A Gathering of Resolve

Exactly how far The Cleveland Foundation’s thinking about needs of the neighborhoods had evolved since the thirties could be determined from the appearance of another unusual grant request on the June 1987 docket. In addition to the previously discussed grant to Scholarship in Escrow, the Foundation had been asked to provide approximately 10 percent of the financing needed to begin Phase II construction at Lexington Village in Hough. Surprisingly, Lexington Village was not a public housing project. Rather, it was the first market-rate rental property to be built in 50 years in Hough.

In the mid-sixties Hough, a black East Side neighborhood, had been the scene of notorious riots. Yet in the early eighties the Foundation had helped to build—near the very intersection where the rioting had broken out—183 stylish new town houses, which rented for monthly rates attractive to young professionals, small families, and retirees. The well-secured complex had been named, optimistically, Lexington Village, in keeping with the fact that a large part of the Foundation’s rationale for involvement had been propagandistic: to make the point to nonbelievers in the private and public sectors that, given the appropriate security and right amenities, middle-class blacks and whites could be persuaded to live in the city—even in one of its most devastated neighborhoods.

The idea for the complex had originated with a not-for-profit organization called the Famicos Foundation. A former Catholic charity that sprang from the ashes of the 1966 conflagration in Hough, the organization had eventually moved beyond its early mission of providing riot-torn families with food and clothing. In the last years of the decade
Famicos launched a program of rehabilitating substandard housing for lease-purchase by those too poor to flee. More than 40,000 residents had left by the time Famicos approached the Foundation in the early eighties with plans for Lexington Village, and Hough was now a ghost town of 25,000 souls, the majority of whom lived at or below the poverty line. Having concluded that in 20 years the organization would be rehabilitating houses for the second time if it did not do something to improve the economic stability of the neighborhood, Famicos director Robert Wolf had informed the Foundation that he wanted to build rental property for predominantly middle-class families on land that Famicos had assembled at the corner of East 79th Street and Lexington Avenue.

Because no private developer was willing to invest in such an impoverished neighborhood, the Foundation had accepted responsibility for arranging the necessary financing. Steve Minter, then program officer for civic affairs, had spent two years helping to line up the required $14.1 million, which was painstakingly assembled from 27 public and private sources. (The Foundation had also made its own program-related investment of $800,000, which was its second PRI ever and the first in the arena of housing).

As of the summer of 1987, the Foundation's investment had paid off primarily in intangible terms. Internally Lexington Village had served as an inspiration for other such projects of scale as the Special Initiatives. It had also been a morale builder for the community at large. "There is no way to put a price tag on the actual value of Lexington Village," the mayor of Cleveland, George V. Voinovich, once stated. "In terms of neighborhood vitalization, it is priceless—not only to Hough, but to the entire city." Voinovich's assessment had been validated by the U.S. Department of Housing and Urban Development, which had named Lexington Village one of the country's 10 outstanding urban renewal projects in 1986. Given the development's symbolic value to the neighborhood movement and the past commitment of Foundation assets and staff time, there was little doubt of the Distribution Committee's approving another PRI in the amount of $750,000 to help construct an additional 94 units at Lexington Village now that the first town houses had been leased.

Ironically, the investment had serious internal implications for the Foundation. It posed questions regarding the financing of both the Special Initiatives and the Foundation's new Program-Related Investment
Fund. The PRI Fund was the planned repository of the $7 million in proceeds expected from the sale of the Bulkley complex that was then being negotiated. Establishing policy for the multimillion-dollar fund had opened the program staff's eyes to the tantalizing prospect of tapping into a portion of the Foundation's assets for program-related investments on a systematic basis. Yet, as the summer of 1987 neared, the staff realized that, by making the Lexington Village investment and setting aside the $3.5 million from the Bulkley proceeds that had been earmarked for the Special Initiatives Reserve, the Foundation would reduce its PRI Fund to less than $3 million. When it had become clear that, were an alternative plan for funding the Special Initiatives not developed, the Foundation would be limiting its ability to pursue new opportunities for advancing its objectives through direct investment of its assets, the case for a principal distribution had been further strengthened.

