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# Community Economic Development and the Latino Experience


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**Community Economic Development  
and the Latino Experience**

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Just as people had high expectations for the Great Society programs instituted to address poverty after the Watts riots of 1965 so, too, did people have high hopes for a turning point in federal initiatives to address the plight of the urban poor after the Los Angeles rebellion of 1992. Indeed, both analysts and community activists were hopeful that a more sympathetic administration would be able to capitalize on the political momentum that resulted from their electoral victory and implement somewhat unpopular programs in Congress. This could not have come at a better time for blacks and Latinos in the cities who make up a large part of the urban poverty population. Over the past two decades, concentration of blacks and Latinos in segregated and impoverished urban communities has increased, thus making them more vulnerable to the negative effects of urban restructuring. In many ways, easing the plight of the urban poor is not simply dependent on the existence of federal urban initiatives, but on their success. In this paper, we argue that the success of urban economic development largely depends on the articulation of these programs to communities and, in particular, on recognizing the role that racial and ethnic networks play in mobilizing resources around an economic development agenda. We will present a case study of economic development in Latino communities as an example of how an understanding of race and ethnicity may contribute to more effective public policy.

The term *community economic development* refers to a process whereby local actors, such as business, government, or community groups, enter into relationship with other actors, either private or public agencies, to stimulate social, economic, and to a lesser extent, physical development activity that is spatially-based. This activity may include small business development, job creation, and housing. However, it may also include developing or improving

such public goods as city services and transportation. The central feature of community economic development as we have defined it is <sup>in</sup> its emphasis on developing the potential of local institutional, physical, and human resources endogenously and to link this development with regional economic development processes.

Throughout this essay we use this concept of community economic development as a benchmark to review the Latino experience. The study of economic development in Latino communities offers an opportunity to examine how an understanding of race and ethnicity may contribute to more effective public policy. Since poverty in urban centers is highly concentrated in areas populated by ethnic and racial minorities, the impact that ethnic and racial solidarity may have on economic development is of foremost importance. Ethnic and racial identity, solidarity, and mobilization are important determinants of social and neighborhood organization. Ethnic and racial solidarity very often becomes a form of *social capital* that has positive effects on community economic development (Swanstrom, 1993). To the extent that new policy strategies provide a mechanism to link expanding industry and business opportunities to the job and business readiness of ethnic and racial minorities, the closing of the growth-equity divide may be achieved without resorting to race-specific policies. In the present political climate, in which race-conscious policies are being dismantled, the enhancement of such business linkages can play an important redistributive role.

### **The Urban Policy Approach: Why Use Spatially-Based "People" Policies to Combat Urban Poverty?**

Urban policies are generally considered a subset of antipoverty strategies. In this paper, we identify three major antipoverty strategies: the first two we consider urban because they are

spatially targeted. These include spatially-based "people" policies, pure space policies, and pure "people" policies.<sup>1</sup> The term *Spatially-based people policies* refers to economic programs that target specific areas. In large part, these policies are designed to shift resources to areas where impoverished people are concentrated, to spur economic development endogenously in those areas, and to promote a more equal distribution of income in society. The type of community economic development that we have defined falls under this strategy. On the other hand, *pure spatially-based policies* involve economic revitalization efforts through physical improvements to areas or buildings in impoverished areas. These policies, which generally target blighted areas of central cities where few people live, are, in part, enacted to affect people beyond the geographic area where the development takes place. That is, pure spatially-based policies may foster job growth in a particular area, but only those who live outside that area might benefit from the increased employment opportunities (e.g., downtown development).

In contrast to these area-specific policies, other antipoverty policies target the poor either by providing direct assistance to individuals and/or families or by enhancing their ability to gain employment to support themselves. Direct assistance to the poor may take the form of cash transfers or allowances for food, housing, or other tested needs. Employment programs provide skills training, government employment, or private-sector placement. These types of policies can be classified as pure people policies. However, some direct assistance and employment policies

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<sup>1</sup>Another antipoverty urban policy that is increasingly being debated concerns people dispersal policies such as the Department of Housing and Urban Development's "Moving to Opportunity" program. The goal of this policy is to provide incentives for people to move from, or implement programs that move people from, distressed communities to more prosperous ones (e.g., from central cities to suburbs).

have a spatial dimension as well, since the poor and unemployed tend to be concentrated in specific areas. In fact, many of the funding allocations for employment programs are specifically linked to an area's unemployment rates.

