
An Evaluation of the Neighborhood Development Demonstration

Prepared for:
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and Urban Development

Prepared by:
The Pratt Institute Center
for Community and
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The contents of this report do not necessarily reflect the views or policies of the Department of Housing and Urban Development or the U.S. Government.

FOREWORD

The Neighborhood Development Demonstration (NDD) enacted by Section 123 of the Housing Urban-Rural Recovery Act of 1983 was designed to help neighborhood groups move towards greater self-sufficiency by testing the feasibility of providing matching grants to eligible neighborhood development organizations based on monetary support they had already raised within their neighborhoods from citizens and local businesses.

This effort built upon the earlier Neighborhood Self-Help Demonstration that provided larger grants (\$100,000 vs. \$50,000 or less) and did not require a local match. The concept was successfully tested in that almost three-quarters of the neighborhood groups raised their match, although the total funds raised were only slightly over \$900,000 and only amounted to between 7 and 10 percent of an average neighborhood organization's budget.

Most NDD projects involved housing and/or some form of local economic development that included housing. Some of the projects were new or stand-alone efforts that were quite modest in size and, since applications and funds were between the neighborhood organization and the Federal Government, bypassed local government plans and priorities for neighborhood improvements. Other projects were part of larger efforts that included other Federal, State, or local funds but, at best, were not part of an integrated and coordinated neighborhood revitalization approach and may even have been redundant and wasteful of scarce public resources.

The Federal Government has a long, unbroken commitment to neighborhood reinvestment that is presently best exemplified by the successful programs of the Neighborhood Reinvestment Corporation (NRC). The NRC has a proven approach, working with local government for more than a decade in over 100 cities to focus public and private resources on various forms of neighborhood revitalization.

Although this report was originally intended to be an evaluation of the NDD, the Congress has continued to provide a second and third round of funding and has authorized funding for a fourth round. This report discusses the efforts of the 38 neighborhood organizations funded in the first round. A final evaluation report is required at the conclusion of the Demonstration.



Samuel R. Pierce, Jr.
Secretary

Acknowledgements

In carrying out an evaluation of a national demonstration project involving some two score neighborhood development organizations (or "NDOs" as we affectionately call them) there were, of course, numerous individuals and organizations from both the public and private sectors who gave unstintingly of their time and knowledge as we subjected them to over 300 painfully detailed formal interviews. Many of these respondents were either underpaid staff or uncompensated board members of the NDOs who may already have had their hands full carrying out their fundraising and project implementation work when we added our inquisition to their workload. For their indulgence of our insatiable appetite for data we can only offer our sincere thanks. We must also express our appreciation to the numerous HUD staff who spent hours reading and critiquing in detail our draft final report.

In any undertaking of this magnitude there are invariably many more hours of effort by many more people under much more difficult circumstances than could ever have been anticipated in the rather bland description in the original project work plan. Due to the nationwide scope of the evaluation, the reliance on many different sources of data with varying degrees of completeness and reliability, and the widely disparate character of the NDOs under study, logistical complexities and methodological conundrums required more attention from the project staff and consultants than was anticipated. For their perserverance in resolving the many problems associated with the various secondary data sources and in conducting the voluminous interviews used in the study, we are grateful to Charlie Peterson and Dean Zias of the Pratt Center staff and consultants Mary Brooks and Susan Reynolds. The latter also endured seemingly endless discussions of research design issues, heavy-handed editing of their draft analyses and other, perhaps less intellectually stimulating problems encountered during the study. Finally, to the clerical staff of the Center we must express our heartfelt thanks for enduring the plague of editorial revisions we visited upon them in the preparation of the draft and final reports for this evaluation. Of course, any errors or omissions that may yet remain in the report are the sole responsibility of the principal authors, Mary E. Brooks, Frank F. DeGiovanni, Susan M. Reynolds, and Brian T. Sullivan.

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EXECUTIVE SUMMARY

This report presents an evaluation of the first year of the Neighborhood Development Demonstration (NDD) program created by Section 123 of the Housing and Urban-Rural Recovery Act of 1983 and administered by HUD during 1985 and 1986. The evaluation was carried out by the Pratt Institute Center for Community and Environmental Development (PICCED).

