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## Divergent Strategies: Edison Gardens and Tacolcy Economic Development Corporation, Miami, Florida

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## Divergent Strategies: Edison Gardens and Tacolcy Economic Development Corporation, Miami, Florida

### Abstract

Editors Note: Urban redevelopment has seen a dramatic revitalization in the last two decades, especially with the creation of Community Development Corporations (CDCs) and HOPE IV. Unfortunately, successful development in Urban environments are still more the exception than the rule. While many major cities have seen a dramatic revitalization of their urban cores, the creation of low and moderate income housing solutions have dramatically lagged the overall booming housing market. Many of the failures of CDCs to successfully develop can be traced directly to the long standing complaint that the funding process is too lengthy and too complicated. In addition the entire process is often bogged down in the capricious administration of government funding programs. In the following case study Alexander von Hoffman discusses many of the issues that confronted a CDC operating in Miami.

### Keywords

Cornell, real estate, Economic Development Corporation, Miami, Florida, urban development, community development, Local Initiatives Support Corporation

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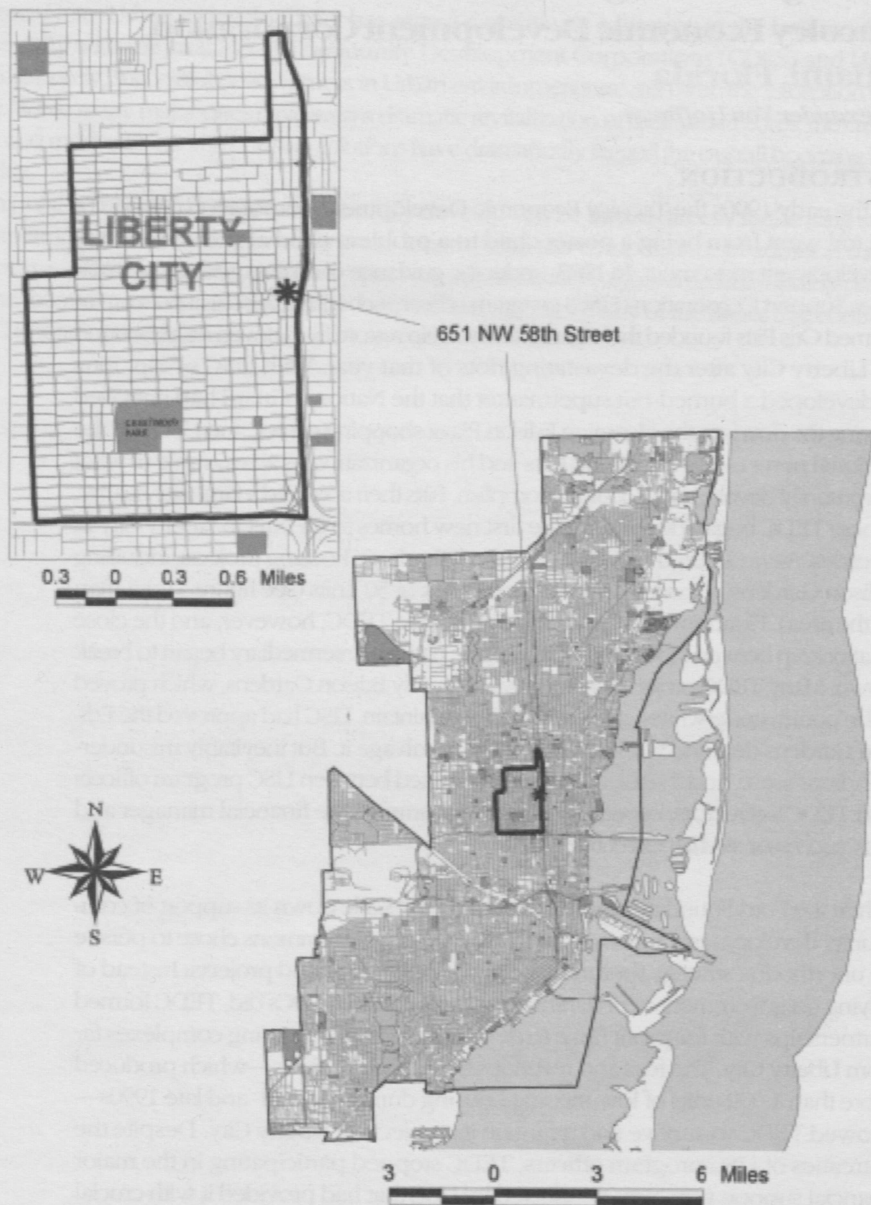
*Alexander Von Hoffman*

### **INTRODUCTION**

In the early 1990s the Tacolcy Economic Development Corporation (TEDC) of Miami went from being a poster child to a problem child of the community development movement. In 1982, under the guidance of an energetic Local Initiatives Support Corporation (LISC) program officer, a charismatic Miami policeman named Otis Pitts founded the organization to help restore his beloved neighborhood of Liberty City after the devastating riots of that year. With LISC's help, Pitts redeveloped a burned-out supermarket that the National Guard had patrolled during the riots into the gleaming Edison Plaza shopping center, and LISC and the national news media acclaimed Pitts and his organization as an example of what community development could accomplish. Pitts then acquired a large site nearby, where TEDC began developing the first new homes to be built in Liberty City in decades. Again assisted by LISC, TEDC built five large housing projects, including Edison Gardens, a garden apartment complex of 50 units (see figure 3 for a map of the area). Financial problems began to plague TEDC, however, and the close relationship between the rising CDC and the national intermediary began to break down. Many TEDC projects lost money, especially Edison Gardens, which proved to be poorly underwritten and expensive to maintain. LISC had approved the Edison Gardens deal and worked with TEDC to salvage it. But inevitably misunderstandings arose, and the relationship deteriorated between LISC program officers and TEDC's directors, especially Lorenzo Simmons, the financial manager and Pitts' successor as chief executive officer.

When the Ford Foundation announced it would scale down its support of community development organizations in Miami, Pitts and Simmons chose to pursue an unorthodox strategy for funding TEDC's operations and projects. Instead of relying on government or philanthropic grants as other CDCs did, TEDC formed partnerships with for-profit firms to develop large-scale housing complexes far from Liberty City. The fees and revenues from those projects—which produced more than 1,000 units of low-income housing during the mid- and late 1990s—allowed TEDC to survive and maintain its projects in Liberty City. Despite the entreaties of LISC program officers, TEDC stopped participating in the major financial support programs conducted by LISC that had provided it with crucial grants, loans, and technical assistance during its formative years. In a twist on the criticisms that intermediaries or their wealthy donors divert CDCs from programs

Figure 3. Edison Gardens, Liberty City Neighborhood in Miami



that help local residents (Gittel et al. 1999; Rubin 1995; Stoecker 1997), Miami LISC urged TEDC to work in its home community, but the CDC insisted on collaborating with wealthy private financial partners to develop housing outside Liberty City.

This case study demonstrates that a weak nonprofit community development system underlay TEDC's choice of strategy as well as LISC's slow progress in Miami. Without a good supply of skilled practitioners in CDCs and enthusiastic confederates in support institutions—foundations, intermediaries, government agencies, and corporate philanthropic community relations departments—nonprofit community development cannot progress far or fast. The case of TEDC also indicates that the private entrepreneurial approach to community development has great appeal, more so perhaps than practitioners and students of nonprofit community development usually realize.