Despite the importance of both direct assistance to the poor, employment programs for local areas, and pure physical development of blighted areas, we argue that to achieve successful economic development spatially-based people policies must be emphasized over other strategies but promoted and implemented in combination with other pure people and space policies. Furthermore, the ability of local governments to design effective spatially-based people policies will largely determine the success of any urban agenda.

Although we argue that spatially-based people policies are the preferred urban policy approach, there are critics who think otherwise. Some argue that these policies are the least effective urban policy approach to combat urban poverty and revitalize distressed communities. Many argue that spatially-based people policies often exclude the intended beneficiaries because of the ineffectiveness of policy approaches based on trickle down economics. Others suggest that spatially-based people policies ultimately remove the intended beneficiaries from the targeted area (Edel, 1980). These criticisms of spatially-based policies are valid only in cases where there is no link to a wider community development strategy. Without links to community-based organizations that engage in economic development and have contact with targeted populations, spatially-based people policies can result in furthering the gentrification process by joining with market forces to benefit non-residents whose only interest in the area is economic.

We contend, however, that spatially-based people policies with a particular emphasis on community economic development have certain advantages over other antipoverty strategies.

Furthermore, the benefits of such a policy approach outweigh the costs as long as there is a link to a broader community economic development strategy. First, spatially-based people policies can help ameliorate the negative consequences of economic restructuring on poor urban communities. The rise of globally integrated social and economic relations and the existence of world markets has led to increased economic restructuring at local levels. This economic restructuring is characterized by increased capital mobility (Soja, 1991), changing power relations between the public and private sector, resulting in deregulation of local planning control (Harvey, 1989), shifts in production patterns and labor structures, characterized by deindustrialization and by the growth of command and control functions in central parts of a few "global cities" (Sassen, 1991), and increased social and economic polarization (Mollenkopf and Castells, 1991). Poor urban communities are at a particular disadvantage during the restructuring process because they have limited or no power to control capital flows out of their own or surrounding communities that eliminate jobs. In addition, these communities cannot always rely on local government to preserve these jobs.

In this context, spatially-based people policies that emphasize community development are important because they can respond in part to the unique effects of globalization and restructuring in different communities. By facilitating the retraining of displaced workers, developing small-to medium-sized businesses, or forming community organizations to negotiate with companies planning to relocate out of the community, spatially-based people policies that emphasize community development may lessen the impact of restructuring on communities. For example, the Steel Valley Authority, a community based-organization, saved one hundred steel worker jobs by promoting a partnership with local labor and community organizations in

Pittsburgh (Croft, 1994).

Second, spatially-based people policies are better able to facilitate the development of *social capital*, defined as the ability of individuals or groups to successfully negotiate with formal institutions in meeting their goals. The development of social capital in distressed communities is particularly important because the residents of such communities are increasingly ethnic minorities and poor, or those groups that have historically had less access to formal institutions and resources and have had to rely more heavily on informal mutual-aid networks as an economic survival strategy (Portes and Sensenbrenner, 1993). Organizations in spatially-targeted areas have opportunities to join with one another to achieve particular economic development goals. As such, organizational networks that develop in such spatially-targeted areas create long-term relationships which may make the pursuit of future economic development projects or goals much more efficient and effective.

Third, spatially-based people policies might mitigate potential conflict over who receives federal funds because such an approach obscures the fact that one group of people may be in conflict with another over federal funding. In addition, funding for spatially-based people policies can be allocated on the basis of seemingly "objective" criteria of places, rather than for example, racial background. Moreover, minority communities are still likely to benefit from such funding if the criteria are carefully constructed (Edel, 1980). This point is particularly important in light of increasing contention within the federal government regarding race-based policies.<sup>2</sup>

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<sup>2</sup>This is not to suggest that we advocate spatially-based people policies in place of race-based policies, but rather in combination with them.



