separate, in many cases, the specific demonstration project from other NDO efforts. Secondly, these activities often take a long time to implement. Although the fund-raising portion of the demonstration is 12 months, the development projects will generally take considerably longer to complete except perhaps in the few instances where the fundraising has been assured up front. Otherwise, organizing and carrying out fundraising efforts will necessarily dominate during the first year.

INTRODUCTION

Background

Over the past decade, neighborhood groups have evolved from essentially local activist and advocacy groups to more prominent instruments for development and change in their communities. During this period, these Neighborhood Development Organizations (NDOs), as they have come to be known, have expanded their technical and managerial expertise and learned to work in close partnership with local public officials and the private sector. ^{1/} They have thus gained greater legitimacy as "mediating institutions," operating between individuals and governments, helping neighborhood residents to take the lead in identifying ways to improve their daily lives, and working with local government and other public and private organizations to implement specific programs. ^{2/}

The primary stimulus for these changes was the increasing recognition by indigenous groups that they could have a substantial impact on the development and stabilization of their neighborhoods by working with the local private and public sectors in tripartite partnerships. Local Neighborhood Housing Services programs, developed and promoted by the Federally-funded Neighborhood Reinvestment Corporation, have this partnership model at their heart. Other forms of the same basic partnership strategy have been supported by local governments using Community Development Block Grant Funds to assist community-based partnership in the development process.

HUD directly supported the development activities of neighborhood groups under the Neighborhood Self-Help Development (NSHD) program during 1979-81. The participants in that program were relatively sophisticated organizations that received direct grants from HUD for approved housing or economic development projects ^{3/}. The Neighborhood Development Demonstration (NDD) program, authorized by the Housing and Urban Rural Recovery Act of 1983, takes the self-help concept one step further. It also provides direct grants, but on a local matching basis. NDOs are required to raise at least 14% and up to 50% of the demonstration project costs from within their neighborhoods prior to receiving the Federal match, which cannot exceed \$50,000. The intent of the NDD is to provide direct support not just to achieve the objectives of a particular project, but to serve as a catalyst for expanded local self-sufficiency. Requiring that local resources be the motivating force to carry out improvement activities places the primary responsibility and accountability for establishing priorities and implementing projects at the local level. This is a substantial departure from the normal Federal-local relationship in direct grant programs.

This report is the first in a continuing assessment of the Neighborhood Development Demonstration. It provides baseline information and serves as a resource document for the demonstration program managers, the evaluation contractor and other interested parties. It also provides a basis for developing a sampling plan and research design for the field-based evaluation which will be

carried out concurrently with the demonstration. The analyses in this report are based on data obtained from the applications for the Demonstration. They present a broad descriptive overview of the types of neighborhood organizations that applied, their proposed project activities, and the means through which they anticipate raising their share of project funds. In addition, analyses of basic neighborhood characteristics are presented. The field evaluation is expected to begin in late 1985 and continue through March 1987, when the final report is due to Congress.

Demonstration Design

The Demonstration is intended to support the activities of neighborhood based organizations that are representative of their neighborhood constituencies, have been active in serving their community in the past, and have a potential base of financial support within the neighborhood. The most important aspects of the Legislative language and demonstration regulations relate to the eligibility of the neighborhood organizations and the requirement for raising local matching funds. It is through these criteria that the primary goals of supporting indigenous and experienced neighborhood groups and of encouraging and enhancing self-sufficiency are expected to be achieved.

The definition of the neighborhood, which was left to the applicants to specify, was critical to the establishment of eligibility and, ultimately, to the potential success of the NDO in raising the requisite matching funds. The NDOs had to be organized as private, nonprofit corporations under State law with at least three years experience conducting one or more of the eligible neighborhood activities. Applicants had to document that they had been actively serving low and moderate income residents and that a majority of the members of the governing board are residents of the neighborhood. Perhaps the most significant implication of the neighborhood definition relates to the raising of local funds. Only those funds raised from residents, businesses or non-profit organizations located within the neighborhood boundaries qualify for the Federal matching grant. NDOs thus had an incentive to expand the neighborhood boundaries to capture a larger potential resource base. On the other hand, they could not define an area so large as to discredit their claim of having served its residents in the past.