### **COMMUNITY DEVELOPMENT IN MIAMI**

Miami, in the words of LISC officer Sandra Rosenblith, is “a tough town” for community development. Unlike cities in which community development emerged from the anti-poverty programs and black protests of the 1960s, community development did not come to Miami until the 1980s. Riots provided the immediate catalyst for revitalization efforts. In 1980 the acquittal of policemen charged with the fatal beating of an African-American insurance agent, Arthur McDuffie, triggered violence that resulted in 18 people dead, 1,100 people arrested, more than \$80 million worth of property destroyed, and damage to 240 businesses in the amount of \$150 million. In 1982, 1984, and 1989 riots again broke out in Miami's African-American neighborhoods (Porter and Dunn 1984). Immigration to south Florida played a role in those upheavals; Miami's poor African Americans resented the new arrivals. In 1980 the Mariel boat lift brought approximately 125,000 Cubans to the United States and introduced a large, unskilled, poor working-class Cuban population to Miami. The Mariel immigrants created a striking contrast to the successful middle- and upper-class Cubans who had come earlier to U.S. shores. In addition, some 60,000 Haitians arrived by boat in south Florida between 1977 and 1981 (Portes and Stepick 1993; Russ 1999).

Convinced that the lack of African-American business entrepreneurs had caused the riots, Miami's business and government leaders adopted a strategy of fighting poverty by financing the ventures of inner-city business entrepreneurs, rather than nonprofit community organizations. The chamber of commerce, Dade County officials, and the *Miami Herald* crusaded to attract the Control Data Company, whose subsidiary, Urban Ventures, had successfully implemented computer training and business development programs in Minneapolis. The city's major corporations raised \$7 million to fund a business assistance center, which opened in 1982 and began offering loans and technical assistance to current and aspiring small-business owners. In 1983 the City of Miami created Miami Capital Development, a lending entity with a \$6 million revol-

ing loan fund intended to help businesses create jobs. In the rush to begin the process, however, the business assistance center and Miami Capital Development failed to underwrite carefully, and local newspapers soon reported spectacular failures in the loan programs (Jones 1984; Martin 1999).

At the same time that local leaders embraced the entrepreneurial approach, LISC took an unusually direct role in launching a nonprofit community development system in Miami. After the 1980 McDuffie riots and Mariel boat lift, Mitchell Sviridoff, who was then starting LISC, asked Sandra Rosenblith to go to Miami and find ways that the new organization could promote community development. Before joining LISC, Rosenblith worked at the National Council for Equal Business Opportunity, an agency funded by the Ford Foundation, she worked for two years at the Federal Home Loan Bank, and she helped community development groups in Mississippi and the South Bronx (Rosenblith 1999).

Starting virtually from scratch, Rosenblith launched an educational and recruitment campaign for community development in Miami. She explained to business and community leaders how CDCs operated and how they were funded. For those who were interested, she led tours to other cities to observe community development systems in action. Rosenblith forged an alliance with the deputy director of the Dade County Office of Community Development, Ernest Martin, who embraced nonprofit community development and funneled CDBG funds to CDCs (Martin 1999; Rosenblith 1999).

Eventually Rosenblith helped start three community development organizations: TEDC, East Little Havana Community Development Corporation, and the Haitian Task Force. She also established a network of private business leaders to support community development. Because Miami lacked a tradition of supporting community development groups, Rosenblith gave more grants to the fledgling CDCs than LISC usually did. In addition, she hired a lawyer to establish the new groups as 501(c)(3) nonprofit organizations and brought in consultants to help formulate strategic plans. Once the three CDCs were in operation, Rosenblith worked closely with the inexperienced directors and their staffs to help create their first deals (Pitts 1999; Rosenblith 1999).

In 1984 LISC made Miami an area of concentration by opening a permanent office in the city. To channel local money into community development, Rosenblith organized a local advisory committee, which was led at first by Anthony Burns, chairman and chief executive officer of the Ryder System, and subsequently by James K. Batten, then president and later chief executive officer of Knight-Ridder, Inc. Both companies maintained their headquarters in Miami. The committee also had representatives of major regional banks such as Southeast Bank and NCNB

National Bank of Florida.

In 1992 Sandra Rosenblith began a new assignment—starting a new rural program for national LISC—and started transferring control of the Miami office to her chief program officer, Claire Raley. Raley became program director in 1994 and built on the pioneering efforts of her predecessor by working with Miami LISC's existing CDC partners while increasing the number of CDCs with which LISC did business (Burnham 1999; Rodriguez-Tejera 1999; Simmons 1999b; Williams-Baldwin 1999).

Nor was LISC alone in promoting nonprofit community development. In 1985 The Enterprise Foundation started Greater Miami Neighborhoods, a nonprofit housing developer that later became an independent organization affiliated with Enterprise (Enterprise 1993). Also active was Neighborhood Housing Services, a lending and home improvement program of the Neighborhood Reinvestment Corporation, which had been operating a branch in Miami-Dade since 1973.

Philanthropic institutions also responded to Miami's social problems after the riots. In the wake of the McDuffie riots, the Ford Foundation sent significant sums of money to local CDCs and the Haitian Refugee Center. The Dade Partnership for Community and Economic Development was established in 1989 largely with Ford Foundation money and was administered by the Dade Community Foundation, a leading philanthropy in south Florida. Like the Neighborhood Development Support Collaborative in Boston, the Dade Partnership for Community and Economic Development distributed funds from member foundations, banks, and other businesses to help pay the operating expenses of CDCs. For several years the Dade Partnership contributed large sums to the three Miami CDCs LISC had helped establish (Perez Camayd 1999; Portes and Stepick 1993).

The activities of the foundations and intermediaries helped promote political support for community development in south Florida. Led by Miami mayor Maurice Ferré, several leading officials in Miami, neighboring cities, and Dade County endorsed community development and inaugurated task forces to encourage CDCs to help redevelop low-income target areas such as Little Havana, Overtown, Liberty City, Little Haiti, and the city of Opalocka. In 1981 the Florida state legislature passed the Community Development Assistance Act, which enabled the state to pay about \$100,000 a year to each of 15 CDCs for their operating expenses. Soon thereafter the government of Dade County enacted a surtax on property sales to create a low-income housing development fund, through which it began distributing revenues in about 1985 (Martin 1999).

Unfortunately, enthusiasm for entrepreneurial development and a lack of understanding of nonprofit community development undermined government efforts. The



Community Development Assistance Act, for example, established a revolving loan fund to make loans to businesses—the entrepreneurial approach—but provided no technical assistance to help new CDCs develop and carry out programs. Responding to press criticism of the business assistance center, legislators placed restrictive underwriting requirements in the state's loan program, making it difficult for CDCs to obtain loans. The state also adopted rules for allotting low-income housing tax credits, which favor applicants that have site control, a building plan, environmental assessments, and projects with large sites and numbers of units. In practice, large private real estate developers are more likely to meet those criteria than are nonprofit CDCs, which are unable to pay the large expenditures (sometimes exceeding \$1 million) that are required in the early stages of housing development. Within Miami's city government, Mayor Ferré favored nonprofit community development, but the more powerful city manager, Howard Gary, favored the entrepreneurship strategy (Burnham 1999; Duran 1999; Martin 1999; Perez Camayd 1999; Rodriguez-Tejera 1999; Rosenblith 1999).