Chapter One summarizes the legislative intent behind the creation of the NDD program. The Demonstration was intended to test the effectiveness of a Federal matching grant as an incentive to encourage Neighborhood Development Organizations (NDOs) to increase the level of neighborhood private sector support for their activities. The major intended long-term impact is the movement of the NDOs toward self-sufficiency.

In addition to use of a matching grant as an incentive for neighborhood fundraising, the Demonstration had two other innovative features. First, the funds raised by the NDOs to be matched by the NDD grant must be obtained only from neighborhood sources. Second, the neighborhood contributions must be received before the matching grant is released by HUD to the NDO.

Forty-four NDOs were selected for participation in a nationwide competition, of which 38 remained in the Demonstration for the full year fundraising cycle.

Chapter Two contains descriptions of the salient characteristics of the 38 NDD participants and their projects. Although these NDOs varied substantially in many ways, they tend to be relatively small organizations, located in urban areas, often in inner cities, in neighborhoods with populations under 50,000. Almost two-thirds of the NDOs serve neighborhoods in which minorities account for at least half the population.

Most projects (28) involved housing and/or economic development and were designed to address major neighborhood problems. The projects were relatively modest in size, with most project budgets (57.9 percent) under \$200,000. Local fundraising goals were equally modest, with 50 percent under \$20,000.

Another 29 percent of the NDOs, however, had to raise between \$30,000 and \$50,000, the program maximum. More than one-third of the NDOs had never attempted to fundraise within their own neighborhoods prior to the Demonstration, and more than one-third of the NDOs proposed to increase by more than \$20,000 the funds they had previously raised within their neighborhoods.

Chapter Three discusses the performance of the participating NDOs in raising their required local contributions. The NDD clearly stimulated an increase in fundraising from neighborhood sources. Almost three-quarters (73.7 percent) of the NDOs met their goal. Only four NDOs failed substantially, i.e. raised less than two-thirds of their local fundraising goal. Overall, the NDOs raised some \$916,000, thereby exceeding the sum of their individual local fundraising goals. Local businesses were credited with providing the largest share of the local contributions (46.6 percent), compared to local institutions (30.3 percent) and individuals (23.1 percent). New contributors from these sectors gave, in the aggregate, some 45.0 percent of the total raised locally. Most successful NDOs used more than one method of fundraising during the Demonstration, with a majority of the NDOs receiving less than one-half of their required local funds from any one method. Three methods of fundraising—soliciting local businesses, submitting proposals to local institutions, and holding special events—provided the largest share of the total funds raised for many of the NDOs.

Very few characteristics of the neighborhoods, projects, or NDOs appear to have affected the NDOs' success in meeting their neighborhood fundraising goals in any systematic way. Interviews with NDO executive directors, however, suggest that the dynamics of fundraising itself (e.g. use of personal contacts and multiple fundraising methods) and some of the major features of the Demonstration contributed to the NDOs' success or failure in raising the local funds. Restriction of fundraising to the NDOs' neighborhoods, a narrow interpretation of the types of contributions qualifying for the match, and provision of the Federal match on a reimbursement basis each caused problems for many of the NDD participants, and may have contributed to some NDOs' failures. Still, the vast majority of the NDOs overcame these problems and managed to raise the required funds within their neighborhoods.

Chapter Four analyzes the performance of the participating NDOs in carrying out their local NDO-funded projects. The NDOs raised almost \$13 million in project funds, leveraging almost \$8 for every \$1 awarded as HUD matching grants. When completed, these projects will produce approximately 258 units of rehabilitated housing, 164 units of newly constructed housing, over 150 job training positions, more than 100 vacant lots cleaned

and vacant buildings sealed, dozens of neighborhood businesses created or assisted, and several new and expanded facilities for health and human service delivery.