Indeed, the first new opportunity to so advance its neighborhood agenda would present itself six months later. In December 1987 the newly established PRI subcommittee was asked to make a $1 million loan guarantee to Doan Center Incorporated (DCI), a local development corporation seeking to sponsor the construction of a new shopping center on a 20-acre site in Hough near Lexington Village. The guarantee was to be used only on a contingency basis: to buy back land acquired by the shopping center's private developer (with whom DCI had formed a partnership) in the event that leasing became stalled and the project could not go forward. Since a major discount department store had been signed as a tenant of the proposed Midtown Plaza, this scenario seemed unlikely. In any case, the Distribution Committee ultimately decided that the advantages of the project outweighed the risk of the Foundation's ending up the owner of some undeveloped land in what a handful of observers (chief among them, Minter) believed could someday be one of the most desirable locations in Cleveland, only five minutes away from downtown.

Minter's interest in rebuilding Cleveland's East Side neighborhoods went beyond the purely professional. His was a long-standing personal commitment, the depth of which had first been revealed at a staff retreat the fall after he became director. Sitting in front of a blazing hearth at a college inn in Oberlin, Ohio, he had given what became known as "Steve's fireside chat." In this first glimpse of the director's personal
priorities could be found the seeds of the Foundation’s Special Initiative in Housing and Neighborhood Development. Among Minter’s major concerns was the development of “the Euclid corridor” that stretched on both sides of Euclid Avenue between Chester and Carnegie Avenues, from the edge of downtown Cleveland to University Circle (a complex of educational, medical and cultural institutions bordering East 105th Street on the city’s far eastern edge). Although it was the home of the Cleveland Play House and dozens of business enterprises that included several large employers, such as the famed Cleveland Clinic, in most other respects the corridor running through parts of Hough and several other inner-city neighborhoods was a wasteland.

“It was clear that if we didn’t do something about straightening out the area [through which thousands of suburbanites drove each workday on their way downtown], people were going to say that the city hadn’t turned around,” Minter said later in explanation of his thinking in 1984. “You could see that the signs suggested that it was possible—for example, MidTown Corridor Incorporated [an economic development arm of the area’s 200 or so businesses and institutions] had by then come into being. From my vantage point, I felt that the strip had existing strength as an institutional core, so the issue was: Could we do residential? Could we do retail and commercial? We needed to build anchors—that was really my message to the staff.”

One of the earliest actions the Foundation had taken in keeping with this special interest in the area was to award Doan Center Incorporated a $300,000 grant in 1985 to prepare predevelopment plans for a hotel/conference/specialty retail center. Conceived to serve such DCI member institutions as the Cleveland Clinic and University and Mt. Sinai Hospitals located in nearby University Circle, the project had never materialized. But the Foundation’s support had given DCI the technical sophistication it needed to capitalize on a private developer’s casual expression of interest in the corridor between East 107th and East 79th Streets as a possible site for a new family-oriented shopping center. In a parallel development, starting in 1985 the Foundation had made a series of grants totaling nearly $1 million that had allowed MidTown Corridor Incorporated to acquire key parcels of land north and south of Euclid Avenue between East 55th and East 65th Streets for an 18-acre industrial park. In addition to the prospect of someday fattening the city’s de-
clining tax base, the industrial park offered the hope of future jobs for the welfare recipients and unemployed who lived in the area.

By the summer of 1989, when ground was broken for the shopping center at East 79th between Euclid and Chester, only one tenant had yet been found for MidTown Commerce Park to the east, and the private developers to whom the acreage had ultimately been sold were estimating that it would take six years to develop the site (bounded by East 65th and East 55th Streets and Euclid and Carnegie Avenues). On the other hand, Midtown Square (as the shopping center had been renamed) promised to give a more immediate boost to the Foundation’s campaign to rebuild the central city. The retail complex was soon expected to create 495 new full-time jobs, generate more than $250,000 in tax revenues for the city and recapture some of the $350 million that Cleveland residents—long deprived of modern, convenient and reasonably priced places to shop—spent annually in suburban malls. A year later work on this project, too, would slow, however, when the discount chain that had been signed as an anchor tenant declared bankruptcy.