During the 1990s Miami's emerging community development system lost momentum. The quality of corporate leadership suffered after James Batten died and Knight-Ridder, Inc., moved its corporate headquarters out of Miami. First Union Bank bought out Southeast Bank and moved its Headquarters out of town. Indeed, corporate mergers and moves left Miami without a headquarters of any Fortune 500 company, except Ryder Systems. The owners of Cuban-American businesses were more inclined to support the arts and education than community development efforts aimed at black urban poverty. In other cities LISC's local advisory committees are composed of major financial institutions and philanthropic foundations, but in Miami the local advisory committee includes several representatives of small- and medium-sized banks and businesses (as well as a few large ones) and only one foundation member (Burnham 1999; Martin 1999).

In 1997 LISC took over the administration of the Dade Partnership for Community and Economic Development, which it renamed the Dade Partnership Capacity Building Program. By then, however, the amount available to each CDC had declined to about \$50,000 in operating support a year for three years. This decline occurred partly because the number of CDCs receiving support increased and partly because the initial Ford Foundation partnership grant had expired and not been fully replaced by other funders (Burnham 1999; Perez Camayd 1999).

Like the city government as a whole, the city's CDBG program was highly politicized and not well run. In the course of transferring control of the city government from African Americans to Cuban Americans, deals were made by which CDCs that had not demonstrated an ability to carry out programs received long-term support. At the same time the city's bureaucracy became increasingly paralyzed as

years of mismanagement took its toll. Finally, in 1995 the city had a \$63 million deficit, forcing the state of Florida to establish an oversight board to run the city. As was the case in Washington, DC, such changes initially slowed down all agency activities until the new regime took over (Martin 1999). Miami's CDCs also had problems. Some failed. The Haitian Task Force, for example, fell apart because of dissension over the election and overthrow of Jean-Bertrand Aristide as president of Haiti. Other CDCs were poorly run, but because they had cultivated powerful political sponsors, the government continued to support them instead of more productive groups. Surveying the landscape in 1993, Bratt and her colleagues found that few of the more than 20 nonprofit housing organizations in Miami had developed multifamily rental housing for more than four years, and these were primarily for the elderly (Bratt et al. 1995). By the late 1990s, 43 CDCs existed in the Miami-Dade County area, but only about a quarter of them were productive and at most 3 to 5 of them were in the top tier of CDCs across the country (Burnham 1999; Jones 1999; Martin 1999).

Ernest Martin, a strong supporter of community development, retired in 1992 from Dade County's community development department and was replaced by officials who, put off by ineffective CDCs, returned to the policy of distributing CDBG funds to infrastructure improvements rather than community development. In 1998, for example, Dade County spent almost three-fourths of its \$22.1 million CDBG funds on administrative costs and public works, leaving the county's 40-plus CDCs to fight for the rest (Burnham 1998; Martin 1999).

Today a cadre of experienced housing and community development operatives and officers of supporting institutions such as Greater Miami Neighborhoods, Legal Services of Greater Miami, the Fannie Mae Partnership Office, and Greater Miami LISC are working to build public awareness of community development and create an effective political coalition that can lobby for more favorable government programs. Although these supporters of community development have lately made progress, it is too early to judge whether they will finally create a viable community development system.

### **THE LIBERTY CITY NEIGHBORHOOD**

Located four and a half miles north and one and a half miles west of downtown Miami, Liberty City was first developed and settled by African-American families in the 1920s. Many poor blacks lived in dilapidated shacks in the Overtown neighborhood, the old African-American neighborhood located just north of downtown Miami, and Liberty City offered them a chance to have better homes, especially when in the 1930s the government built public housing in the area. White neighborhoods grew up around the core area of Liberty City until the 1950s, when whites began to move out and were replaced by African Americans. In the 1960s whites continued to leave for the suburbs, while urban renewal and highway construction projects in Overtown started

another migration of African Americans into the Liberty City area.

Liberty City experienced significant losses in the 1980 McDuffie riots. According to a 1984 newspaper account, 53 businesses, many of them owned by whites, were destroyed. Twenty-three of the ruined businesses moved to other locales. Between 1,000 and 2,000 people lost jobs in the area. Damage estimates exceeded \$100 million. In response, the federal government sent in \$21.5 million in emergency aid to help 229 businesses that were damaged during the riots (Jones 1984; Rosenblith 1999).

In recent years Liberty City fit the stereotype of the inner-city neighborhood beset by poverty, declining population, social problems, and deteriorated housing. (See table 2 on page 30 for neighborhood statistics.) Dade County's Office of Community Development designated Liberty City and Model City (composed of unincorporated areas in Dade County outside Miami's borders but adjacent to Liberty City) as target areas for revitalization. Yet even as thousands of blacks moved to Liberty City, both whites and blacks left in even greater numbers. Its population decreased by 18 percent during the 1970s, falling to 28,886 by the end of the decade. In 1980 another 37,273 people, 90 percent of whom were black, lived in the adjacent Model City. During the 1980s the population declined further both inside and outside Miami. By 1990 Liberty City was home to a population of 26,500, 95 percent of whom were black, and the Model City area housed 31,311 people, 91 percent of whom were black (Miami-Dade County Planning Department 1993, 1998; TEDC 1985).

Despite the presence of middle-class residents, Liberty City had a large and growing poor population. By 1990 the average household income was \$18,438—less than half the figure for Miami-Dade County as a whole. Forty-three percent of all family households had incomes below the official poverty line, and 33 percent of households received public assistance. The proportion of households headed by a woman was 38 percent, a much higher figure than the 15 percent recorded for all of Dade County. Liberty City contained a relatively high proportion of children: Nineteen percent of the population was under 10 years of age, as opposed to 14 percent for Miami-Dade. But about 61 percent of children under five years of age lived in poverty and more than half of the children under 18 years of age were poor. (The adjacent Model City had similar demographic and economic characteristics.) (Miami-Dade County Planning Department 1993, 1998).

Liberty City contains a mix of middle-class homeowners and impoverished renters. In 1990, 68 percent of the housing stock was composed of single-family homes and owners lived in 40 percent of all occupied units. But as might be expected in an area plagued by riots and poverty, average housing values dropped

during the 1980s and by 1990 lagged far behind Dade County's average (\$47,629 as opposed to \$112,484). The average rent in Liberty City, \$272, was far below the \$441 county average. The vacancy rate more than doubled in the 1980s, from 6 to 13 percent, and by 1990, 40 percent of vacant units were boarded up, eight times the average for all of Dade County. Although some units were vacant, others were overcrowded. About 30 percent of all occupied units in Liberty City contained more than one person per room; by comparison, the figure in Dade County was 18 percent (Miami-Dade County Planning Department 1993).

### **TEDC**

When Sandra Rosenblith of LISC began to look for likely candidates to start CDCs in Miami, several sources, including people at the United Way, told her about Otis Pitts Jr., a former Miami policeman who directed Belafonte Tacolcy Center, a Liberty City social services agency. (The first word in the agency's name paid tribute to the entertainer Harry Belafonte, who had given a major grant to the organization; the second was an acronym for The Advisory Committee of Liberty City Youth.) Pitts had grown up in Liberty City and was passionate about helping its people. While working for the City of Miami's police department, he volunteered his time at the Belafonte Tacolcy Center to start youth programs. In 1974 he was named the center's director and in that capacity helped restore the organization to financial health and institute numerous new programs (Pitts 1999).