Demonstration funds may be used to develop or carry out almost any kind of development or service delivery activity that will benefit the neighborhood. The legislation and the NOFA (Notice of Fund Availability) identify several categories such as housing, job creation, local business development, social services, and other voluntary efforts that will serve to improve the neighborhood. The activity can stand alone or form part of a larger NDO program begun before and extending beyond this demonstration. NDOs are free to implement an almost open-ended range of projects so long as they serve the neighborhood and include a working relationship with the local private sector.

Neighborhood organizations have 12 months to generate their local share of project funds, but the actual project activities may continue beyond this time. The HUD matching grant will be paid quarterly based on the amount already raised. NDOs could theoretically raise all of their local matching funds during the first quarter and thus receive their total Federal grant all at once.

NDOs can, of course, include additional revenues and other resources from any source to implement the demonstration project. Matching grants up to \$50,000 are available on a ratio of from 1:1 to 6:1 Federal to local dollars, depending on the size of the neighborhood and its economic circumstances. The higher ratios are available to small neighborhoods and those with higher levels of poverty. Final amounts and ratios were determined during grant agreement negotiations.

The legislation requires reports to Congress at the end of each fiscal year during which grant payments are made to the participating NDOs. The first report is due to Congress at the end of 1985. It will permit an early assessment of how well NDOs are implementing their projects and meeting the fund-raising requirements. A final evaluation report, due to Congress six months after all federal funds have been paid will summarize and assess the Demonstration and make recommendations for future legislation.

Applications Received and Data Base

The NOFA that was published in August 1984 elicited tremendous interest from neighborhood organizations, local governments and other public and non-profit groups. Over 1,200 application packages were requested from around the country, and 282 applications were submitted. ^{4/} In terms of their relative populations, the Northeast and, to a lesser extent, the Midwest were over-represented among the applicants at the expense of the South. (Table 1). The dominant representation of the Northeast among the applicants may be explained by two factors stemming from the program eligibility criteria. The requirement that NDOs have at least a 3-year track record in the neighborhood is more easily satisfied by cities in these older more urban regions where neighborhood organizations have established traditions. ^{5/} Cities in the South and Southwest, which tend to be newer growth areas, do not have the neighborhood traditions or organizations found in the older regions of the country. A second factor is the demonstration requirement regarding economic distress, which mirrors those of the Urban Development Action Grant (UDAG) program. As a result, cities like Houston, Dallas, Phoenix and San Diego-- all among the top ten in population-- were ineligible except for a few designated "pockets of poverty." ^{6/}

Before being subjected to a thorough substantive review, the 282 applications were reviewed for eligibility. A number of applicants were found ineligible because they either failed to meet the UDAG distress criteria or the NDOs failed the 3-year rule. (Table 2). But, by far, the most frequent cause of ineligibility resulted from the legislative requirement that at least 51% of the NDO governing board be residents of the neighborhood. Reviewers compared neighborhood maps against the names and addresses of the governing board members included in the application. Seventy five of the applicants were

found ineligible for this reason. Over 30% of those from the West, almost all from California, were found ineligible because of the residency requirements. 7/ All told, 40% of the 282 applications submitted were found ineligible for further consideration.

The remaining 170 eligible applications were scored by HUD field staff and forwarded to Headquarters for final evaluation. Because each Region was allotted a certain number of applications to send forward, several applications with relatively low scores were kept in the competition. The 128 finalists received at least two readings, one in the field and one in Headquarters. Where scores based on two reviews were close, there was also a third reading in Headquarters.

A total of 68 cities accounted for the 128 applications. Cities of 500,000 or more in population submitted over 40% of the applications (Table 3). New York had 15, Philadelphia 11, and Chicago 7. The large Southwestern cities contributed 3 to the 128. At the opposite end, cities under 50,000 submitted only 11% of the applications, with the largest proportion coming from the South.

The analyses in this report are based on data gleaned from the applications of the 128 finalists. Information is presented on all 128 NDOs, and some comparisons are made between the 44 winners and the 84 losers. The data collection process introduced two potential problems. First, many of the applications were missing information, leaving gaps in the analysis. Second, various reviewers completed the data gathering form, not always using the same judgement. Nevertheless, the applications contained useful information about the NDOs, their neighborhoods, proposed projects and preliminary fund-raising ideas that are elaborated upon below.