It is too soon to determine the impact of the NDD projects on the neighborhoods in which they are located. Instead, the NDOs' abilities to raise the total project budget, implement the projects on schedule, and remain within the budgets are examined as short-term indicators of NDD success. Approximately 65.8 percent of the NDOs had raised all of the needed funds as of the end of 1986. Fifty percent of the projects were being implemented on schedule, with 16 projects completed as of December 1986.

Twelve of the 16 completed projects achieved their objectives, with two others meeting 80 percent of their goals. Finally, 70.3 percent of the projects were within their estimated project budgets and anticipated completing their projects within budget.

Specific characteristics of the NDOs and their projects significantly affected the success of the NDOs in implementing the projects successfully. These factors include: the NDOs' previous track records with the types of projects funded, the nature of project activities and products, the NDOs' prior records in neighborhood fundraising, the NDOs' prior project management experience, and NDO key staff experience with the types of projects implemented.

Chapter Five examines the progress toward self-sufficiency among the NDOs as evidenced by their ability to increase their local private-sector support during the Demonstration. Important indicators of progress are the strong showing of loyalty and increased level of support from previous contributors, the auspicious generosity of new contributors and the very high likelihood of continued support for the NDOs expressed by both.

As a group, the NDOs reported a marked (50 percent) increase in the proportion of their budgets raised within their neighborhoods during the NDD compared to their prior local fundraising efforts. The availability of the Federal matching funds played an important, if not dominant, role in attracting these contributions. Nevertheless, even without the matching grant being available in the future, the NDO directors appear determined to adopt the same fundraising strategies used during the Demonstration as a part of their annual fundraising campaigns. They project a further, though less dramatic, increase in funds to be raised within the neighborhoods in the future (another 33.0 percent) compared to the amount raised locally during the NDD. These large relative increases notwithstanding, the actual amount that the typical NDO expects to raise locally is just 10 percent of its annual budget, and there is some evidence of "leveling off;" i.e., the NDOs' capacity

for local fundraising is not substantially greater than that already achieved in the Demonstration.

Chapter Six examines the indirect or secondary impacts of the Demonstration on the NDOs and their neighborhoods. The participating NDOs emphasized the long-term positive impacts of the NDD—increased visibility for the NDO, improved access to potential business and foundation supporters and increased support from local residents—virtually to the exclusion of any negative impacts. Improved housing dominated the list of neighborhood benefits attributed to the Demonstration, along with economic development, physical improvements, and greater mobilization and community involvement.

Chapter Seven summarizes the major conclusions of the evaluation. Although standards for evaluating the success of programs like the Demonstration do not exist, the overall performance of the NDOs on all of the criteria of success is very creditable. Furthermore, their performance compares favorably with the results of the last major Federal grant program for NDOs, the Neighborhood Self-Help Demonstration Program.

1. INTRODUCTION

This report presents the final results of a study funded by the U.S. Department of Housing and Urban Development (HUD) to evaluate the Neighborhood Development Demonstration (NDD) Program created by Section 123 of the Housing and Urban-Rural Recovery Act of 1983.

The overall purpose of the Demonstration was to determine the ability of neighborhood-based organizations (NDOs) to broaden the financial support raised within their neighborhoods to offset the decline in Federal assistance for community development programs. This purpose was clearly stated in Section 123(b)(1) of the Act:

The Secretary shall carry out, in accordance with this section, a demonstration to determine the feasibility of supporting eligible neighborhood development activities by providing Federal matching funds to eligible neighborhood development organizations on the basis of the monetary support such organizations have received from individuals, businesses, and nonprofit or other organizations in their neighborhoods prior to receiving assistance under this section.¹

The three key distinguishing features of the Demonstration are identified in the preceding quotation:

- The use of Federal matching grants as incentives for NDO fundraising;
- The requirement that the funds to be matched must be raised within the NDO's neighborhood; and
- The requirement that the neighborhood contributions must be received by the NDO before the Federal matching funds are released by HUD.

¹ Housing and Urban-Rural Recovery Act of 1983, P.L. 98-186, Section 123(b)(1), as approved November 30, 1983.

