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COMMUNITY ECONOMIC DEVELOPMENT ORGANIZATIONS, GEOGRAPHY, & FINANCIAL RESOURCES

MONEY MEETS COMMUNITY

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This is part of the 2023 Money Meets Community Series — five briefs exploring the lines of business and financial resources of the field of community economic development organizations in the United States. Authored and commissioned by the National Alliance of Community Economic Development Associations (NACEDA) as part of its Grounding Values in Research program, the Money Meets Community Series arrives in 2023 at a critical juncture for our country's low- and moderate-income people and places and the local organizations dedicated to serving them.

SUMMARY

Practitioners and policymakers have long recognized that the resources available to meet the community economic development (CED) needs of America's low-income areas are far short of what is required. They have also suspected that these resources are not evenly distributed across U.S. regions and urban and rural areas. If true, this may mean that some areas are more likely than others to experience chronic and continuing disinvestment that helps perpetuate persistent poverty.

Using regions' share of the national population living in poverty as a way to assess community development need, this research brief finds that:

SHARE OF POVERTY POPULATION: a proxy measure for community development need, equal to the regional share of the national total number of people below the poverty line

- CED group presence, total revenue generation, and expenditures on programs and projects are relatively strong in the Northeast and relatively weak in the South. The Midwest and West shares generally track their poverty shares.
- Nationwide, the number of CED groups in non-metropolitan areas and the flow of revenue to them are roughly comparable to their national poverty shares. Non-metropolitan CED groups generate an out-sized share of their revenues from government, most likely reflecting the strong presence of social services groups in the CED mix.
- Nationwide, CED group revenues, expenditures, and assets are concentrated in the largest metropolitan areas relative to their national poverty shares. They are under-represented in medium-sized metropolitan areas.

Strong government support may well explain why the number of CED groups and their revenue flow in non-metropolitan areas generally track with their share of the poverty population although distance and other factors often add costs to serving these populations. Funders and policymakers should consider ways to strengthen the CED support system generally, but especially in the South and in medium-sized metropolitan areas.

Large metropolitan area =	over 1 million people
Medium metropolitan area =	between 250,000 and 1 million people
Small metropolitan area =	below 250,000 people

BACKGROUND

For many years, community-based nonprofit groups in urban and rural areas throughout the United States have advanced the economic and social well-being of low-income communities. These groups harness local self-help efforts and financial support from private and public sources. A loose nationwide network of public-sector housing and community development agencies, private foundations, financial intermediaries and banks, technical assistance providers and others support these community-based nonprofit groups.

The strength of these supportive networks may vary across different geographies. Some states and regions are thought to have government policies, philanthropic presences, long-standing political support, and other factors that are favorable to CED growth. These factors create the capacity to absorb new capital for further community economic development. Even federal-level policies have a geographic effect. Some agencies, like the Department of the Treasury, make funds available regardless of location. Other agencies, like the Department of Housing and Urban Development, run programs that separately ration funding to metropolitan and non-metropolitan areas. And whole agencies, like the Department of Agriculture, work to support non-metropolitan areas almost exclusively.

Unfortunately, little is known about the presence of the CED sector across all U.S. regions and urban and rural areas. Assessing the basic financial characteristics of CED groups across geographic areas is a crucial step toward analyzing their financial health and recommending public policies to strengthen them.

The first brief in this series, *Community Economic Development Organizations and Their Activities*, described the heterogenous assemblage of real estate developers, property managers, lenders, and social service agencies that make up the CED sector. The second brief, *Tracing Community Economic Development Funding Flows*, examined how flows of funding to these organizations differed across these different types of groups. This third brief explores the regional and metropolitan area location of CED groups. Upcoming briefs will examine groups' financial health, and how financial health is influenced by the types of groups they are and where they work.

RESEARCH QUESTIONS

In this research brief, we answer several questions:

- **How are different kinds of CED groups distributed across U.S. regions and between metropolitan and non-metropolitan areas?**
- **Do some regions appear more hospitable to CED groups, as measured in terms of numbers of groups, revenue flows, government grant support, and total assets?**
- **Are urban areas more favorable to CED group funding than rural ones?**

Answers to these questions will help practitioners and policymakers match funding and other support to varying levels of need across different places. This analysis relies on the public database of 5,700 nonprofit tax returns created by the Urban Institute, as supplemented by a NACEDA scan of a 50 percent sample of groups' websites to record their activities.[1]