## Antipoverty Approaches in Historical Context

Given this theoretical context of spatially-based people policies, we now take a closer look at what we define as some prominent urban economic development policies of the last three decades that have as their basis <sup>a</sup> spatially-based people component in order to provide a framework for examining the Latino experience. It is important to note that antipoverty initiatives during the last three decades have shifted emphasis from one type of policy approach to another and from the federal government to the states and cities. During the 1960s, the War on Poverty programs had a clear emphasis on skills acquisition, or people-based policies, and civil rights. But spatially-based people policies occupied center stage with the enactment of the Model Cities program in 1966. The Model Cities program aimed to provide direct economic assistance to poverty-stricken areas <sup>by</sup> and channeling funds through community-based organizations (Levine and Williams, 1992; Heilbrun, 1981). The combined effect of funding social services and employment programs through community-based organizations and providing assistance to community development corporations created a vast institutional base in distressed communities throughout the country.

Community development corporations (CDCs) have been an important part of community economic development since federal programs first began to favor this type of community organizations <sup>They</sup> are community-based organizations that attempt to promote neighborhood-based economic development that includes housing, small business, branch plants, commercial revitalization, and employment and training. For instance, CDCs make housing rehabilitation loans, run training and employment programs, assist new minority-owned firms by providing management counseling and direct loans, and provide a variety of other

nonprofit, community economic development services. In a way, CDCs integrate and promote at the local level many of the urban policies presented above. The major constraint facing CDCs is that they need continuous external support from foundations and local governments, mainly because so much of their resources are devoted to affordable housing, which requires an enormous proportion of revenues in the form of government-subsidies. CDCs also concentrate on providing support to small businesses, whose failure rate is high. To be successful, small businesses require substantial external support. These problems have limited the impact of CDCs in neighborhood economic development (Blakely, 1989; Heilbrun, 1981; Stein, 1973).

Because a greater proportion of the resources of CDCs are devoted to affordable housing rather than job development, housing development has been the dominant activity of CDCs. A recent survey of over two thousand CDCs reports that 88 percent were developing affordable housing, while only 25 percent were developing commercial real estate or "business enterprises." In fact, CDCs have helped develop over 320,000 units of affordable housing, including 87,000 units in the last three years. In contrast, CDCs have created or retained approximately 90,000 jobs (NCCED, 1991). Although job creation has been less impressive than housing development, CDCs have the capacity and the experience to be successful job developers and employment trainers (Harrison, et al., 1995), and recent reports suggests that more and more CDCs are returning to economic development strategies (Mazarakis, 1994).

CDCs are very dependent on community development block grants (CDBG). In fact, over 50 percent of CDCs include CDBGs as part of their income sources (Zdenek, 1993). However, real spending on CDBGs by the federal government has been decreasing steadily since 1980 (*Budget of the U.S. Government*, 1994). This suggests that either CDCs must become more

diversified in their funding sources or that current funding levels of CDBGs must be maintained or increased in order for CDCs to continue their current activities in housing development and job creation and training. One positive sign is that under the Clinton administration the level of CDBG funding has not been further cut (*Budget of the U.S. Government*, 1994).

In addition to CDCs, two other urban economic development policies aimed in part at poverty alleviation are the promotion of manufacturing plants and small business. Branch plant strategies, sometimes referred to as *industrial promotion strategies*, have the objective of attracting manufacturing jobs to the inner city. However, during the last two decades states have emphasized the promotion of high-tech industrial parks, particularly targeting biotechnology and microelectronics, and have moved away from supporting more traditional blue-collar, labor-intensive, manufacturing industries (Ross and Friedman, 1991; Blakely and Nishikawa, 1991; Fosler, 1988; Chmura, 1987). These industrial parks support growing industries and seek to attract new investments to an area. However, industrial parks have had a limited impact on distressed communities because they generate jobs that require specialized skills, locate far from the inner city and public transportation, and receive generous tax abatements that erode funding availability for other employment and training programs. Perhaps as problematic is the fact that states rarely require affirmative action efforts to employ and train the disadvantaged. State officials fear that requiring linkages to the local economy, and particularly to distressed communities, puts the state at a disadvantage when corporations are considering a number of different locations (Osborne, 1987).

The promotion of small business as an economic development strategy for poor areas came to the forefront of the national urban agenda when President Nixon created the Small

Business Administration (SBA). This strategy became known as *black capitalism* since it targeted the promotion of black-owned businesses in order to expand employment opportunities in the inner city. However, SBA programs and other state and local initiatives that promote small businesses are more beneficial to entrepreneurs with experience and venture capital than to the typical minority entrepreneur (Heilbrun, 1981). Because there is relatively little technical assistance to compensate for the lack of entrepreneurial experience and because of the unavailability of endogenous venture capital, these initiatives have had a negligible impact in economically distressed communities. More recently, substantial budgeting reductions to the SBA have resulted in a dramatic decline in the share of black-owned businesses receiving guaranteed loans (Shao, 1993; Fainstein and Fainstein, 1989).