NDD APPLICANTS

Neighborhood Characteristics

Applicants were free to define their neighborhood boundaries using census tracts or whatever other physical delineations were appropriate. The Demonstration criteria did not specify a minimum or maximum neighborhood size, which resulted in an enormous range among the applicants. Of the 128 eligible applicants, several consisted of one census tract under 1,000 population, while others included 35 tracts containing over 100,000 people. The median neighborhood population was 45,000, but the arithmetic mean of 28,000 indicates the vast differences among the applicants and the difficulty of attempting to unambiguously define "neighborhood" for this Demonstration. Over three-fourths of the neighborhoods constitute less than 10% of their cities' population. As would be expected, many of the bigger neighborhoods were in New York, Los Angeles and other large cities, but several were also in medium sized cities such as Oakland.

Within this wide range of neighborhood sizes, there were several regional variations. Neighborhoods in the Western states tended to be larger both in population and physical size, an indication perhaps of their more spread out growth patterns as compared to the older, more compact Eastern cities. (Table 4). The South had more applicants from smaller cities and rural areas; stretching the eligibility criteria to the limit, the South was represented by several "neighborhoods" that encompassed an entire city or a number of small adjacent cities.

The concentration of ethnic and racial minorities in urban areas, especially in the older Northeastern and Midwestern cities, is evident in any analysis of population movements over the past several decades. Among the NDD applicants, however, these regional differences are not that clear. In fact, the Northeast has the smallest proportion of black and Hispanic majority neighborhoods, and the largest number of neighborhoods without a dominant ethnic group. (Table 5). The Midwestern applicants were primarily black and white majority neighborhoods, while those from the South (which extends as far as New Mexico) included roughly equal proportions of black majority neighborhoods (from the Southeast), Hispanic majority neighborhoods (from the Southwest), and white neighborhoods. Proportionately more of the predominantly minority neighborhoods were selected for the Demonstration, but the difference between winners and losers was not great.

In addition to being located in cities that met the UDAG distress criteria, the neighborhoods themselves had to have a high incidence of economic distress. An index (ranging from 0 to 15) of neighborhood economic conditions was constructed from 1980 census data on unemployment and family income. ^{8/} There were wide variations among the applicants. (Table 6). Six, but none of the winners, had very low levels of unemployment and family poverty. Over 80% of the winners had index scores of 7.5 or 10, indicating relatively high rates of poverty and unemployment. The Northeastern and Midwestern neighborhoods had significantly higher incidences of distress than the South and West. (Table 7).

Organization Characteristics

The number and variety of NDOs that applied to the NDD reflected the diversity of their neighborhoods. Some are large, multipurpose organizations with years of project experience and large budgets obtained from a variety of public and private sources. Others are small organizations with some basic grassroots, organizing background that depend mainly upon volunteer help or, at best, part time paid staff. They may have received small grants from local government or a foundation, but their activities and accomplishments are of a service rather than a development nature.

Three general organizational characteristics--staff size, age of the NDO, and governing board membership--were examined to provide a general profile of the organization that applied for the demonstration. 9/ The importance of key staff, especially a capable executive director, was noted in the earlier NSHD evaluation. 10/ Almost all NDOs in the sample reported having full-time paid staff, with the median number being four. (Table 8). Twenty percent reported staff size greater than 10, but in some cases, the large number of paid staff reported suggests that non-paid volunteers may have been included in the total. The applicants provided little information on staff skills and background. The most common configuration was a three-person staff that included an executive director with several years of general experience, a rehab or construction specialist, and a bookkeeper/secretary.

Evidence that the last decade was an active time for NDO formation can be seen in the figures for year of incorporation. Over two-thirds of the NDOs were formed since 1975. On the other hand, only 12.5% were incorporated during the "activist" 1960's. More recently formed NDOs tend to have significantly smaller staffs. Over 53% of those formed within the past 6 years have staff sizes of 3 or less; this compares with 30% of NDOs that are 10 or more years old. Conversely, only 5% of the younger NDOs had staffs of 10 or more, compared to 30% of the older organizations. Winners were only slightly more likely to have larger staffs.