RESULTS

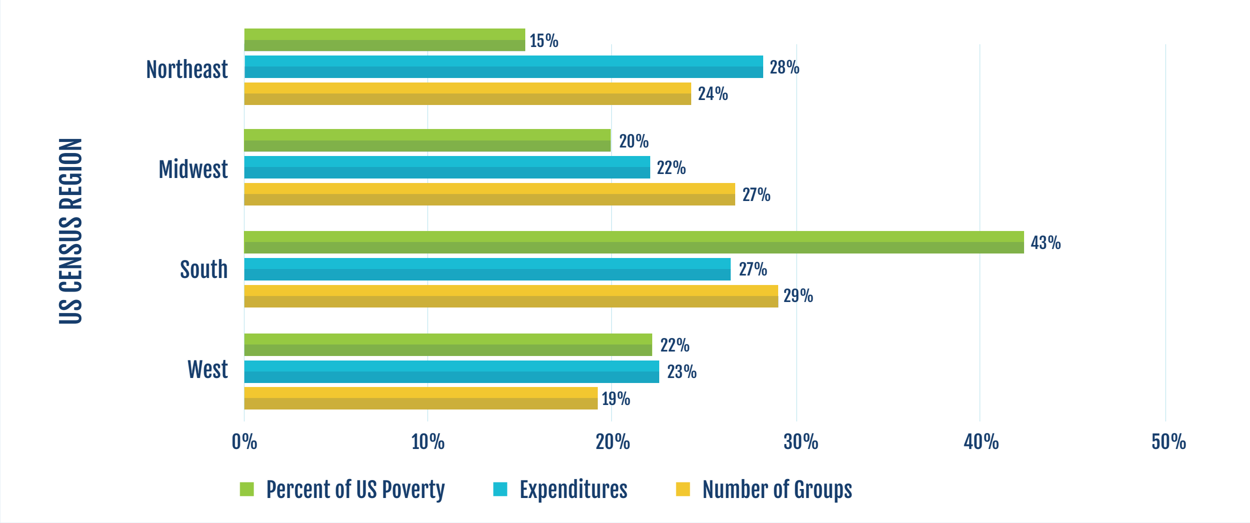
FINDING 1:

Relative to the each region's share of the national total of people living in poverty, CED groups are prevalent in the Northeast, less so in the South.

The CED cohort is distributed roughly evenly across the four census regions, but the population of people living in poverty – a crucial group of beneficiaries for CED work – is not. We find that CED groups are more strongly represented in the Northeast than the region's poverty numbers alone would indicate, and less well-represented in the South,[2] which validates long-standing suspicions held among CED-sector practitioners. **(FIGURE 1)**

Figure 1 shows the regional apportionment of the $21 billion in national CED groups' expenditures to help low-income individuals and communities.[3] The disparities across regions in this spending is even more pronounced than is true for the number of CED groups themselves. For example, the Northeast accounts for only 15 percent of the nation's poverty population, but has 24 percent of the number of groups and 28 percent of all spending. In contrast, the South, with 43 percent of the U.S. poverty population, has only 29 percent of all CED groups and 27 percent of expenditures.

FIGURE 1 Regional Shares of Total National Groups, Expenditures, and Persons in Poverty



Source: Urban Institute 2018 tax data as augmented and analyzed by NACEDA; Weighted N = 4,206

1 The Urban Institute database can be found at https://datacatalog.urban.org/dataset/community-based-development-organization-sector-and-financial-datasets. The Methodological Note at the end of this brief describes NACEDA's supplemental survey of group websites to record their activities.

2 One important limitation of our data is the inability to define agency service areas. Instead, we locate the regional and urban-rural location of groups by the location of their home office. It is likely that this method understates CED presence outside of large metro areas, insofar as some of these groups provide services to smaller metros and rural places as well.

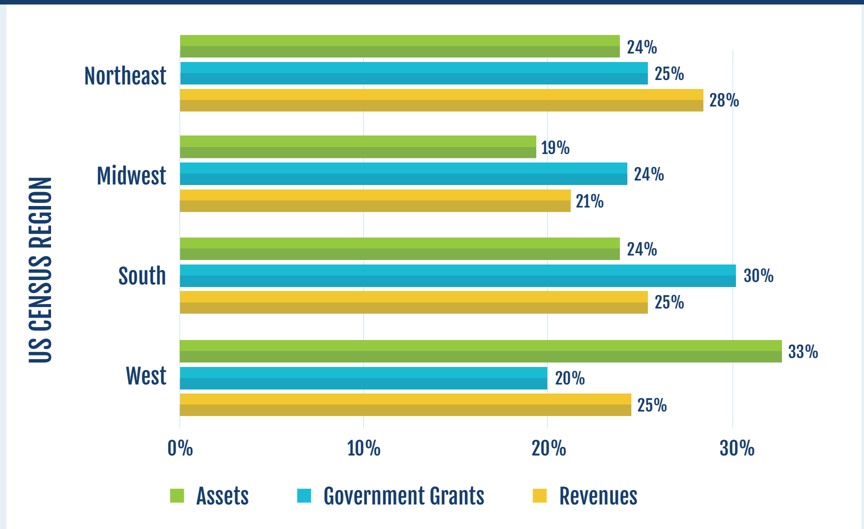
3 This figure is somewhat less than the $23.8 billion identified by the Urban Institute in their report due to slight differences in methodology. See Methodological Appendix.