In the next sections, we examine the Latino experience in community economic development, with an emphasis on small business and job creation, to illustrate how ethnic networks facilitate the creation of linkages between urban economic development policies and programs and the targeting of these programs to areas of high poverty concentration. First, we discuss the Cuban enclave in Miami. Although the Cuban experience in Miami is, in many ways, unique, and not "replicable" from a public policy point of view, it offers numerous lessons for the strengthening of ethnic-based business networks. Based upon this discussion, we examine how best-practice programs assisting Latino businesses share some of the same elements, in terms of taking advantage of ethnic identity and solidarity, as the Miami enclave economy. The following section examines the Latino experience in housing and community revitalization. In this section, we provide examples of CDCs that have succeeded in the implementation of spatially-based people policies.

## **The Cuban Enclave of Miami**

In many ways, the Latino experience in economic development and public policy resembles the dichotomy between business-oriented programs and efforts directed at poverty alleviation. Indeed, most of the academic literature on this topic focuses on the enclave economy and the adaptation of Cuban immigrants. Less documentation exists regarding other relevant policy areas, such as housing access, the formation and impact of CDCs or the linkages of skills development programs to expanding industrial sectors. The Cuban enclave of Miami is a well-documented example of an ethnic economy. Like the Chinese restaurant and garment businesses of New York City or the Korean import and distribution businesses of Los Angeles, the Miami ethnic-enclave economy serves as evidence of how ethnic solidarity is translated into economic advancement opportunities (Bailey, 1987).

Alejandro Portes and colleagues have defined the ethnic enclave as an economic formation "characterized by the spatial concentration of immigrants who organize a variety of enterprises to serve their own ethnic market and the general population" (Portes and Bach, 1985: 203; see also Portes, 1981). There are two critical and interrelated characteristics to this type of economy. First, the ethnic enclave has a large number of interconnected, small, and, in some instances, medium-size businesses that provide employment opportunities to a growing and continuous flow of immigrants. Between 1967 and 1976, Cuban-owned businesses in Miami grew in number from less than a thousand to more than eight thousand (Wilson and Portes, 1980). Most of these businesses were concentrated in the textile, leather, furniture, cigar, construction, and finance industries. Cubans owned 40 percent of construction firms, 30 percent

of local banks, and most restaurants, supermarkets, clinics, and other service businesses in the area (Pedraza-Bailey, 1985).

The high density of businesses owned by individuals with the same ethnicity in a particular industry and region offers economies of agglomeration. Business contacts and information, access to capital, and sharing of other resources provide an advantage to the ethnic entrepreneur over native competitors in the area. And, as Waldinger (1993) has pointed out, the benefits of ethnic solidarity are reaped whether businesses are heavily concentrated in one area (as in the Cuban or Chinese cases) or spread over a broader geographical demarcation (as in the Korean case). Thus, from an economic development policy perspective, ethnic economies could be regarded as a special case of business and industry support programs.

A second characteristic of the ethnic enclave is the continuous influx of immigrants to work and purchase ethnic goods in the area. In addition to labor-market opportunities outside the enclave, jobs in ethnic-owned businesses offer unique employment opportunities for immigrants with limited English skills and access to the social networks that would facilitate their adaptation to a new social environment. Indeed, one of the most controversial aspects of the ethnic enclave argument is that immigrants in this protected labor market may actually have better earnings and employment outcomes than other immigrants with similar characteristics working outside of the enclave economy. There is little dispute, however, about the fact that immigrants <sup>must</sup> work long hours for many years before they can either seek employment outside ethnic-owned businesses or start their own businesses. The attractiveness of the ethnic economy to immigrants is that, while they may not save enough to start their own businesses, employment is steady and allows them to adapt their education to new labor-market requirements and move to better employment outside

the enclave.