In small organizations, governing board members often assume important roles. Among other things, they can provide NDOs with increased access to outside funding and expertise in banking, real estate, law and other areas which organizations representing lower-income neighborhoods require for successful development projects. These members, however, often represent potential domination by forces outside the neighborhood and thus beyond neighborhood control. The NDD requirement that more than half the board be neighborhood residents reflects a trade-off between neighborhood control on the one hand and access to resources and legitimacy with external organizations on the other. Given the strict local fundraising requirements of the NDD, it will be important to document the role of board members, especially resident members, in the fundraising process to determine how the supposed advantage of having strong local control affects fundraising.

The 51% residency requirement was the single largest reason for applicants being judged ineligible. Many of the ineligible NDOs had a majority of board members who were public officials, city-wide business people, or professional leaders. Among the 128 finalists, which by definition satisfied the requirement,

the median neighborhood representation on the governing board was 66%. For 17%, the board was composed entirely of neighborhood residents. There was little difference between winners and losers, although those NDOs whose boards contained less than 60% neighborhood residents were twice as likely not to be selected.

NDO Budgets

Another indication of the diverse nature of the NDO finalist can be seen from an examination of the size of their budgets. (Table 9). Although the median budget was just under \$400,000, over 45% reported budgets of \$100,00 or less, and another 15% had budgets over \$500,000. ^{11/} For most of the NDOs reporting larger budgets, the demonstration was part of a more comprehensive project.

Although there may have been some confusion on the part of some NDOs, with some reporting total organizational budgets, and others only the demonstration budget, the data are in line with previously reported budget figures contained in the applicants IRS Form 990 for the previous years. Form 990 is what 501(c)(3) non-profit corporations (the NDOs) use to report their income and expenditures to the IRS each year. For both 1982 and 1983, 42% of the applicants reported budgets of \$100,000 or less and the median was roughly similar to the demonstration figure.

There appear to be significant differences between the budgets of winners and losers. The difference in the median demonstration budget is approximately 35%. For the previous two years, the differences are even greater, although these figures are based upon fewer applications. There is also a 20 to 30% difference between the number of winners and losers with smaller budgets. Winners consistently report larger budgets for all three reporting years.

Overall, however, the NDOs appear to be quite modest, with budgets of \$400,000, which includes the demonstration, and staffs of 4 for organizations with an average age of 7.9 years. The winners' larger budgets were not reflected in a larger staff.

To date, NDOs have depended upon public funds for the largest share of their budgets. For the years 1982 and 1983, the Form 990 shows a decidedly higher ratio of government to private revenue. The ratio for winners and losers followed the same patterns, but winners' total revenues were greater. Yet, it was evident that some of the public sector revenue was not listed or was undercounted. Many neighborhood organizations receive CDBG funds in various ways through their state and local governments, as loans, grants, some form of in-kind aid or services, which were defined in several ways. None of these funds or resources are eligible for the NDO local match, nor are the foundation or corporation grants that made up a good part of the non-governmental revenue sources identified for the previous years. This would appear to indicate a need for many NDOs to significantly reorient their revenue raising operations for the demonstration.

Raising funds from non-governmental sources is not a new activity for most NDOs. Asked to indicate if they had prior experience in raising funds from the private sector, almost 90% of the NDOs said they had. Form 990 offers some evidence though that definition of private includes gifts, grants or other monetary contributions from any non-governmental source, and is not precise as to location of the funding source. As seen in Table 10, the amounts are not large, but they are close to what would be required for the NDO. One clear distinction between winners and losers was in their 1983 fundraising experiences. Winners raised a median of over \$70,000 compared to \$26,000 for losers. But, because the "geography" of the source of private contributions is so central, these prior year experiences may not have much significance.

DEMONSTRATION PROJECTS

Proposed Activities

The Demonstration allows NDOs to undertake almost any kind of improvement activity. NDOs could, therefore, tailor their projects to those in which they have the most experience and skills and which have the most appeal to neighborhood interests, provided that the beneficiaries are low and moderate income neighborhood residents. The NOFA listed several categories of eligible activities such as housing, economic development and social services, but left the definition fairly broad. NDOs could expand existing projects or select new ones for the demonstration.

Although there was a decrease from prior years' activities, NDOs selected housing rehabilitation, by a frequency of more than 2 to 1, over any of the other categories. (Table 11). Including new construction and management makes it clear that the housing stock is the overwhelming concern of the applicants. Job creation is often an added reason for a housing focus. Several applicants proposed to employ or train neighborhood residents in housing construction skills as part of the demonstration. Other proposed projects also blended economic development, job creation and community facilities improvements. Proposals also included the rehabilitation of commercial buildings and store-fronts and the construction of an addition to a health care facility using local resident labor.