FINDING 2:

Total revenues, government support, and assets roughly track the regional distribution of groups.

The same generally holds true for the distribution of CED groups' revenues, government revenues, and assets. Across all three elements, the Northeast fares better and the South less well compared to their national poverty shares. **(FIGURE 2)** An exception is the out-sized share of total assets held by groups in the West, which have a third of all CED group assets nationwide.

FIGURE 2
Regional Shares of Total National Revenues, Government Grants, and Assets



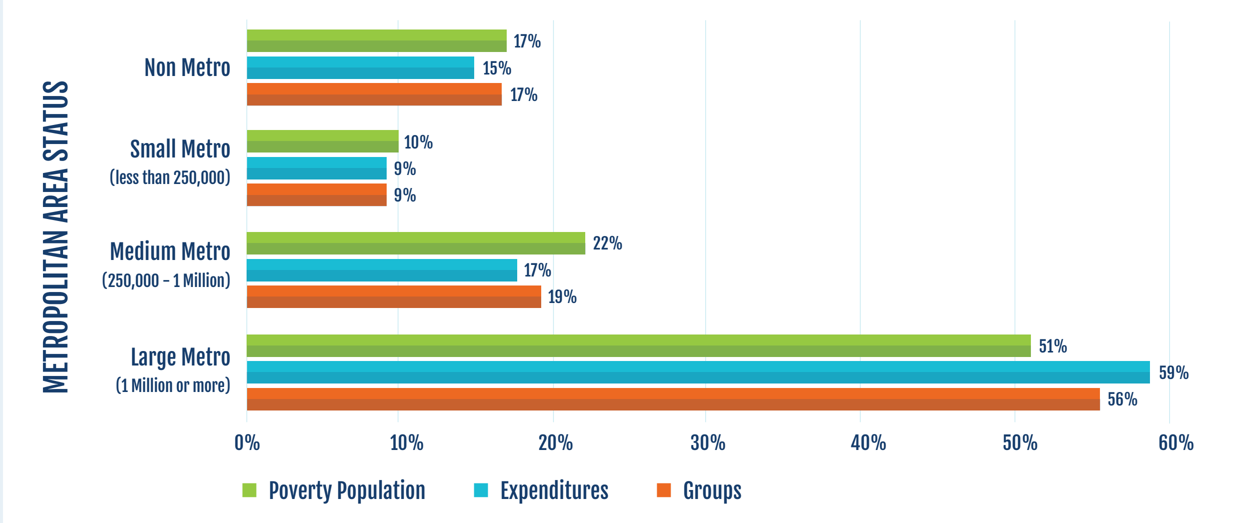
Source: Urban Institute 2018 tax data as augmented and analyzed by NACEDA; Weighted N = 4,206

FINDING 3:

Non-metropolitan area group spending matches the non-metro share of national poverty population.

Practitioners have long expressed a belief that rural areas are under-represented in the CED sector, but **FIGURE 3** shows that non-metropolitan area groups and expenditures roughly track rural areas' share of the U.S. poverty population.[4] Non-metro areas are 17 percent of national poverty population and 15 percent of total expenditures. Instead, medium-sized metros are somewhat under-represented in terms of spending compared to the poverty population, while larger metros are somewhat over-represented.