Rosenblith tracked Pitts down—not an easy task because the riots had made him a person much in demand among foundations and government officials—and began to explain the concept of community development. Pitts was intrigued and wanted to know more. In response, Rosenblith provided a briefing that lasted two days (Rosenblith 1999).

In 1982 after much thought and discussion—and trips to New York and Mississippi to study community development firsthand Pitts and the Belafonte Tacolcy board founded their own CDC, TEDC, to help rebuild Liberty City. From the first, Pitts and the TEDC board set their sights on attracting private investment to Liberty City to provide jobs and businesses to African-American residents. In a 1985 brochure TEDC stated that its mission was “to increase jobs, business opportunities and income for the black residents of the area” by helping create “the infrastructure and environment required to stimulate private investment and make the development process self-fueling” (TEDC 1985, 1). Two years later the organization published another booklet stating that “TEDC's mission is to create an economic environment in the Liberty City neighborhood in which investment becomes a self fueling process” that would increase “the availability and quality of goods and services, entrepreneurial and job opportunities.” Pitts had no illusion that making Liberty City a place where investment was self-sustaining would be an easy or quick task. “TEDC's mission is ambi-

tious," he wrote, "and it is not expected to be fulfilled by TEDC alone or in the near term" (TEDC 1987, 1).

Pitts began the community development work by attempting to revive Liberty City's languishing commercial corridor, Seventh Avenue. After surveying residents and business owners along the corridor and in Liberty City, TEDC conceived a plan to redevelop the site of the Pantry Pride Supermarket, which had closed after sustaining severe damage from looting and fire during the McDuffie riot. Pitts planned to replace the store with a shopping center. Rosenblith helped Pitts and the TEDC staff prepare and submit applications to the U.S. Department of Health and Human Services and the City of Miami for funds to acquire the land for the proposed Edison Plaza shopping center (Simmons 1999b). TEDC eventually raised more than \$2 million for the project from the federal, county, and city governments; Miami Capital Development; philanthropies such as the ARCO Foundation; Winn Dixie Company; and LISC, which extended \$322,500 in loans. Edison Plaza's tenants included a Winn Dixie supermarket as the anchor, dry cleaner, pharmacy, beauty salon, and shoe store. The supermarket soon became one of the most profitable of Winn Dixie's Florida outlets, demonstrating the viability of inner-city retailing. A McDonald's franchise opened across the street and a new shopping center with 10 small shops, a development Pitts had envisioned and hope for. (LISC 1984; Peirce and Steinbach 1987; Rosenblith 1999; Simmons 1999b; TEDC 1985).

It is worth noting, in light of TEDC's later decision to reduce the community representation on its board of directors, that the Edison Plaza project encountered local opposition. At one of the opening celebrations, a local African-American political leader criticized the shopping center project because the supermarket was not owned by an African American (even though the shopping center and its other shops were owned by African-American organizations or individuals). In the following years Pitts felt harassed by what he considers "political" or "ethnocentric" community pressures to impose impractical demands, such as the demand that he hire an unqualified architect or construction company or hire unemployed people as construction workers because they were local or African American. These demands, he felt, could ruin the deals for TEDC's community development projects (Pitts 1999; Rosenblith 1999).

Nevertheless, the replacement of the devastated store by a thriving shopping center soon made Pitts, TEDC, and Edison Plaza advertisements for the exciting possibilities of community development. TEDC held a series of celebrations of the opening of the shopping center, with local dignitaries presiding. In its annual reports, LISC praised the project as "a dramatic turnaround," the journalist Neal Peirce in *Corrective Capitalism* celebrated TEDC's accomplishments, and national

news magazines and newspapers echoed the acclaim of the organization and its colorful director (Hue 1989; LISC 1986, 4; Peirce and Steinbach 1987).

Pitts and the TEDC board members next turned to housing problems. They held the shortage and the poor condition of the housing stock responsible for the out-migration of African Americans from Liberty City. They reasoned that a declining population would not be able to support the new businesses on Seventh Avenue. Pitts and Lorenzo Simmons, then TEDC's financial officer, consulted with Rosenblith about the practicality of and the proper strategies for developing housing. The TEDC staff found a feasible site on which to develop new housing for Liberty City: a six-acre parcel of vacant land two blocks from Edison Plaza owned by Dade County (Simmons 1999b; TEDC 1985, 1987).

With advice and assistance from Sandra Rosenblith, TEDC developed its first housing project, Edison Towers, an eight-story apartment building containing 121 one-bedroom rental units. Before the development of Edison Towers, officers of Southeast Bank (now First Union) told Pitts and Simmons they would give TEDC a construction loan for the project if TEDC added an experienced housing developer to its team. In response, Rosenblith put Pitts and Simmons in contact with Theo Rodgers, a private, low-income-housing developer in Baltimore. Rodgers and TEDC formed Shell City Associates, a for-profit subsidiary, to develop and manage the Edison Towers project. Ultimately, TEDC received financial support from LISC, the Ford Foundation, Swire Properties, the Dade County surtax program, Southeast Bank, and the social lending department of Equitable Life Insurance Company and completed Edison Towers in 1987 at a total cost of \$5.5 million. It was the first low- and moderate-income housing project to be built in Liberty City in more than 20 years (Simmons 1999b; TEDC 1987, 1990).

In the following years TEDC became an active housing developer with continued assistance from LISC. Between 1989 and 1994 TEDC completed a total of 220 dwelling units in four housing developments—Edison Gardens I and II and Edison Terraces I and II—on sites adjacent to Edison Towers. LISC provided financing and technical assistance for all five of TEDC's large housing developments in Liberty City. All told, LISC invested \$1.5 million in loans, recoverable grants, and grants in the operations and projects of TEDC during its first 12 years of existence.

As the director of TEDC, Otis Pitts gained a national reputation for developing projects in riot-torn Liberty City. He was invited to join the national board of LISC and was awarded a MacArthur Fellowship. In April 1993, after the destructive Hurricane Andrew struck south Florida, Pitts was appointed deputy assistant secretary for federal relief in Dade County for HUD, in which capacity he dispersed \$3

billion of federal funds for disaster relief, much of it to rebuild destroyed housing in south Florida. In 1995 Pitts left that post and became vice president of Codina Development, a private development company. Although no longer the president of TEDC or involved in its daily affairs, Pitts maintained an active interest as the head of its board of directors (Pitts 1999).

When Pitts went to work for HUD in 1993, Lorenzo Simmons, TEDC's financial officer, assumed the position of president and chief executive officer. Previously a financial analyst for Miami Capital Development and before that financial manager of the Belafonte Tacolcy Center, Simmons had been hired by Pitts in 1984. The organization's new leader believed in the same goal laid out by TEDC founder, Pitts: to carry out projects that would help bring back businesses and residents to Liberty City. A successful TEDC, Simmons believed, would help realize his vision of stores lining both sides of the Seventh Avenue commercial corridor, well-managed multi-family residences behind the shops, improved single-family houses, amenities such as swimming pools and recreation areas, and some small industrial enterprises to provide jobs to local residents (Simmons 1999a, 1999c).

Under Simmons, TEDC maintained its existing housing developments. The organization also continued to develop housing, but not in Liberty City and not with LISC funds. Between 1994 and 1997 TEDC joined with for-profit partners to develop 1,572 rental units in eight projects located in other Miami neighborhoods and south Florida towns.