The Notice of Fund Availability (NOFA), issued August 23, 1984, identified another major purpose of the Demonstration: "...to encourage neighborhood organizations to become more self-sufficient in their development activities which benefit low- and moderate-income persons."² The NOFA also listed four specific objectives of the Demonstration:

- To evaluate the degree to which new voluntary contributions and other private-sector support can be generated and new activities can be undertaken at the neighborhood level through Federal incentive funding;
- To determine the correlation, if any, between the demographics of a neighborhood . . . and the neighborhood organization's abilities to raise funds within the neighborhood boundaries;
- To determine the correlation, if any, between the type of improvement activity undertaken and the success of fundraising efforts;
- To determine the correlation, if any, between the characteristics of the organization and the success of fundraising efforts.³

Two million dollars in Federal funds was appropriated for the first year of this Demonstration by Title I of the Department of Housing and Urban Development-Independent Agencies Appropriations Act, 1985 (P.L. 98-371). A maximum of 5 percent of this amount could be used to administer the program. Of the \$2.0 million dollar appropriation, \$1.9 million was reserved for use as incentive awards to encourage neighborhood organizations to become more self-sufficient in developing activities to benefit low- and moderate-income persons. The remaining \$100,000 of the \$2.0 million appropriation was allocated for the provision of technical assistance to the Demonstration participants and other administrative uses. In addition, research funds were set aside by HUD's Office of Policy Development and Research to conduct an evaluation of the Neighborhood Development Demonstration Program as required by Section 123, Housing and Urban-Rural Recovery Act of 1983, Section (e)(6)(D).

The objectives of the evaluation are to describe the fundraising and project activities undertaken by NDOs during the Demonstration, to assess whether the objectives of the Demonstration listed in the NOFA were achieved, and to answer the evaluation ques-

² "Neighborhood Development Demonstration Program; Announcement of Fund Availability for Fiscal Year 1984." *Federal Register*, Vol 49, No. 165, Thursday, August 23, 1984, Section I.B.

³ *Ibid.*

tions posed by the Request for Proposals (RFP) issued by HUD on August 30, 1985. The RFP identified six broad categories of research questions for the evaluation:

- To what degree can new voluntary funding be generated at the neighborhood level in response to an incentive grant?
- How did the Demonstration model affect project success? In particular, how did the local fundraising requirements affect NDO efforts?
- What are the impacts of the Demonstration on the participating NDOs and their neighborhoods?
- What was the effect of the Demonstration grant on partnership building?
- How did the project contribute to neighborhood development?
- What is the long-term impact of the Demonstration?⁴

The remainder of this chapter is divided into three sections: (1) a description of the major features of the Neighborhood Development Demonstration; (2) an overview of the research design of the evaluation; and (3) an outline of the organization of this report.

MAJOR FEATURES OF THE NEIGHBORHOOD DEVELOPMENT DEMONSTRATION

Most of the salient characteristics of the Demonstration—eligible activities, eligible NDOs, major selection criteria, maximum grant amount, and the nature of the matching grant mechanism—were specified in Section 123 of the Housing and Urban-Rural Recovery Act of 1983. The responsibility for translating general selection criteria and the matching grant concept into specific selection criteria and a system for assigning a ratio of matching grant award for each dollar raised within the neighborhood to each Demonstration participant was left to HUD to elaborate in the NOFA.

⁴ Solicitation Offer and Award, Hc-5725, U.S. Department of Housing and Urban Development, August 30, 1985, pp. C-6-C-8.

Eligible Activities

The following types of activities were eligible for funding under the Demonstration:

- Creation of jobs;
- Establishment or expansion of businesses;
- Development of new housing, rehabilitation of existing housing, or management of the housing stock;
- Development of delivery mechanisms for essential services that have lasting benefits, such as child care centers, youth training or health services; and/or
- Planning, promoting or financing of voluntary improvement efforts, such as establishing a credit union, demolishing abandoned buildings, removing abandoned cars, and street and alley clean-up programs.

The specific project funded could stand alone or form part of a larger program begun before and extending beyond the Demonstration.