The success of Cuban-owned businesses in Miami is explained by the interaction of a number of factors. Obviously, immigrants' social networks and ethnic solidarity played a critical role in fostering business development. According to Portes and Stepick (1993), access to start-up capital through "character loans" was a common practice among Cuban entrepreneurs. But the Federal Cuban Refugee Program provided tremendous assistance to Cuban immigrants to acquire business and student loans, retraining for professional positions and other educational opportunities, as well as welfare and housing assistance. Pedraza-Bailey (1985) estimates that the United States government spent nearly \$1 billion in assistance within a short period of time. Another important factor was the high educational and entrepreneurial level of the first waves of political refugees from Cuba. Despite the hardship of employment in the secondary labor market, the enclave economy offered Cubans the opportunity for upward social mobility and political advancement. Today, Miami is largely a Cuban city. Anglos have changed their negative view of Cuban immigrants and have come to accept their cultural and economic contributions (Portes and Stepick, 1993).

### **Small Business Development**

There is no comparable experience among Mexicans and Puerto Ricans (the two largest Latino groups in the United States) or among other recent immigrant groups from Latin America to that of the Cubans in Miami. Although there are large concentrations of Mexican-owned businesses in the Southwest and Puerto Rican-owned businesses in New York, Chicago, and other Northeast cities, Mexicans and Puerto Ricans do not have a significant business or self-employed class comparable to that of the Cubans in Miami. According to Fratoe (1986),



Mexicans (18.6 percent), Dominicans (14.6 percent), and Puerto Ricans (10.6 percent) have among the lowest business participation rates (per 1,000 persons) of all ethnic groups (48.9 percent national average). On the other hand, Mexicans and Puerto Ricans have a more prominent participation in antipoverty programs and have developed a vast institutional base of CDCs and CBOs that conduct a variety of housing, job training, and educational programs.

There is no study that documents and explains the differences in levels of entrepreneurship among Cubans, Puerto Ricans, Mexicans, and other Latino groups. But, based on studies of other ethnic groups, one could agree with the proposition that groups with more class and ethnic resources tend to outperform groups with a lower endowment of resources (Light, 1984). Cubans have a higher share of professionals and managers, higher educational levels (Meléndez, Rodriguez, and Figueroa, 1991) and greater access to capital (Portes, 1987) than other groups. However, the experience of the African-American community suggests the involvement of other factors. Waldinger and Aldrich (1990) propose that the underdevelopment of black-owned businesses is due to the lack of a business tradition, the failure to create a protected market, a fragmented social structure, and discrimination. These are important factors to consider when explaining differences in business formation among all ethnic and racial groups.

The evidence regarding the role of public programs in assisting minority-owned businesses points to the difficulty of overcoming the above-mentioned barriers. For the most part, state and city set-aside programs are unsuccessful because minority-owned businesses remain undercapitalized and unable to compete in the open market. Equal opportunity loans, perhaps the most important minority business assistance program, have had historically high rates of delinquency (Waldinger and Aldrich, 1990). Public policy regarding small business assistance for



disadvantaged urban communities seems to face a critical dilemma: if public assistance to foster business development focuses on the most disadvantaged groups, high loan-default and business-failure rates should be expected, but if assistance is targeted to more established firms, then there is less chance of achieving the desired impact on targeted populations.

It is apparent from this discussion that conventional small business development programs are insufficient to promote economic development in distressed minority communities. The Cuban experience in Miami seems to be an exception. The development of the enclave economy was made feasible by a combination of factors (including the geopolitical context that rationalized support for Cuban immigrants to the U.S.) that is unlikely to be replicated or exert significant public policy influence. The promotion of small business is unlikely to produce the volume of employment and capital formation that is necessary for sustained economic development in distressed urban communities. Nonetheless, the enclave economy constitutes a valuable example of how ethnic solidarity might be important for economic development, particularly as it pertains to disadvantaged populations. Indeed, the Cuban enclave experience in Miami constitutes a special case of how ethnic identity and social networks among immigrant communities provide a basis for successful urban economic development strategies.

The Mexican and Puerto Rican experiences in small business and neighborhood revitalization illustrate the potential impact of best-practice programs that seem to overcome the public policy dilemma posed by traditional business assistance programs in minority communities. What these strategies have in common are the dual objectives of building effective capacity within Latino organizations, based upon ethnic identity and solidarity, and deploying this organizational capacity to link neighborhood residents to the larger economy. These two

objectives are clearly interrelated: the development of ethnic leadership ultimately facilitates access to jobs and financial and other resources.