Besides real estate development, TEDC engaged in community development activities that reflected the economic theme expressed in its name and mission statements. TEDC helped local landlords and merchants renovate more than 100 storefronts and secured almost \$265,000 worth of streetscape improvements in the commercial areas of Liberty City. It aided 10 businesses along Seventh Avenue and owned and leased a car wash business. In 1992, after the death of the owner of a fish market, one of the neighborhood's longest-running businesses, TEDC opened a seafood market and restaurant at Edison Plaza. TEDC continues to be interested in commercial real estate development in Liberty City and is helping develop a site for a national chain drugstore, bringing in a new supermarket, and planning the redevelopment of Edison Plaza (LISC 1993; Simmons 1999d).

Throughout most of its history TEDC received more generous financial assistance than other Miami CDCs. It attracted this support because it served the neighborhood at the center of the 1980 riots and because its director was a well-respected and charismatic community leader (LISC 1982; TEDC 1985). TEDC derived about 60 percent of its operating expenses from grants and the rest from project revenues. Working through the Dade Partnership for Community and Economic Development, the

Ford Foundation contributed an annual grant that reached \$200,000 to fund the operations and programs of the fledgling CDC. In 1990 TEDC's operating budget was \$467,000, the following year it climbed to \$580,000, the year after it was \$548,000, and in 1993 it rose to \$598,000. With such generous funding, TEDC was able to slowly expand the size of its staff, which numbered six by 1992 (LISC 1992, 1993).

Beginning in 1994 under Simmons's leadership, TEDC began to earn substantial revenues from joint venture housing development projects and became less reliant on philanthropic gifts. In 1997 TEDC lost the grants from the Ford Foundation and Dade Partnership. Since then Simmons has run TEDC without major operating support from foundations, government, or intermediaries. Because of the organization's debts and financial commitments, he reduced the number of full time staff from six to three (TEDC 1999).

### **THE EDISON GARDENS PROJECT**

During the late 1980s TEDC began developing Edison Gardens, a garden apartment complex of 50 units, on another section of the block in which Edison Towers stood. Edison Gardens was completed in 1989. (Edison Gardens II, a similarly sized and shaped complex north of the original, was completed in 1991.)

In developing Edison Gardens, TEDC functioned as the sole nonprofit developer and relied on the kinds of financing sources CDCs often use to develop housing, including nonprofit intermediaries and government agencies. Working closely with Sandra Rosenblith again, TEDC obtained predevelopment loans from Miami LISC, which it repaid as the project was completed. TEDC also made use of the new Low-Income Housing Tax Credit program that Congress had enacted in 1986, obtaining tax credits that were syndicated by LISC's Neighborhood Endowment Foundation (NEF). Edison Gardens was the first CDC project in Florida to use the low-income housing tax credits. In addition, TEDC received permanent financing from Dade County's surtax program and Homes for South Florida, a consortium of banks that lent money to community development projects. Homes for South Florida provided a 15-year mortgage at 11.5 percent for \$905,000 as well as a 7-year bridge loan at 10.5 percent for \$903,000; the surtax program furnished a 30-year mortgage at 3 percent for \$1 million. Including the proceeds from the syndication of tax credits by NEF, which repaid the bridge loan and interest, the total development costs of Edison Gardens I and II were \$3.7 million and \$3.8 million, respectively. (See table 1 on page 4 for project summary.)

TEDC's staff and consultants planned Edison Gardens carefully. The complex was made up of four-story garden apartments grouped around an open-air landscaped atrium. Responding to the demand for larger units than the one-bedroom apartments at Edison Towers, TEDC designed the apartments at Edison Gardens



with two bedrooms. Each apartment had a large balcony, cross ventilation as well as air conditioning, and wall-to-wall carpeting, and each came equipped with electric stove, oven, and refrigerator. The complex included amenities such as secured parking, laundry facilities on each floor, tot lot, and basketball court (LISC 1993; Simmons 1999b).

Despite TEDC's impressive start and carefully planned projects, by the early 1990s the organization was losing substantial amounts of money. A combination of mistakes and bad luck caused its early projects to hemorrhage financially. During its first project, Edison Plaza, the organization was involved in a dispute with a contractor that ended in an arbitration decision TEDC lost. As a result, in 1988 TEDC had to pay \$22,000 as a down payment and \$33,600 annually for 10 years thereafter. Even though it received the start-up capital for the seafood restaurant from a government grant, like many CDCs, TEDC was not able to operate a small business profitably. After estimating it would cost \$50,000 to launch the seafood business, TEDC actually invested \$400,000 before closing the enterprise (LISC 1993; Simmons 1999b).

Among TEDC's most nagging financial problems was Edison Gardens, which drained significant amounts of money. Although constructed successfully, this project encountered some of the crucial problems in financing and management that can plague low-income-housing developments (Bratt et al. 1995). Edison Gardens was overleveraged—it had too much debt per unit. It was an early tax credit project, and neither LISC nor the National Equity Fund—the organizations that constructed the deals—knew at the time how the new tax credit program would work in practice. Interest rates were high, and the equity invested was only 50 cents on a dollar, whereas today it is more common for equity to be 70 cents or higher on a dollar. Because the margin was so thin, management became much more important in making the deal work (Rosenblith 1999).

Managing Edison Gardens, however, proved to be far more difficult than anyone expected. When the buildings were opened for occupancy in 1989, TEDC hired the Related Management Company, a group with extensive experience managing subsidized apartments, to oversee the property. At the time Edison Gardens was developed, none of the officers of Miami LISC, TEDC, or Related Management Company had any experience with projects funded by the Low-Income Housing Tax Credit program. The original provisions of the tax credit program required that tenants not pay more than 30 percent of their income, adjusted for family size. In practice, that meant family size and income, rather than apartment size, set the rents, which ranged in 1992 from \$384 to \$506 (LISC 1993).

In trying to maintain adequate revenues for the project, therefore, Related Management faced the dilemma created by the "two glass ceilings," maximum limits on rents and tenant incomes, which project-based subsidies often impose (Bratt et al. 1995,

162). The management company faced unpalatable alternatives. It could fill the units at project rents by lowering its standards for accepting tenants, fill the buildings with families whose rents (set at 30 percent of their income) would not meet the development's projected receipts, or let units remain vacant until ideal tenants were located. Related Management decided to lower its screening standards, and as a result, Edison Gardens soon experienced high rates of rental delinquencies and disorderly tenants (LISC 1993).

Unhappy with Related's performance and perhaps hopeful of producing a new revenue stream, TEDC started its own management company in 1991, Tacolcy Property Management Company, to manage all its residential developments. The new company was headed by a member of the TEDC staff who had little experience managing real property, but LISC and TEDC hired consultants to set up accounting and management control procedures for the management company's staff (LISC 1993; Simmons 1999b).