There were a number of local business development proposals, including small business incubators and business expansion and relocation projects. Some appeared to involve cost-sharing features as a way to get local businesses involved in partnerships. Voluntary improvements such as neighborhood clean-up and beautification projects and social services included a broad spectrum of activities that generally relied heavily on neighborhood resident volunteers and had lower budgets. (Table 12).

Only four NDOs were found to significantly shift the emphasis of their activities for the Demonstration from what they had been doing in the past. The delivery of what are traditionally city services was seldom mentioned, although some proposed activities fall into this category. Several applicants proposed trash removal, boarding up vacant houses and other clean-up programs to improve the neighborhood's appearance.

Applicants were requested to discuss the participation of other local public and private entities as part of meeting the Demonstration objective of fostering public-private partnerships. The applicants did not attach importance to this goal in their proposals. The information they provided was rarely clear about the type or extent of actual participation by other local groups.

There were not many actual joint projects or "working partnerships" in which both groups agree to a defined role or a division of labor. This was true whether the partner was the local government, the private sector, or other nonprofit neighborhood groups. Local government was the most often cited "partner." (Table 13). Its proposed involvement primarily included providing information about regulations and requirements, but some proposals mentioned technical assistance and additional funding as a local government contribution. There were no notable differences between winners and losers along any of the project activity dimensions.

Fundraising

To encourage greater local self-sufficiency, the Neighborhood Development Demonstration provides an incentive matching grant after local funds are raised. Both the legislation and the NOFA were clear in requiring the local match to come from individuals, businesses, and other nonprofit organizations in the neighborhood. Thus NDOs must demonstrate support for their projects within the neighborhood prior to receiving Federal funds. Despite the clear language in the Demonstration guidelines, a number of applicants misunderstood or simply ignored the requirements for raising the local match. Some proposed to raise funds city wide or beyond as they had in prior years. Others were not specific concerning the locale of their fundraising plans, and several applicants included in-kind donations or services, bank loans, and other resources that are ineligible under NDD matching rules.

Those applicants that included specific fund-raising plans relied on traditional techniques used by small non-profit groups--games, raffles, dinners, fairs and direct solicitations. (Table 14). These activities are labor intensive, raise relatively small amounts, and involve costs of their own, although the Federal match is based on gross rather than net revenues. Several NDOs planned to begin levying membership fees which can provide a continuing base of local support. Most of the other sources are

one-time events that would have to be planned and carried out anew each time. Because these funds have to be raised after the beginning date of the demonstration, but before the Federal match can be received, the NDOs will immediately have to devote considerable effort to fundraising, perhaps at the expense of getting the project underway.

Matching Ratios

As noted previously, the matching ratio was based on the economic distress or housing index for the applicant's neighborhood; the higher the level of poverty and unemployment, or the smaller number of housing units, the greater the matching ratio. Applicants requested a ratio based on the amount of funds they thought they could raise in the neighborhood. The ratio was accepted if it was no higher than the one HUD independently calculated for each of the applicants. There were some initial differences because many neighborhood boundaries were not precisely defined, leading to confusion over what census tracts the neighborhood encompassed.

The selection criteria for the Demonstration contained an incentive feature to encourage applicants to request less than the maximum Federal matching ratio. ^{12/} Irrespective of the match to which the applicant was entitled by the economic distress formula, 10 bonus points were added to the application's score if a 1:1 match was requested. Those requesting a 6:1 match received no bonus points.

It is not surprising then that almost half of the sample initially requested a 1:1 federal-local match and only 4.6% asked for the maximum 6:1. (Table 15). Similarly, 39% of the applicants were eligible for a ratio of 5 Federal dollars for each local dollar, but only 8.6% requested this ratio. At the same time, over one-third of the NDOs said they would raise the maximum local match of \$50,000. As one would expect given the selection criteria, winners were more likely to ask for a lower ratio and propose to raise more local funds, but the differences between winners and losers were not large.