The Regional Alliance for Small Contractors in New York and New Jersey is a multiethnic organization created by the Port Authority of New York that is extremely effective in promoting linkages of minority-owned businesses to corporate America (Harrison, et al., 1995). Latino-owned firms constitute approximately 23 percent of the participating small businesses, while the vast majority of businesses in the program are minority- or women-owned firms. Social networks among these communities play a critical role in the success of the program. Although there are no data available to indicate the ethnic composition of the Latino population in the program, Puerto Ricans are the dominant population in the New York-New Jersey region, followed by Dominicans. And, even in New York, Cubans are the dominant small business group among Latinos in the region. The alliance has grown from twelve to sixty-two corporate partners since its inception in 1989 and currently serves more than nine hundred firms. It provides a variety of technical, educational, and financial services, with the objective of building the capacity of all participating small firms.

The alliance benefits both the small contractor, by facilitating access to regular subcontracting for large construction projects, and the major construction companies, by providing access to a reliable pool of subcontractors. The program is based on mutually beneficial business transactions, not on set-asides. However, it directly benefits the targeted ethnic business community. Arguably, the alliance is not a predominantly Latino organization, but as a multiethnic coalition, it relies on cultural ties and shared ethnic identity to improve the quality of subcontractors available for major development projects and connect small businesses

to the mainstream economic actors. Technical assistance to participating businesses, which builds capacity in the Latino community, is provided without the public perception that the alliance is a poverty-alleviation program. Ultimately, the alliance provides a unique mechanism to link Latino entrepreneurs to the key actors in the construction industry and the regional economy, as a whole.

### **Housing and Community Development**

In contrast to small business development, where the Latino experience has been fragmented, housing and community revitalization are policy areas where the Mexican and Puerto Rican populations have had more active participation, and best-practice examples abound. As in the African-American community, most of the CDCs active in housing and community revitalization programs started during the late 1960s or 1970s, during the Model Cities Program. Because Latinos are generally less segregated than blacks and have experienced rapid immigration and population growth during the 1980s, they tend to live in ethnically mixed neighborhoods.

Gittel and Wilder (1995) provide two examples of successful CDCs in predominantly Latino communities that illustrate how ethnic identity and solidarity could be translated into effective multiethnic alliances for economic development and the institutionalization of community participation. Mission Housing Development is a CDC that evolved from a Mexican-led multiethnic coalition blocking urban renewal plans for the Mission neighborhood in San Francisco. Since its inception in 1971 under the Model Cities Program, Mission Housing Development has developed more than three hundred new housing units and rehabilitated more than a thousand existing units. Caritas Management Corporation, a for-profit subsidiary of

~~Mission Housing Development~~ owns over 450 units and oversees more than a thousand units for the CDCs and other private and nonprofit organizations in the area. Their housing programs provide integrated social services to the residents and are part of a neighborhood collaboration that provides housing units for individuals who are homeless, disabled, HIV-infected, and alcoholic, as well as other needy and hard-to-serve populations. But perhaps as important as the direct service to the neighborhood residents, Mission Housing Development engages in a host of economic and neighborhood planning activities ranging from child care, tenant organizing, and educational programs to the development of "Centro del Pueblo"—a combined housing and commercial facility that houses many of the area's nonprofit organizations.

The Coalition for a Better Acre (CBA) was founded in 1982 as a community response to the implementation of an economic revitalization plan in Lowell, Massachusetts, that focused on downtown and high-tech industrial development and excluded low-income neighborhoods. The Acre neighborhood has historically served as an entry port for French Canadians, Irish, and other immigrants. More recently, the neighborhood has become predominantly Puerto Rican, with an increasing Asian immigrant population. CBA's programs have focused on affordable housing and community development—including small business assistance, revolving loan funds, and training for AFDC mothers. However, CBA also supports youth programs and other social services. CBA is known in Lowell for its political activism—it has participated in changing the composition of the City Council, influenced key government appointments in the area, and supported the election of state-level representatives.

The East Los Angeles Community Union (TELACU), the largest Latino CDC in the country, was founded in 1968 by Mexican activists to promote socioeconomic development in

the distressed East Los Angeles area. TELACU has owned and developed seventeen affordable housing projects comprised of more than twelve hundred units valued over \$80 million. This alone would make them one of the largest CDCs in the country, but, in addition, their economic development activities go well beyond housing to include development of industrial and commercial space, banking, construction, and many other businesses. For instance, the industrial park was founded in 1977 to re-develop a vacant forty-eight-acre former B.F. Goodrich tire plant. Since then, the facility which consists of nine thousand square feet of industrial space, has served dozens of business. It currently houses twenty-seven businesses, most of which are minority-owned. TELACU's commercial building rents space to more than fifty firms that employ over two thousand workers. In addition to this housing and business activities, TELACU provides a wide range of educational and social services.