Even as it struggled to pump up redevelopment efforts in Hough to a point where they might achieve critical mass, The Cleveland Foundation recognized that many of the city’s neighborhoods were not as far along the road to recovery. As part of its planning for the Special Initiative in Housing and Neighborhood Development, which began in earnest in the early summer of 1987, the Foundation decided to seek a fresh perspective.

At the June 1987 meeting of the Distribution Committee, at which time a second PRI for Lexington Village was formally approved, the program staff recommended that James Pickman and Associates be hired to help the Foundation reassess its neighborhood strategy. At the time the Foundation was concentrating primarily on efforts to enhance the financial stability, technical expertise and access to project monies of Cleveland’s various neighborhood development groups. Now the staff wanted Pickman, a nationally known consultant on community development, to evaluate the neighborhood groups’ present needs and suggest how the Foundation might proceed to meet them. The fresh view, the staff hoped, would help the Distribution Committee in determining how best to shape the Special Initiative in Housing and Neighborhood
Development. The staff also hoped that Pickman’s report would prove useful in helping to forge a consensus among the various neighborhood groups and their disparate philanthropic, governmental and corporate funders on a unified strategy for rebuilding the central city. Happily, both goals were met.

A memorandum prepared by the Foundation’s civic affairs program officer, Jay Talbot, suggested that the consultants explore the promise of a number of courses of action. These ranged from how the Foundation might strengthen the financial underpinnings of the most productive of Cleveland’s community development groups to what it could do to expand the pool of community leaders capable of directing revitalization efforts. The suggestions all revealed an underlying interest in capacity building—a concern that was made all the more vivid in July 1987, when the Foundation received a progress report on a study being conducted by Dr. Thomas E. Bier, the director of the Housing Policy Research Program at Cleveland State University, which it had helped to underwrite two years before.

Recognizing the connection between the health of a city’s residential base and its ability to provide needed services and attract new businesses, the Foundation had responded favorably to Bier’s proposal to project the course of population changes in Cuyahoga County over the next 20 years and assess their impact on the housing market. Bier’s preliminary analysis had now been completed, and it suggested that if present trends continued unchecked, by the year 2005 Cleveland’s population would have declined from 535,000 to 300,000. Using a straight-line projection of that data, Bier would later predict that one out of every four housing units currently occupied in the city would be abandoned by the turn of the century!

Bier’s analysis struck some members of the Distribution Committee and staff as overly pessimistic. “The report seems to presume an inexorable move of Clevelanders with some economic means to the suburbs [without taking into serious consideration] how these people might be encouraged to stay in Cleveland,” assistant director Susan Lajoie observed to Minter in a memo commenting on a December 1987 update of Bier’s study.

But there was no debating the need to accelerate redevelopment efforts in the neighborhoods. Since the mid-sixties the city had endured the loss of 65,000 housing units. This spiraling dynamic of decay and aban-
ndonment would be described in the report produced by James Pickman and Associates in November 1987. "As inner-city neighborhoods have declined, those residents who could afford to have moved to the middle ring . . . ," the report observed. "Gradually . . . these adjacent neighborhoods have begun to show signs of weakness too. . . . The prospect of an ever-widening core of neighborhoods populated only by people too poor to move out is indeed both plausible and chilling."

To stem the flow, the Pickman report suggested that the Foundation test an entirely new strategy by creating or supporting programs that encouraged home ownership by the middle class, rather than by the poor (as had been its practice). The report also recommended that the Foundation concentrate even more heavily than before on supporting commercial revitalization projects, in recognition of the fact that countless mom-and-pop businesses had been forced by the steady drain of customers to move out of the inner city or fold, leaving their neighborhoods without needed services. "Despite an estimated 50 percent oversupply of retail space in Cleveland," the Pickman report observed, "... many neighborhoods lack a full service supermarket, a pharmacy, clothing stores, appliance stores, furniture stores or a department store. . . . Improving retail services is . . . essential to making Cleveland's neighborhoods competitive with the suburbs."