FIGURE 3 Shares of Total National Groups, Expenditures, and Poverty Population by Metropolitan Area Status



Source: Urban Institute 2018 tax data as augmented and analyzed by NACEDA; Weighted N = 4,206

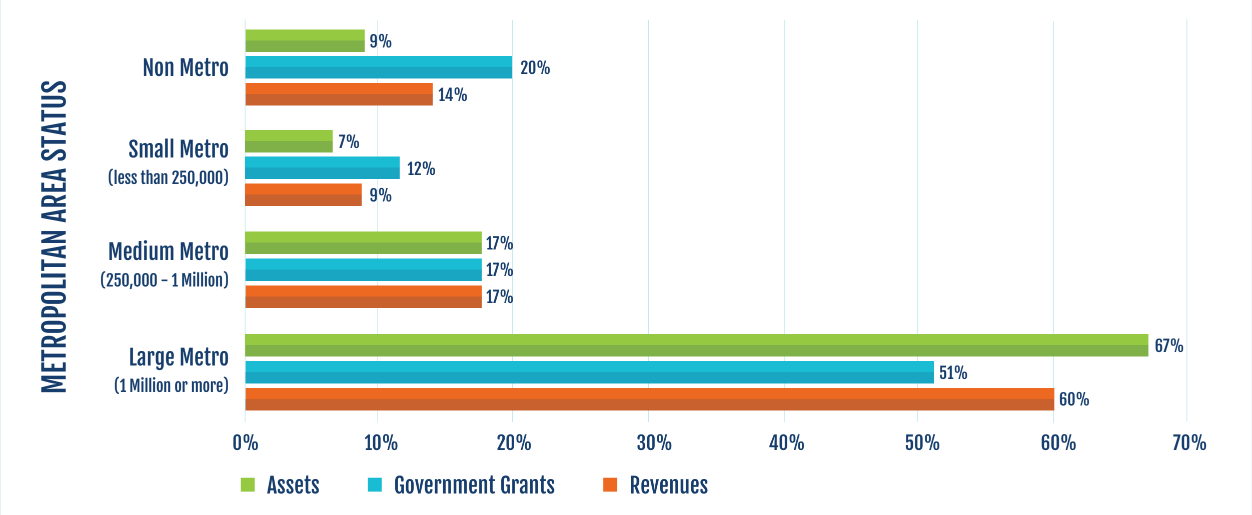
[4] Technically, there are rural places in metropolitan areas and urban places in non-metro areas, but here, the terms "rural" and "non-metropolitan" are used inter-changeably.

FINDING 4:

Non-metropolitan groups have fewer assets but more government support than their poverty share would dictate.

Non-metropolitan areas do differ from their metropolitan area counterparts in two respects. Compared to their national poverty percentage, they are significantly under-represented in terms of assets. But they do somewhat better than expected in terms of government support. **(FIGURE 4)** And once again, larger metros have higher revenues and assets while medium-sized metros lower revenues and assets than their poverty shares would indicate. There is not a clear explanation for this pattern of asset-holding. Past weaknesses in development capacity may have resulted in fewer housing and other real estate assets in non-metro areas. CED groups may have chosen to downplay asset creation relative to other types of community development. Because our research relied on IRS data for "parent" CED groups, assets held by subsidiaries in non-metropolitan areas may be underrepresented.

FIGURE 4 Shares of Total National Revenues, Government Grants, and Assets by Metropolitan Area Status



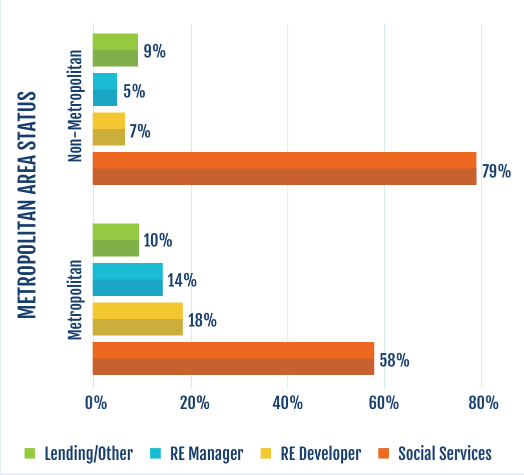
Source: Urban Institute 2018 tax data as augmented and analyzed by NACEDA; Weighted N = 4,206

FINDING 5:

The rural CED sector is substantially more reliant on social services agencies than are urban areas.

The second brief in this series presented a categorization of CED groups in terms of their primary activity – categories repeated in **FIGURE 5**.[5] Although the share of groups in each category is much the same across geographies (not shown on table) they are a bit different in terms of the revenues they represent. Most dramatically, revenues to social services agencies are 78 percent of rural CED-sector revenues, but only 58 percent of urban-sector revenues. Conversely revenues in the traditional heart of the CED sector – real estate development and management – are higher in metropolitan than in rural areas. In other words, rural area spending keeps pace relative to urban places due to the active engagement of social services agencies in CED work.