Eligible NDOs

An organization was eligible for participation in the Neighborhood Development Demonstration if:

- It carried out its activities in a city of over 1,000 persons or an urban county that meets the distress criteria established for the Urban Development Action Grant (UDAG) program under Section 119 of the Housing and Community Development Act of 1974, or it was located within a HUD-designated "pocket of poverty;"
- It was established and was operated as a private, voluntary, nonprofit corporation for at least three years prior to the date of application under laws of the State in which it operates;
- Its governing body was composed of at least 51 percent neighborhood residents and was representative of, and responsible to, the neighborhood it serves; and

⁵ Housing and Urban-Rural Recovery Act of 1983, *op.cit.*, Section (e)(4).

- It could demonstrate measurable achievements in one or more eligible neighborhood activities which primarily benefit low- and moderate-income neighborhood residents, as defined in Section 102(a)(20) of the Housing and Community Development Act of 1974.⁶

Demonstration Selection Criteria

The legislation identified a number of criteria to be used in selecting Demonstration participants from the pool of eligible applicants. These criteria were refined and expanded by the NOFA, which identified the following set of selection criteria for NDD awards:

Neighborhood/Organization Qualifications

- Degree of economic distress within the neighborhood;
- Extent to which the organization's membership and board is representative of neighborhood businesses and households;
- Proven record of demonstrated measurable achievements in one or more eligible activities for the benefit of low- and moderate-income residents;
- Evidence of financial accountability;
- Evidence of capability of organization staff; and
- Evidence of a working relationship with local government.

Project Qualifications

- Strength of evidence that private funding sources have been realistically identified, and that funds can be made available for the project, and a realistic strategy for long-term support has been developed;
- Extent to which the project benefits low- and moderate-income neighborhood residents;
- Probable effectiveness of the project in promoting equal opportunity and fair housing; and

⁶ Neighborhood Development Demonstration Program; Announcement of Fund Availability for Fiscal Year 1984, *op. cit.*, Section III.

- Quality of management plan and budget.

Federal Matching Ratio

- Extent to which the NDO could provide voluntary contributions to the project, thus keeping the Federal matching ratio as low as possible.⁷

Size of the Matching Grants

The legislation limited the Demonstration grants to a maximum of \$50,000, which could be awarded to a Demonstration participant only after the contributions from private sources within the neighborhood—residents, businesses or institutions—had been received. The definition of the neighborhood was left to the applicants to specify. Since only those funds raised within neighborhood boundaries would qualify for the matching grant, each NDO had to define a neighborhood with an adequate resource base to maximize the prospects of raising the required local contributions. However, this incentive to identify expansive neighborhood boundaries was tempered by the previously identified selection criteria requiring evidence that the NDO had a track record of serving neighborhood residents and that 51 percent or more of the NDO board members resided within the neighborhood.

Determination of the amount of the grant award to be provided to each participant in the Demonstration was accomplished through the use of a ratio of Federal matching funds to neighborhood contributions the NDO committed to raise. The legislation provided that HUD was to:

determine an appropriate ratio by which monetary contributions made to participating neighborhood development organizations will be matched by Federal funds. The highest such ratios shall be established for neighborhoods having the smallest number of households or the greatest degree of economic distress.⁸

The NOFA described how the determination of the matching ratio was to be accomplished.⁹ A three-step procedure was established. In the first step, each applicant identified the amount of voluntary contributions it expected to raise and the amount of Demonstration funds it was requesting. A matching ratio was calculated based on these two proposed amounts. Applicants proposing a

⁷ *Ibid*, Section V.

⁸ Housing and Urban-Rural Recovery Act of 1983, *op. cit.*, Section II.

⁹ Neighborhood Development Demonstration Program, Announcement of Fund Availability for Fiscal Year 1984, *op. cit.*, Section II.

1:1 match ratio received the maximum score—10 points—on the local match selection criterion.