Try as they might, Cleveland's three dozen or so neighborhood development organizations (NDOs) seemed to be making little headway in reversing the spread of blight that Pickman would so vividly document. Most NDOs still lacked the technical expertise and resources to do more than "focus primarily on organizing merchant groups and marketing the City's commercial facade loan program," the Pickman report would observe. "Few . . . have undertaken actual development programs. In terms of housing, the most common development activity is the acquisition and rehabilitation of single family homes for occupancy by families below the poverty line." Yet even here the NDOs' output was slim compared to the rate at which the city's housing stock was being abandoned or demolished. Since 1981 a combined total of only 1,250 units of low-income housing had been produced by neighborhood groups.

The question of how to increase the NDOs' productivity had preoccupied Talbot ever since the day in 1984 when he had joined the Foundation staff after directing a number of not-for-profit organizations downstate. "I found a wealth of community organizations, but most of
them didn't have much depth of staff or much experience," Talbot re-
membered. "They might rehab a couple of units a year—eight was a lot—and they were just beginning to talk commercial redevelopment. From a community-wide standpoint, they were producing zip."

Part of the problem stemmed from understaffing. Most groups could afford the services of only one full-time employee, whose meager salary often precluded the hiring of an experienced professional. To make things worse, staff members typically were forced to spend an inordinate amount of time scrambling for operating dollars. Consequently, project planning and execution suffered. This unfortunate state of affairs had prompted Daniel E. Berry, a program officer specializing in neighborhood affairs at the George Gund Foundation, to suggest in late 1983 that Gund and The Cleveland Foundation explore the possibility of establishing a joint neighborhood development fund as a source of ongoing operating support. Berry had noted that the Ford Foundation had recently helped foundations and local government in Pittsburgh to establish just such a fund, and he wondered if a similar venture could be started in Cleveland.

Given that The Cleveland Foundation had a long-standing relation-
ship with Ford, it was only a matter of time until the deal had been arranged. In late 1985, Ford had agreed to help launch the Cleveland Neighborhood Partnership Program with a grant of $350,000, contingent upon a local commitment of $700,000, which had been lined up from the Cleveland and Gund foundations, the corporate contributions department of the Standard Oil Company and the City of Cleveland. Because the Cleveland Neighborhood Partnership Program (CNPP) was the precursor of Neighborhood Progress, Incorporated—the super agency that became the flagship program of the Foundation's Special Initiative in Housing and Neighborhood Development—a little back-
ground on its operation is in order.

In early 1987 six neighborhood development corporations from across the city had been selected through a competitive application process to participate in the program. All received two-year grants averaging $85,000 a year, which gave them at long last the financial security and staff needed to plan high-impact projects. As a result, over the course of the following 24 months the groups were expecting to rehabilitate or build more than 300 housing units and begin construction of 58,000 square feet of retail space—$13 million in new development, all told.
Perhaps more important, Cleveland’s Neighborhood Partnership Program (which Pickman would recommend should be expanded to support more than six groups) had represented a means of coordinating philanthropic and public resources for community development. In the past neighborhood groups had been forced to laboriously piece together funding from a multitude of sources, no two of which seemed to share the same rationale for giving support. “What emerges from the funding picture is less than a strategic approach to neighborhood development,” Berry had argued in a 1985 letter to the Ford Foundation outlining the need for a Cleveland Neighborhood Partnership Program.

The possibility that the new Partnership could help to forge a consistent strategy for the neighborhoods had been strengthened when The Cleveland Foundation, responding to advice from Ford, had figured out a way to involve the business community. Ford’s experience in its five other Partnership cities had demonstrated the difficulty of winning corporate support for the program when business interests did not participate from the outset. Recognizing the need for a Partnership coordinator, The Cleveland Foundation had offered to make an additional grant to pay his or her salary and expenses, provided that the person be housed in the offices of Cleveland Tomorrow.

Although Cleveland Tomorrow, an association of chief executive officers, had originally been concerned only with issues of regional economic competitiveness, it had broadened its agenda after a few years of operation to include an interest in the city’s physical redevelopment. To date this new organizational concern had translated primarily into financial support for such downtown projects as Playhouse Square Center. It had been the Foundation’s hope that, by acting as the administrative agent for the Partnership, Cleveland Tomorrow would acquire firsthand knowledge about the dynamics of neighborhood redevelopment and thereby gain an appreciation for the role revitalized neighborhoods could play in Cleveland’s recovery.