During grant agreement negotiations, several of the grantees requested and received increases in the matching ratio they had proposed. The selected applicants thus received the bonus points for requesting a relatively low match, but later obtained the maximum Federal-local ratio for which they were eligible after determining that they would be unable to raise the initially proposed match. This, at least, partly negated the effect of the incentive to request the lower match. Because the maximum dollar amount of the Federal grant is fixed, this reduction in the local match could reduce the scale of the proposed demonstration projects unless the grantee obtains other funds from outside the neighborhood.

FOOTNOTES

1. Three recent reports document this transformation of NDOs from an essentially advocacy orientation to a focus on development in cooperation or partnership with local government and the private sector.
 - a. Mayer, Neil S. and J. Blake, Keys to the Growth of Neighborhood Development Organization's, The Urban Institute, 1981. Chapter 3.
 - b. McDonough, Bond and Associates, Neighborhood Fiscal Empowerment Analytic Paper, P. H-10-82, February 1983. Introduction presents a overview of NDOs recent efforts to develop secure sources of income to insure autonomy.
 - c. Cohen, Rick, and M. Kohler, NDOs after the Federal Funding Cutbacks: Current Conditions and Future Directions. Paper prepared for PDR February, 1983. Cohen conducted a mail survey of 75 NDOs drawn from the lists of several previous neighborhood initiatives such as the NSHD the Inner City Ventures Fund of the National Trust and a New York State program. See especially Chapter 4.
2. Novak, Michael, "Mediating institutions: the communitarian individual in America." The Public Interest, Summer, 1982 pp. 3-20. Novak's thesis is that in any society there are many entities besides the state. Because these entities mediate between the individual and the state, and mitigate the vulnerability of individuals left to themselves, such entities have come to be known as "mediating" or "mitigating" institutions. As examples he lists churches, schools, unions, fraternal, neighborhood organizations and other voluntary associations.
3. Mayer, Neil S., Neighborhood Organizations and Community Development. The Urban Institute, 1984. Chapter 1 of this evaluation of the Neighborhood Self-Help Demonstration makes this point. The NSHD required no local match, but the federal grant was expected to attract other resources-public and private.
4. No follow-up was made to determine why the more than 900 groups that requested an application, did not apply. Many requests were from individuals and organizations, such as local governments, that were not directly eligible, but most were from NDOs.
5. In the NSHD evaluation, the 99 NDOs studied included 50 from the Northeast. The NSHD also stressed similar local development activities by established NDOs. On the other hand, in the more recent Neighborhood Service Delivery

Demonstration which channelled grants through cities to neighborhoods, smaller cities and cities from the South were more prominent. (See Ahlbrandt. Roger S. Jr. and Howard Sumka, "Neighborhood Organizations and the Coproduction of Public Services.")

6. See Section III of the NOFA for both NDO and city/county eligibility requirements, each of which has three specific factors that target older, poorer cities and established neighborhood organizations.
7. The NOFA may have caused some confusion on the part of applicants. Under Section III, Eligibility, an NDO requirement was that the governing body be composed of "51 percent neighborhood residents which is responsible to the neighborhood it serves." Yet later in Section IV under application requirements, the applicant had to identify governing body members, "to indicate those residing or conducting business in the neighborhood"--. Only actual residency in the neighborhood was used to establish eligibility.
8. Two factors made up the distress index; % of neighborhood residents below poverty and % unemployment. The resulting Distress Index was used to award points on one of the scoring factors and also to determine the federal-local matching ratio. The legislation also provided for the matching ratio to be determined on the basis of the number of households, with the smallest number eligible for a higher match. In practice, this factor did not prevail over the distress factor in most instances.

<u>Poverty</u>				<u>Unemployment</u>		<u>D.I.</u>	<u>Match</u>
75	-	100%	15 Points	GT	10% = 15 points	12.5	6-1
50	-	74%	10 "	8-9%	= 10 "	10	5-1
25	-	49%	5 "	6-7	= 5 "	7.5	4-1
0	-	24%	0 "	0-5	= 0 "	2.5	2-1
						0	1-1

The total was then divided by 2 which means a maximum distress factor of 15. However, no NDOs registered above the 75% poverty level.

9. A number of NDOs did not include exact numbers for all these variables so some numbers and dates had to be inferred or interpreted. For example, from examining incorporation documents, it was clear that several NDOs had undergone name changes over the years which also included changes in their powers and programs, but nonetheless, they represent an unbroken presence in the neighborhood.
10. Mayer Neighborhood Organization and Community Development, op. cit. p. 146.
11. Ibid, page 38. This compares with the 23% of the NDOs in the NSHD that reported budgets of \$100,000 or less and 28% that had budgets over \$500,000.