Like other Latino CDCs, Los Sures was established in 1972 to promote the social and economic development of the southside of Williamsburg, one of the poorest Puerto Rican communities in New York City. Although originally focused on housing, successfully developing more than two thousand units over the years, Los Sures has engaged in numerous economic development projects and provided a wide variety of social services to the community. In addition to these traditional CDC activities, Los Sures is involved in a variety of community-planning and coalition building activities. Most notable, Los Sures is working with the United Jewish Organizations to improve relations between the Hasidic Jewish community and Latino residents in Williamsburg, two communities with a history of contentious and sometimes violent relations. It is hoped that such collaborative efforts in economic-development and job-creation projects provide the best means to improve interethnic relations. The first project involves the

rehabilitation of a six-story building in the Hasidic neighborhood that will eventually be occupied by both Latino and Jewish tenants.

Like most successful CDCs, Mission Housing Development, CBA, TELACU, and Los Sures are truly representative of community interests and are governed and staffed by local leaders and long-time residents. Funding for their operations comes from multiple city, county, state, and federal government agencies as well as charitable foundations and private corporations. Long-term partnerships and networking are an intrinsic part of their operations.

The key to the success of these community organizations, whether they focus on small business assistance or housing and real estate development, has been the articulation of a dual mission of community leadership and institutional development and the effective use of external relations to attract resources to the neighborhood. Like Coastal Enterprises (Maine), Bethel New Life (Chicago), New Community Corporation (Newark), and many other successful CDCs in the country, successful Latino CDCs represent a new type of community institution. This new breed of CDCs understands long-range trends in regional economic development and focuses their community revitalization strategies on taking advantage of such opportunities. Ethnic identity and solidarity, in this context, are translated into effective grassroots civic participation (Fisher, 1993).

### **Conclusions**

The formulation of effective urban development strategies and public policy initiatives must recognize that ethnic and racial identity constitutes the basis for community mobilization and the institutionalization of participatory processes that engage low-income populations in neighborhood revitalization and economic development programs. One of the obvious challenges

of urban economic development initiatives is to engage the effective participation of CDCs and CBOs in program governance and development. The historical record shows, however, that local politics often interfere with the access that ethnic communities have to CDBG and other federal funding targeting distressed urban communities. As Kaplan (1995) has proposed, policy makers must consider that effective economic development strategies involve the engagement of a broad set of actors from the government and private sector, as well as the community.

Given the above discussion, what have we learned from the Latino experience in community economic development? Community economic development is an effective way to promote racial equality and collaboration. Evidently, most antidiscrimination policies take the form of people-based programs. Through time, civil rights initiatives have been criticized for favoring one group of economically disadvantaged individuals over others. In part, because of the contentiousness of the racial-preference approach, there are growing tensions among communities of color, and between minority and majority populations. By definition, spatially-based people policies target economically disadvantaged populations, which are disproportionately racial minorities in most urban areas, bypassing stricter racial categories. Empowering local actors (such as residents, community-based organizations, small businesses, and school administrators and teachers) has the added benefit of promoting racial harmony by focusing on solutions to problems that are of common interest to many groups. Community economic development offers the vehicle to establish this common ground by developing bridges between ethnic and racial groups. However, collaboration need not be at the expense of racial and ethnic identity-based organizations and solidarity. It is indeed important to recognize the role that racial and ethnic identity play in the mobilization of low-income communities,

particularly regarding economic development (Swanstrom, 1993). The Latino experience illustrates how public policy and programs can take advantage of existing ethnic networks to promote successful interventions.

Defending the role of community organizations, public policies, and programs that are both people and place oriented is of foremost importance in the current policy debate. Cities and urban areas continue to provide the social context in which many cultures interact. In this context, race and ethnicity continue to be powerful forces shaping social organization and opportunities. Community economic development strategies are beneficial to coalition building among groups and are useful in closing the gap between policies oriented to promote economic growth and those designed primarily for poverty alleviation.



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