FIGURE 5 Share of Total Revenues by Agency Type and Metropolitan Area Status



Source: Urban Institute 2018 tax data as augmented and analyzed by NACEDA; Weighted N = 4,094

[5] Table 5 is based on a roughly 50 percent sample of all groups with websites, which weights up to a total 4,094 groups, or about 80 percent of the total 5,706 known groups. By total revenues, these 4,094 groups account for 92 percent of the sector-wide total. See discussion in Brief 2.

CONCLUSION

Significant geographic variations in CED sector strength argue for infusions of new support that correct for regional inequalities in groups' ability to generate revenue, thereby increasing the total response capacity of the CED sector nationally. Practitioners have long thought the CED sector to be strongest in the Northeast and weakest in the South – and the numbers presented in this brief support this assessment. This is largely true regardless of whether strength is measured in terms of numbers of groups, total revenues, government grants, or assets (although assets do skew somewhat toward the West). That said, CED groups in the South do receive more government grant revenue than their overall revenue shares would suggest. This may be because of the region's greater reliance on social services agencies, which are much more dependent on government grants than other types of agencies. (See Brief 2 in this series.)

Regional disparities in revenues, government grants, and assets do not appear to be linked to differences in the size of regions' rural poverty populations. CED presence across urban and rural areas roughly tracks their respective poverty shares, belying long-time perceptions of the relatively unfavorability of rural conditions to CED work. This is not to say that there is no basis for tailoring government support, private lending, or technical assistance to the specific needs of rural places. Indeed, such policies may account for the solid performance of rural communities relative to their national poverty share.

“ Government funding, private lending, technical assistance, and other supports tailored to the needs of mid-sized metros are a necessary step to replicate the relative strength of the CED sector in rural places.

That said, evidence suggests that medium-sized metro areas may be places where new policy attention is warranted. For example, analysis of data on community development investment levels by county, adjusted for poverty population, show declines across metropolitan-area size categories.[6] The Robert Wood Johnson Foundation has focused specifically on medium-sized cities and counties, believing that such areas lack the homegrown community development infrastructure needed to effectively take on social determinants of health. Government funding, private lending, technical assistance, and other supports tailored to the needs of mid-sized metros are a necessary step to replicate the relative strength of the CED sector in rural places.

[6] NACEDA analysis of Urban Institute data. See also Theodos and Eric Hangen, *Tracking the Unequal Distribution of Community Development Funding in the US*, Urban Institute, 2019 https://www.urban.org/sites/default/files/publication/99704/tracking_the_unequal_distribution_of_community_development_funding_in_the_us_2.pdf

APPENDIX NOTE ON RESEARCH METHOD

To construct a roster of organizations for this research, NACEDA compiled lists of CED groups. The lists consist primarily of CED groups that are members of state associations that advocate for community and economic development. The lists also include CED groups that have received community development funding from prominent national community development intermediaries or the Federal government.[7] The Urban Institute, under contract to NACEDA, combined these lists and removed duplicates.[8]

Some 80 percent of groups appeared on multiple sources, giving us a great deal of confidence that our method produced a combined list of groups that fairly represent the CED sector's most active members. The Urban Institute merged this list with financial information on each group, drawn from the IRS Form 990s, which are the tax returns filed by most nonprofit organizations. This information consists of detailed breakdowns of groups' revenues, expenditures, assets, and liabilities. (Note that this information is not as detailed as that contained on audited financial statements.)

As we considered ways to further analyze the data, our advisory group of industry practitioners made clear that financial characteristics of groups – and therefore the indicators of their financial health – are influenced by the types of activities they undertake. But the lists used to construct the CED cohort contained very little information on the organizations themselves beyond name, location, and contact information. The IRS files contain detailed financial information, but not much information on groups' activities.

To find out more about these groups, NACEDA paid graduate students to review websites for a large sample of groups and record their activities. Coders also recorded groups' *primary* activities, enabling us to segment our analysis of the CED sector according to *agency types* (developers, managers, lenders, planning and organizing agencies, and social services agencies).

The original cohort includes 5,702 groups. The new segmentation file contains data on 2,225 groups – roughly a 50 percent sample of the 4,206 groups with websites. (The figures in this brief, therefore, are weighted to represent all 4,206 groups, excepting those where information is missing or not applicable.) Because groups without websites tend to be very small, this analysis necessarily ignores the least active groups in the sector.

[7] As noted above, the research team did not make special efforts to include lenders, such as certified Community Development Financial Institutions, but if these types of groups were found on the lists we assembled, they were not excluded from analysis.

[8] A very detailed description of our list construction method appears in the Urban Institute's Technical Appendix to their study of financial characteristics of these groups. https://www.urban.org/research/publication/financial-health-community-based-development-organizations

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