12. See Federal Register Section II for a discussion of this incentive. This scoring feature was an OMB inspired amendment to the draft NOFA to emphasize the demonstration objective of encouraging greater local self-sufficiency. It works as follows:
 - The % poverty and % unemployment was calculated for each applicant
 - The two percentages were averaged
 - 0-10 points were distributed as per Footnote 7 above as the last Factor for Award
13. Cohen and Kohler, op. cit. pp 1-24.

TABLE I

Application Review and Selection Process

	Proportion U.S. Pop.	Requests for Applications	Applications Received	Found Eligible	Finalists	Winners
Northeast (Regions 1-3 and Puerto Rico)	27.6	44.9	42.5	43.5	43.7	38.6
South (Regions 4, 6)	27.9	17.0	13.8	14.1	17.2	13.6
Midwest (Regions 5, 7)	25.8	24.7	30.1	32.4	28.1	31.8
West (Regions 8-10)	18.7	13.4	13.4	9.4	11.0	15.9
	100%	100%	100%	100%	100%	100%
	N =	1203	282	170	128	44

TABLE 2

Reasons For Applicant Ineligibility

<u>Reason for Ineligibility</u>	<u>No. Applications</u>
1. Not Incorporated	2
2. Does not meet UDAG requirements	12
3. Not operational for 3 years	19
4. Governing board not 51% residents	75
5. Ineligible activities	2
6. Other	<u>2</u>
TOTAL	112

TABLE - 3

Finalists City Size By Region and Winner and Losers

<u>Size of City</u>	Total	Northeast	South	Midwest	West	Winners	Losers
Lt 50,000	10.9	10.7	27.2	5.6	0	2.3	15.5
50-250,000	20.3	21.4	36.4	8.3	21.4	25.0	17.8
250-500,000	26.6	10.7	31.8	41.7	42.9	40.9	19.0
Gt 500,000	42.2	57.1	4.5	44.4	35.7	31.8	47.6
	100%	100%	100%	100%	100%	100%	100%
	N = 128					N=44	N=84

TABLE 4

Neighborhood Size By Region

<u>Neighborhood Size</u>	Total	Northeast	South	Midwest	West
Lt - 5,000	14.1	12.5	27.2	13.9	0
5 - 20,000	41.4	42.8	40.9	44.4	28.6
20 - 40,000	24.2	23.2	18.2	27.8	28.6
Gt - 40,000	20.3	21.4	13.6	13.9	42.9
	100%	100%	100%	100%	100%
Median	45,617				
Mean	27,803				
	N = 128				

TABLE 5

Neighborhoods With Majority Racial/Ethnic
Group by Region^{1/}

<u>Racial/Ethnic Group</u>	Winners	Losers	Northeast	South	Midwest	West	Total
Black	34.1	32.1	25.0	41.0	47.2	141.4	32.2
Hispani	12.1	11.9	12.5	27.2	2.7	28.8	14.1
White (Not Hispanic)	32.3	40.6	41.1	31.8	47.2	35.2	40.6
Mixed ^{2/}	15.4	9.4	21.4	0	2.7	21.6	12.5
	100%	100%	100%	100%	100%	100%	100%
	N=44	N=84					N= 128

1. Asians do not constitute more than 25% of any neighborhood.
2. No group more than 50%.

TABLE 6

DISTRESS FACTORS*

Distress Factor	Finalists	Winners	Losers
12.5	6.5	2.3	10.7
10	39.3	47.7	31.0
7.5	30.1	34.1	26.2
5	9.3	9.1	9.5
2.5	11.2	6.8	15.5
0	3.6	0	7.1

* Based on 1980 census data for family income and unemployment. The maximum possible score was 15 points. See footnote 7.