Unfortunately, Tacolcy Property Management Company inherited a difficult situation at Edison Gardens and could not find a solution. With dangerously high vacancy and delinquency rates—only 35 of 50 units were occupied and half of those were delinquent in rent payments—the management company decided to relax the eviction policy. That move only resulted in further reducing revenues, and in 1992 the complex of problems forced TEDC to write off more than \$14,000 in bad debts. Finally Tacolcy Management imposed a tight screening process and strict eviction policy and began to benefit from new Low-Income Housing Tax Credit regulations, which allowed the size of a unit, rather than the size of the family, to set rent levels. (Because of the new regulations, TEDC's subsequent and almost identical project, Edison Gardens II, had a better record of rent collection.) (Bratt et al. 1995; LISC 1993)

Adding to the difficulties at Edison Gardens, LISC and TEDC staff had underestimated the costs of operating the project at the time they arranged the financing. They had realized there would be a shortfall, but planned to cover the gap with excess tax credit syndication proceeds and a LISC recoverable grant of \$85,000, approved in 1988. In reality, however, the cost per unit was \$3,000, 50 percent more than the projected \$2,000 figure. The difference multiplied by the number of units—the actual shortfall—was much higher than expected. The cost of maintaining the property was increased by the failure to screen tenants as well as the unexpectedly high real estate tax. None of the people who planned the Edison Gardens project expected the property to be taxed near its assessed rate of \$720 per unit. TEDC's argument that subsidized low-income housing should not be charged at the same rate as commercial market projects fell on deaf ears at Dade County's tax department (LISC 1993; Simmons 1999b).

To reduce the costs of Edison Gardens, TEDC, working with LISC, decided to try to refinance its major loans. It persuaded Homes for South Florida to refinance its permanent loan, originally \$905,235 at 11 percent, with an interest rate of 9 percent. LISC, for its part, "took out" (repaid) the Homes for South Florida bridge loan, originally \$903,420 at 10.5 percent, with its own bridge loan of \$310,639 at 6 percent, saving TEDC \$15,000 (LISC 1993). Nevertheless, TEDC had to pour more than \$200,000 into Edison Gardens to keep it afloat until it was refinanced. According to Lorenzo Simmons, without the additional revenues that came from joint venture projects outside Liberty City, Edison Gardens "would have tanked" (Simmons 1999b).

It is not uncommon for CDCs to have problems managing residential properties they have developed, and frequently these problems are related to insufficient underwriting (Bratt et al. 1995). Nor is it unusual for the nonprofit lenders to assist in the financial "work-out" and other management changes that will put a troubled project on sound footing. That is what happened in the case of Edison Gardens. LISC, NEF, and TEDC worked together to straighten out the problems that arose from their and the banks' erroneous underwriting. LISC program officers, as shown by the takeout loan, risked LISC money, and TEDC staff learned from their experiences.

During the lengthy process of correcting these problems, however, the parties became exasperated with each other. LISC and NEF staff members worked for three years with TEDC to improve the operations of Edison Gardens, but felt that TEDC staff did not recognize soon enough that the management problems—bad tenants, deterioration of property, vandalism—were preventing the project from getting out of its financial difficulty. TEDC staff felt that because they were willing to accept the responsibility for having made mistakes and did eventually hire a new property manager, LISC and NEF could have spent less time criticizing them and instead could have taken constructive action, such as writing off their loan on Edison Plaza (LISC 1993; Simmons 1999b).

TEDC's leaders grew alienated from the institutions that support community development in Miami. Simmons balked at the program requirements LISC and its equity affiliate imposed, believing they were better suited to a young organization than an experienced nonprofit developer. When NEF offered Simmons an equity deal for a housing project in south Dade County with the proviso that TEDC funnel the proceeds back into Liberty City projects, TEDC rejected the offer and contracted with a private syndicator. About 1995 TEDC withdrew from LISC's capacity building funding program for technical assistance and operating expenses because Simmons felt that it was not worth the effort to obtain a relatively small grant (Simmons 1999a, 1999b).

Similarly, TEDC did not apply for the state's Community Development Assistance

grants, which required that a CDC select a majority of the members of its board of directors by an election open to all residents of its community. The board of directors had long been a problem at TEDC. When TEDC was first organized, board members of the founding organization, Belafonte Tacolcy, refused at the crucial moment to sign the contract to develop and manage Edison Plaza because they were afraid they would be liable for \$2 million— despite Pitts's repeated efforts to explain that the liability insurance would cover them and that the federal government was financing most of the project. Later, a board member who owned a drug store at Edison Plaza stopped paying rent, and Simmons had to remove him from the board. A political member of the board who wanted the business owner's support fought to keep him on the board, causing a struggle in which Pitts became involved. To avoid further problems, Pitts reorganized the TEDC board and carefully chose its members for expertise rather than community representation (a type of board common to non-community- based nonprofit organizations) (Pitts 1999; Rosenblith 1999).

### **CHANGE IN STRATEGY**

Pitts and Simmons felt that the decision to withdraw from Miami's community development programs was an easy one to make because government, philanthropic, and intermediary agencies offered CDCs little financial support. The agencies, according to Pitts, gave relatively little "soft money" to cover the operating expenses of CDCs, preferring instead to lend money for projects. Although Miami LISC initially recruited energetic business leaders to channel money into community development, Pitts felt that LISC never did raise as much money in Miami as it did in rich community development environments elsewhere. He noted that the amount of money available to CDCs declined further as corporate leaders died or departed and pro-community-development political officials left office. In addition, TEDC's officers knew that the Ford Foundation was planning to reduce its contributions to Miami's CDCs, which meant that in 1997 TEDC would lose some or all of its annual \$200,000 operating subsidy (Pitts 1999; Simmons 1999b).

To cope with the financial pressures of the organization's substantial debts, staff salaries, and overhead, Pitts and Simmons pursued a new strategy to earn revenue. In the new approach TEDC would form partnerships to carry out large-scale housing development at sites outside Liberty City. Pitts had long admired private sector companies for their ability to develop housing without government and philanthropic grants, and now hoped to work with and emulate them (Pitts 1999).

Pitts and Simmons learned from the private developers whom they consulted that large-scale housing development projects (more than 100 units) produced revenue more efficiently than small-scale projects. Pitts believed that intermediary program officers preferred small-scale projects because they felt these were easier to finance

and carry out, but experience had taught TEDC's leaders that expenses in small projects outstripped income. Edison Gardens, for example, incurred high fixed costs from Miami's property taxes and insurance rates (which soared after the hurricane in 1992), but TEDC could not raise rents in Liberty City's stagnant real estate market. As a result, Pitts and Simmons shifted to a policy of developing housing on a large scale (Pitts 1999; Simmons 1999b).

Liberty City, TEDC's home base, however, lacked lots large enough to accommodate the size of the housing development the organization planned. To develop housing on a large scale, TEDC was forced to find sites in the outlying neighborhoods of the city and beyond in the towns to the south. Government agencies and philanthropies provided TEDC with another incentive to develop outside Liberty City by making funds available to rebuild areas in southern Dade County that were damaged by Hurricane Andrew (Pitts 1999; Simmons 1999b).

In 1994 Simmons completed the first housing development project in the new joint-venture, large-scale strategy he and Pitts had begun. TEDC and Related Group of Florida, a for-profit housing development and management concern, developed 290 rental units at Walden Pond Villas for approximately \$15 million. The units are several miles north of Liberty City near the Miami border (Simmons 1999d). In contrast to the multiple lenders CDCs must use to finance their housing projects, only three sources provided the outside funding for Walden Pond Villas: a bank that provided a \$7 million mortgage; the HOME loan program administered by Dade County, which provided three mortgages totaling about \$3.3 million; and a syndicator and limited partner, which raised \$4.8 million worth of equity by the sale of tax credits (Simmons 1999d; Walden Pond Associates 1994).