According to Eric Hoddersen, a former director of Cleveland’s Union-Miles Development Corporation who was ultimately hired to head CNPP, Cleveland Tomorrow had countered the Foundation’s offer with one of its own. “Cleveland Tomorrow pushed for a staff person [and a part-time secretary] rather than a coordinator,” Hoddersen said. “This had symbolic importance to them. Cleveland Tomorrow wanted to begin to deal more with neighborhood issues, because a few people on their
board like Alton Whitehouse [then chairman of Standard Oil], Brock Weir [then president of Ameritrust, formerly Cleveland Trust] and Mort Mandel [chairman of Premier Industrial Corporation and one of the founders of MidTown Corridor Incorporated] recognized that neighborhoods were on the agenda."

Cleveland Tomorrow's staff and board had seen that housing CNPP would give them "a learning curve, a way to access corporate involvement in the neighborhoods," Hoddersen said. "What they got for not very much money was something they could put on their resume." In exchange Hoddersen had gained the opportunity to give the members of Cleveland Tomorrow "a sense of the texture of the neighborhoods and the real problems people are dealing with there, to convey a sense that neighborhood development organizations are a strategy."

As the Foundation had hoped, this modest little arrangement would indeed serve to increase corporate awareness that the health of Cleveland should not be measured solely in terms of a gleaming, prosperous downtown. The change in Cleveland Tomorrow's perspective had been a necessary step toward building a community-wide resolve to stem neighborhood deterioration. Now the Foundation began to consider ways in which the informal network of communication among the various philanthropic, governmental and corporate funders who had created CNPP might be institutionalized.

In late 1986 Steve Minter had convened the Neighborhood Strategy Group for the express purpose of continuing the dialogue about the best means to coordinate community development efforts and resources. Minter and Jay Talbot had represented the Foundation at the Strategy Group's periodic meetings, but the staff work was handled by Cleveland Tomorrow staff members, who had used this leadership role to begin pushing in the early summer of 1987 for the establishment of a sort of community development think tank to be called Neighborhood Progress, Incorporated (NPI). "We saw NPI as a type of Cleveland Tomorrow for the neighborhoods," said Joseph D. Roman, a senior associate of Cleveland Tomorrow and secretary of the Neighborhood Strategy Group. "We saw it as the analysis tool that was lacking."

Cleveland Tomorrow's proposal was to set in motion a year-long debate that would influence the direction of The Cleveland Foundation's Special Initiative in Housing and Neighborhood Development as much as the Pickman needs assessment then under way. As it turned out, the various
members of the Neighborhood Strategy Group saw “next steps” somewhat differently, as did the neighborhood organizations (whose representatives were officially invited to become members of the Strategy Group after they had elbowed their way into the discussion out of a fear of being dictated to). The Cleveland Foundation, in particular, believed that the think tank should be formally linked to the Cleveland Neighborhood Partnership Program: There was little sense in funding a research and analysis unit that would be independent of CNPP’s continuing effort to enhance the financial stability and technical expertise of the neighborhood development groups. (In fact, the Pickman report had argued that creating any new entities would be costly and duplicative.)

Yet, recognizing that NPI was undeniably on its way to becoming the focal point of the corporate community’s neighborhood agenda, Minter and Talbot decided not to push Pickman’s point of view. Rather, they encouraged the Strategy Group to consider expanding the scope of NPI by drawing into its organizational orbit not only CNPP, but two independently operated local pools of neighborhood development monies.

The first was Cleveland LISC, one of 26 branches of the Local Initiatives Support Corporation, a national not-for-profit lending and grant-making organization founded in 1980 with seed monies from the Ford Foundation and six major American corporations with the goal of attracting private resources for neighborhood development projects. The following year The Cleveland Foundation had taken steps to establish a local LISC, lining up $464,000 from the Gund Foundation, the Standard Oil Company and several other local corporations, in addition to making its own grant of $500,000, all of which the national operation had matched dollar for dollar. Controlled by a local advisory committee, Cleveland LISC had proven itself an indispensable source of predevelopment, or “soft,” dollars for commercial projects ranging from MidTown Commerce Park to Lexington Village. It was now nearing the end of its second round of capitalization, however, and Minter and Talbot believed that the organization’s continuation would be ensured only if it were formally linked to Neighborhood Progress, Incorporated.