TABLE 7
Neighborhood Distress Factor By Region

<u>Distress Factor</u>	<u>Northeast</u>	<u>South</u>	<u>Midwest</u>	<u>West</u>
High (10 or more)	51.8	18.2	58.3	21.5
Low (5 or less)	14.3	27.2	22.2	28.5

TABLE 8
NDO Characteristics

8-A		8-C	
<u>Staff Size</u>	<u>%</u>	<u>Years Inc./Saff Size</u>	
		<u>3 or less</u>	<u>10 or more</u>
3 or less	34.8		
4 to 9	38.2	53.6%	5%
10 or more	14.6	30%	30%
Median	4		
8-B		8-D	
<u>Years Incorporated</u>	<u>%</u>	<u>Governing Board</u>	
<u>Years</u>	<u>%</u>		<u>%</u>
0 - 2	3.1	Median Neighborhood Resident	66.1%
3 - 6	37.5	100% Neigh. Residents	17.2%
7 - 10	28.1	51-60% Neigh. Residents	15.6%
11 - 15	14.8	Median Size of Gov. Board	14.7%
Over 15	12.5		
Median	7.9		

Table 9
NDO Budgets

<u>Demo Budget</u>	<u>Finalists</u>	<u>Winners</u>	<u>Losers</u>
\$100,000 in less GT \$500,000	45.3% 15.6% N = 128	31.8% 20.9% N = 44	52.4% 13.1% N = 84
MEDIAN	\$398,042	\$478,223	\$357,807
<u>1983 Form 990</u>			
\$100,000 or less GT \$500,000	42.8% 11.9% N = 84	30.0% 23.3% N = 30	50.6% 5.6% N = 54
MEDIAN	\$320,420	\$529,771	\$222,385
<u>1982-Form 990</u>			
\$100,000 or less GT \$500,000	42.6% 18.0% N = 75	20.7% 31.0% N = 29	56.5% 8.7% N = 46
MEDIAN	\$272,047	\$472,443	\$193,104
	N = 75	N = 29	N = 46

Table 10
Prior Fundraising (Median \$)

<u>Year/Source</u>	<u>Finalists</u>	<u>Winners</u>	<u>Losers</u>
<u>1983 (Form 990)</u>			
Private Sector	\$39,263	\$76,790	\$26,382
Government	\$93,991	\$151,829	\$72,887
	N = 84	N = 30	N = 54
<u>1982 (Form 990)</u>			
Private Sector	\$34,901	\$37,282	\$34,068
Government	\$94,408	\$157,237	\$69,439
	N = 75	N = 29	N = 46

NDO Project Activities

	Demonstration	Prior Years
Housing Rehab	58.6%	71.1%
Housing Construction	18.8%	21.9%
Housing Management	9.4%	18.0%
Economic Development	32.8%	35.9%
Social Services	26.6%	46.9%
Jobs	25.0%	34.4%
Voluntary Improvements	21.9%	31.7%

* NDOs selected more than one activity area, thus totals do not equal 100%.

Table 12

NDO Proposed Projects By Size of Budget

<u>Projects</u>	<u>Budgets</u>	
	<u>Lt \$100,000</u>	<u>GT \$500,000</u>
Housing Rehab	47.9%	55.6%
Housing Construction	8.3%	55.6%
Social Services	42.7%	11.1%
Voluntary Improvements	43.2%	22.2%

Table 13

Other Local Groups Involved in Demonstration

<u>Groups</u>	<u>Winners</u>	<u>Losers</u>
Local Government	50.0%	32.1%
Neighborhood Business	45.5%	45.2%
Other Neighborhood Non-profits	15.9%	27.4%
Other Private Sector	38.6%	27.4%

Table 14
Projected Sources of Local Match - %

Source of Match	Finalists	Winners	Losers
	Individuals	51.6%	61.4%
Businesses	77.3%	88.6%	71.4%
Events/Activities	51.6%	43.2%	56.0%

Table 15
 Eligible Versus Requested Matching Ratio
 % of Applicants

Ratio	Finalists		Winners		Losers	
	<u>E</u>	<u>R</u>	<u>E</u>	<u>R</u>	<u>E</u>	<u>R</u>
6 - 1	6.5	4.5	2.3	0	10.7	7.2
5 - 1	39.5	8.6	17.7	6.8	31.0	9.5
4 - 1	30.1	3.1	34.1	2.3	26.6	3.6
3 - 1	9.3	13.2	9.1	9.1	9.5	15.6
2 - 1	11.2	23.4	6.8	25.0	15.5	21.4
1 - 1	3.6	46.8	0	54.5	7.1	42.9

100% 100% 100% 100% 100% 100%
 N = 128 N= 44 N= 88