The Walden Pond Villas project, according to Simmons, was extraordinarily rewarding for TEDC. TEDC earned developers' overhead costs, developers' fees, profit from construction, a percentage of the management fee after its partner Related Group had taken its share, and general partnership fees after the project generated a certain level of cash flow. More-over, TEDC's for-profit partner gave the organization immediate access to large sums of capital, which normally TEDC could assemble only with great difficulty. Although the partners were theoretically equal, in the early stages of the deal Related Capital invested \$800,000 in Walden Pond Villas, and TEDC only \$110,000. Even with such a small stake, Simmons recalls agonizing over the negotiations before the deal was approved lest TEDC lose its \$110,000 (Simmons 1999b).

The for-profit partner derived benefits from the alliance also. By having a nonprofit organization on an application for low-income housing tax credits, the commercial company in the partnership earned precious points that might make the difference between winning or losing the valuable credits. Moreover, nonprofit community-

based housing development organizations were eligible for the low-interest loans of the HOME program. The savings for the partnership were significant. The partnership converted the \$7 million construction loan into a bank mortgage bearing interest at 8 percent. In contrast, the first HOME mortgage (worth \$1.3 million) did not become due until the partnership had received a 10 percent return on its equity and then only at 6 percent, the second HOME mortgage (\$480,000) was payable at 5.8 percent, and the third (\$1.5 million) had a trifling 1.5 percent interest rate (Walden Pond Associates 1994).

After the success of the Walden Pond Villas project, Simmons led TEDC into a series of joint-venture developments in south Dade County, making use of the funding that had become available for low-income housing in areas affected by the hurricane. As it had in the Walden Pond Villas project, TEDC formed partnerships with for-profit companies and used the federal Low-Income Housing Tax Credit program. As before, the for-profit companies looked to TEDC to help obtain tax credits and acquire government soft money set aside for nonprofit organizations. In six projects executed between 1995 and 1996 in the Florida towns of Florida City, Homestead, Goulds, and Naranja, TEDC helped develop 1,062 units of housing at a total development cost of \$67.3 million. Each of these developments had more than 100 units; together the projects averaged 177 units and \$11.22 million per project (TEDC 1999). Unlike the lucrative arrangements in its first joint venture deal, however, TEDC usually had only a 30 to 40 percent interest in each project—as opposed to the 50 percent stake it had in Walden Pond Villas—and with a couple of exceptions did not receive the kinds of fees it earned in the Walden Pond Villas project (Simmons 1999d).

Since 1997, when TEDC lost the grants from the Ford Foundation and Dade Partnership, Simmons has run the organization without major operating support from foundations, government, or intermediaries. Because of the organization's debts and financial commitments, he reduced the number of full-time staff from six to three, but has continued to pursue projects, including a 220-unit, \$15.5 million joint venture development in north-west Miami and two single-family home projects in south Dade County (TEDC 1999).

Although committed to TEDC's strategy of joint-venture, large-scale projects, Simmons has not closed the door on LISC or the conventional community development model of operations. He bears no ill will toward LISC, and gratefully acknowledges its past help. From 1996 to 1998 TEDC enrolled all its apartment properties in a LISC youth program, and Simmons does not rule out working with LISC in the future. Simmons would gladly see TEDC carry out deals by itself if money for predevelopment costs was available and it was fortunate enough to score high on the low-income housing tax credit application and receive 100 percent

of the allocation. Meanwhile, however, he thinks that to survive in Miami other CDCs may want to emulate TEDC and work with for-profit partners (Simmons 1999b).

### **THE LISC PERSPECTIVE**

Beneath the particular issues related to the Edison Gardens work-out and the requirements for participating in funding programs lies a basic conflict between TEDC and LISC over the proper approach to community development. LISC's program officers, like most people active in the community development movement, subscribe to the principle that CDCs should carry out programs within or adjacent to a circumscribed service area. LISC had enthusiastically supported and contributed significant sums of money to Edison Gardens and TEDC's other housing projects in Liberty City. When TEDC began to pursue projects outside Liberty City, LISC's Sandra Rosenblith argued at length with Lorenzo Simmons to convince him to reverse TEDC's decision. Rosenblith objected to the policy because she felt it diverted too much of TEDC's organizational effort away from neighborhood projects. Rosenblith also believed that when CDCs carry out projects in unfamiliar markets and fail to pursue comprehensive development strategies, they lose their competitive advantage over private developers (Rosenblith 1999). It was essential, as Rosenblith expressed it, "to take care of your knitting at home first." Even if no fee income was immediately available, she believed, the staff of CDCs should tackle projects that would directly help the people of their neighborhoods. In Rosenblith's view, money would somehow be found for CDCs carrying out worthwhile projects (Rosenblith 1999).

CDCs, according to that reasoning, should not choose projects merely to maintain themselves. A group can pursue deals outside the neighborhood, but unless all the money earned from those deals was returned to neighborhood projects, Rosenblith believed, the outside revenues were probably maintaining the organization only, not the neighborhood. Sharing these tenets, long-time observers of the Miami community development scene such as Ernest Martin criticize TEDC for not basing its operations in Liberty City and for not having a long-term strategy for its service area (Martin 1999; Rosenblith 1999).

Another important principle of the community development movement is that non-profit organizations, as opposed to businesses, are best suited for carrying out community development. LISC officials and staff (as well as foundation officers and government officials) strongly believe that although community development projects should be economically viable, they should be projects that the private market will not undertake. In low-income neighborhoods in which there is little investment, activities such as housing or retail projects, job training, and after-school tutoring programs do not generate enough income to pay for themselves. Only when and where such activities provide a significant rate of return will the private market implement them. CDCs, according to community development advocates, lay the groundwork for the private

market to return to such low-income neighborhoods. Thus, until we have eliminated poverty, Rosenblith believes, we will always need to support CDCs with operating subsidies. Observers of Miami's CDCs, such as Rosenblith and Martin, worry that TEDC lacks a method in its choice of projects and behaves like a private business by undertaking projects simply to make money (Martin 1999; Rosenblith 1999).

Both Pitts and Simmons reject the assertions of critics who feel that in the location of its projects and the selection process for its board of directors, TEDC has forsaken its community, Liberty City. Otis Pitts grew up in Liberty City and his parents still live there. He is held in high esteem by most residents of the neighborhood, who have supported his many endeavors to improve the area. Pitts scoffs at the criticism that the method of selecting the board—a method he put in place to allow TEDC to be effective—makes it unresponsive to its community. He notes that from the first TEDC surveyed people along the Seventh Avenue corridor and in the neighborhood about their needs and studied the demographics and market carefully and objectively to ensure that the projects would be successful. Pitts feels he listened to the community's wishes, but also resisted ideas—such as hiring unqualified local people—that would alienate lenders and doom TEDC's projects. Simmons points out that there is a continuity between TEDC's Liberty City and Dade County housing developments because the great majority of tenants in projects outside Liberty City, like those in the Liberty City projects, are African American (Pitts 1999; Simmons 1999b).

TEDC's leaders insist that the organization is continuing to help improve Liberty City. Simmons and Moses Florence, a real estate agent and TEDC board member, point out that TEDC uses funds it earns from its development deals outside Liberty City to sustain its projects in Liberty City. The moneys from Walden Pond Villas and the south Dade County projects helped keep Edison Gardens afloat and can be used to redevelop Edison Plaza as well as help the organization develop a site across the street from Edison Plaza for a new Walgreens drug store (Florence 1999; Simmons 1999b).