The second national intermediary organization that The Cleveland Foundation hoped to see brought under the NPI umbrella was the Enterprise Foundation, which had been created in 1982 by shopping center developer James Rouse to devise ways to leverage private support for low-
income housing projects. Lance Buhl, the program officer for urban de-
velopment in Standard Oil’s corporate contributions department, had
been so favorably impressed by a speech he once heard Rouse give that
he had brought the developer to town to determine if there was a need
in Cleveland for the services of Rouse’s foundation. Enabled to set up a
local office in 1983 by a Standard Oil grant, Enterprise-Cleveland now
administered a multimillion-dollar equity fund that allowed limited-
partner corporate investors in low-income housing projects to take ad-
vantage of tax credits made possible by the Tax Reform Act of 1986.

Unfortunately, Enterprise and LISC had developed an adversarial re-
lationship in every major city in which both had set up offices; and it
appeared that their philosophical and territorial feuding would prove an
obstacle to their coordinated operation in Cleveland, until the Foun-
dation intervened. “The Cleveland Foundation said to both: ‘We can’t
leave one behind,’” Neighborhood Strategy Group secretary Joe Roman
explained. “Their program officers brought back to their bosses the word
that ‘the community seems to want both of us.’ It got to a place where
they believed the community was favoring neither of them, so no face
was lost” by either office’s agreeing to be housed at NPI.

It was also agreed that the allocation of LISC and Enterprise re-
sources—as well as soft and hard project monies from other local
sources—would be determined by a single coordinating authority: an
investment advisory subcommittee of the NPI board. The board itself
signified a new unity of purpose, bringing together six neighborhood
representatives (two from low-income housing groups, two from groups
focusing on commercial redevelopment and two from groups concerned
with neighborhood advocacy) with four senior representatives of leading
Cleveland banks and corporations, two foundation representatives, a rep-
resentative of the mayor and the majority leader of city council.

“Every institution brought its own piece to the table,” said Eric Hod-
dersen of the give-and-take that also resulted in the agreement to fold
in the Cleveland Neighborhood Partnership Program, “and that changed
the chemistry of NPI. We will be able to go a lot further with NPI than
without it. Simply expanding the Partnership Program would not have
done it. It was seen as too narrow; it was an adjunct program to the
funders and it didn’t have weight and authority to effect change.”

The laborious negotiations finally produced, in the fall of 1988, what
Minter liked to call “the Cleveland answer”: a super-coordinating agency
able to offer individual community development corporations access to a variety of financial resources and a range of technical expertise while articulating, and building a consensus for, a citywide strategy for neighborhood development.

A sense of the “Cleveland” response to urban decay emerged in a memo NPI’s president Thomas E. Cox sent to James H. Ross, chairman of BP America and the head of NPI’s board of trustees, shortly after Cox came on board from a position as the president and executive director of a Pittsburgh community development corporation (or CDC). No matter that the North Side Civic Development Council had either managed or promoted projects totalling $20 million in new development during his nine-year tenure in Pittsburgh. Cox understood that “there is no way CDCs will be able to mobilize enough resources and energy to rebuild the neighborhoods; in the long run they and NPI will need to mobilize the private sector to behave in Cleveland as it now does in places like suburban communities,” he stated. “By this I mean the unleashing of money, experience, management and the expectation of profit (I call it guided greed). . . . NPI should think of its . . . investments somewhat as venture firms think of their[s]. . . . We can regard those [groups] receiving funds as entrepreneurs building prototypes.”

In September 1988 The Cleveland Foundation kicked off its Special Initiative in Housing and Neighborhood Development by making an up-front commitment of $500,000 to NPI’s first three years of operation. In the process the Distribution Committee signaled the Foundation’s strong interest in NPI’s activities and agenda. Whatever projects the unprecedented new partnership of monied and grass-roots interests agreed to pursue as joint ventures, it seemed clear that they would receive serious consideration from the Foundation as part of the evolving Special Initiative.