Pitts and Simmons cheerfully admit that they are "deal-driven." As Pitts explains, a small nonprofit group that produces a few dwelling units can survive on CDBG funds from local government and foundation grants, but an organization such as TEDC, which pays for 80 percent or more of its operations from its projects, needs to pursue deals that will produce income. Pitts is working on his own in Liberty City to develop a large office building that would have a government agency as primary tenant and that, along with transportation improvements, he hopes will encourage further investment in the neighborhood. He approves of any project that stimulates further real estate development and business growth in an inner-city neighborhood such as Liberty City, whether that project is carried out by a nonprofit or for-profit entity. And like Robert Moore, the director of Development Corporation of Columbia Heights in Washington, DC, Pitts believes that once the goal of an economically viable neighborhood is



achieved, the local CDC can go out of business (Pitts 1999).

It is interesting to note that unlike TEDC, two of Miami's most successful CDCs pursue the conventional means of community development, but cope differently with the stringent Miami political environment. East Little Havana CDC has worked within its Cuban and Central American neighborhood. It has pursued mostly homeownership condominium developments, in part because tax credits for rental projects are difficult for CDCs to obtain in Miami. Low appraised values limit the revenues a developer can earn, however, so the projects barely break even after grants are injected into them. Opa-locka CDC has built small homes, rehabilitated abandoned houses, and constructed rental apartment complexes in and adjacent to its large predominantly African-American service area in northwestern Dade County. Opa-locka CDC is currently planning housing projects with a range of partners—including a government agency, a nonprofit CDC, and for-profit companies. In contrast to TEDC, both CDCs elect community residents to their boards; accept operating support from city, state, and county governments, foundations, and the Dade Partnership for Community Economic Development; and work closely with LISC (East Little Havana CDC 1998; Opa-locka CDC 1998, 1999; Rodriguez-Tejera 1999; Williams-Baldwin 1999).

Meanwhile, TEDC has three more housing projects (two of which are made up of houses for sale) outside Liberty City under way and has begun construction of the Walgreens commercial retail development in Liberty City. It continues to run its operations without benefit of grants from government, foundation, or intermediary sources.

## CONCLUSION

The relationship between a CDC and an intermediary could hardly have been closer than the relationship between TEDC and LISC during the 1980s and early 1990s. Through Sandra Rosenblith, LISC introduced the idea of community development to Otis Pitts, helped him found TEDC, and worked unusually closely with Pitts and his staff on several development projects, even suggesting the site where Edison Towers and Edison Gardens would be built.

At first, as in the other case study locales, LISC program officers and CDC staff members in Miami shared common community development goals and strategies. LISC's Rosenblith and her successor Raley and TEDC's Pitts and his successor Simmons all wanted to help revive the Liberty City neighborhood through real estate development and related projects.

As was true of other CDCs, long-term goals and immediate circumstances dictated TEDC's short-term strategy of developing Edison Gardens. After the successful Edison Plaza commercial development, Pitts decided TEDC should produce attractive hous-

ing that Liberty City's low income residents could afford. With Rosenblith's help, he found an available site to build Edison Gardens and funds from various sources, including the new Low-Income Housing Tax Credit program.

Until then the arrangement had been progressing smoothly. But the parties making the deal—TEDC, LISC, and NEF—erred in underwriting the project. Edison Gardens carried a great amount of debt per unit. In addition to its financing problems, TEDC fumbled the management of the property. Rent delinquencies and problem tenants bled money from a project that could not afford the loss. Such problems in underwriting and management are not uncommon in the community development field and call for further research that builds on this case and the groundbreaking work of Bratt et al. (1995).

The mistakes made in planning and managing Edison Gardens (combined with TEDC's other financial problems) soured the relationship between TEDC and LISC. At the surface level, personal reactions to the mutual efforts to rescue Edison Gardens caused the discord. LISC and NEF officers grew frustrated with TEDC's decisions regarding the management of Edison Gardens and with the slow way the organization moved to correct its mistakes. TEDC staff members, particularly Director Simmons, felt that the representatives of the intermediary and its equity arm were not treating them with the respect due experienced CDC directors. Finally Simmons decided that he did not wish to submit to the program requirements of the intermediaries and government community development agencies.

At a more fundamental level, however, the political environment of south Florida encouraged TEDC's deviation from orthodox community development. Unlike other cities, Miami had never developed the proto-CDCs—neighborhood organizations that were formed to fight urban renewal and poverty and that then became interested in real estate development. As a result, nonprofit community development came late to Miami, and when it did, agencies such as LISC and The Enterprise Foundation were not able to build as strong a community development system as they did in other cities. Miami still lacks a large number of influential individuals—especially within government—who understand and enthusiastically support local nonprofit organizations and who can help channel the efforts of these organizations to improve their communities. If those kinds of individuals had come to the fore, according to a veteran of the community development scene, the unproductive CDCs would have been winnowed out and the productive CDCs would have received more financial and technical assistance (Martin 1999). In a system that provided more sources of operating and project funds to nonprofit developers, TEDC might well have stayed on a more conventional course of community development.

If support for the nonprofit community development system was weak in Miami,

for-profit entrepreneurial polices were popular. After the riots of the 1980s Miami's government and civic leaders encouraged business entrepreneurs as a way of reviving low-income communities, and many still support that approach. Although TEDC continued to be a nonprofit organization, it adopted a strategy in keeping with the entrepreneurial ethos by forming partnerships with for-profit real estate firms.

TEDC's leaders, Pitts and Simmons, admired the business world in general and supported the concept of black capitalism in particular—both of those sentiments were in accord with the prevailing political philosophies in Miami. More to the point, the revenues TEDC earned from joint ventures with for-profit firms allowed its leaders to forgo the support of foundations, intermediaries, and government community development agencies. TEDC wanted to join forces with private for-profit firms to enjoy the advantages that government programs such as the Low-Income Housing Tax Credit gave large real estate companies. This entrepreneurial strategy required undertaking profitable large-scale housing developments, and the best sites for such projects were in areas remote from the neighborhood of Liberty City.

Both for-profit partnerships and the choice of a remote location for development projects contradicted main tenets of the community development movement. The program officers at LISC—and at other community development intermediary and governmental agencies—could tolerate TEDC's partnerships with commercial firms on the grounds of expediency, but they could not accept the location of the joint-venture housing projects far from TEDC's base. LISC officers fervently believe that locally based organizations should consult the local populace and carry out projects locally; the idea is the bedrock of their concept of community development.

Hence, the directors of TEDC and the officers of LISC found themselves in a fundamental conflict. In the conflict the CDC and the intermediary took sides opposite from what critics of community development would have expected them to take. When TEDC's director placed a higher priority on housing development outside the neighborhood, LISC operatives insisted that the CDC expand its programs in Liberty City.

Ultimately, all organizations engaged in housing and community development in Miami have been forced to find ways to manage without a strong support system. In the 1980s intermediaries such as LISC took on the task of trying to re-create in Miami the conditions conducive to community development that existed in cities such as Boston. They made some headway, but so far have been unable to create a permanently strong community development support system. In the absence of effective help for nonprofit organizations, the rival entrepreneurial approach vied for the support of policy makers and practitioners. Thus, the case of TEDC and the Edison Gardens project teaches that with-out a strong system of support, a strictly nonprofit approach to urban revitalization may not always prevail.