The second step of the process involved calculation by HUD of the maximum possible ratio of Federal grant to local contributions raised for each applicant. This maximum ratio, ranging from one to six Federal dollars for every dollar raised within the neighborhood, was calculated by HUD from two criteria derived from 1980 U.S. Census data—the number of households living in the neighborhood and the level of neighborhood economic distress (an index calculated from the amount of poverty and unemployment within the neighborhood). Each applicant was ranked separately on each criterion. The higher the economic distress index, or the smaller the number of households, the greater the resulting ratio of federal funds to local contributions. Of the two separate rankings, the one that resulted in the greater ratio of Federal grant to each dollar raised by the NDO within its neighborhood was used as the maximum ratio for that applicant.

The third step of the process involved a comparison of the matching ratio proposed by each applicant and the maximum ratio calculated by HUD. The smaller of these two ratios was selected as the ratio used to determine the amount of the Federal grant. Thus, the applicant's proposed ratio was accepted if it was no higher than the maximum ratio independently calculated for it by HUD, while HUD's ratio was used if it was smaller than the ratio proposed by the applicant.

Demonstration Selection Process

More than 1,200 application packages were requested in response to the NOFA published in the Federal Register, with 281 completed applications eventually being received by HUD. Although the NOFA clearly identified the eligibility requirements for both NDOs and project activities, only 170—60.5 percent—of the applications submitted were determined to be eligible by HUD staff. The reasons for disqualification of the applications are listed below, with the number in parentheses indicating the percentage of ineligible applications rejected for that reason:

- More than one-half of the NDO board members lived outside of the NDO's neighborhood boundaries (67 percent);
- NDO was not incorporated (17 percent);
- NDO was active for less than three years (.8 percent);

- Proposed project activity was not eligible (1.8 percent);
- Other (1.8 percent).¹⁰

Forty-four organizations were selected for awards, which were announced on February 21, 1985. Four of the original NDOs selected to participate in the Demonstration, with awards totaling \$150,000, dropped out of the program prior to the start of the evaluation in March 1986. Two of the NDOs withdrew because of staffing problems, one withdrew due to problems in selection of an acceptable subgrantee, while the fourth dropped out in order to continue receiving State assistance. One of the dropouts was replaced by an NDO from the same region with no change in the amount (\$50,000) of the award. Of the remaining \$100,000 in unallocated awards, \$25,000 was used to increase the grant to another previously selected NDO and \$75,000 was to be returned unused to the Treasury Department. This left 41 active participants in the program at the start of the evaluation.

Three additional NDOs dropped out of the Demonstration during the evaluation without raising the required local contributions. One grantee withdrew early in the Demonstration because HUD disallowed the use of homeowner sweat equity in lieu of monetary contributions and the NDO had no alternative plan for raising the matching funds. The last two dropouts left the Demonstration because of organizational problems—staff turnover and closing of the neighborhood branch of a city-wide organization. Consequently, 38 NDOs participated in the Demonstration from start to finish.

Time Frame for the Demonstration

Neighborhood organizations selected for the Demonstration were given 12 months from the date of the grant agreement signed by HUD and the NDO to generate the required neighborhood contributions that were to be matched with Federal grant funds. The year-long fundraising period for 25 of the 41 participating NDOs ended by June 30, 1986, with the remaining 16 NDOs scheduled to complete the fundraising period between July 1, 1986 and September 30, 1986. NDOs could include additional revenues and other resources from any source to implement their projects.

Although the neighborhood contributions had to be received within one year of the date of the grant agreement in order to be matched with Federal monies, actual project activities, including

¹⁰ U.S. Department of Housing and Urban Development, *1986 Interim Report to the Congress on the Neighborhood Development Demonstration Program*, December 1986, p. 3.

raising the rest of the project budget, could continue beyond this time. Each participant in the Demonstration was required to prepare a work plan identifying the expected schedule of project activities and outputs so that NDD performance during the Demonstration could be assessed. As discussed in Chapter Two, many of the Demonstration participants indicated that they expected to complete the project after the expiration of the one-year matching grant fundraising period.

Summary of Innovative Features of the Demonstration

The Neighborhood Development Demonstration Program builds upon the Neighborhood Self Help Development (NSHD) Program (established by the Neighborhood Self-Help Development Act of 1978) in a number of important ways. Both programs provided project-specific grants directly to neighborhood-based, nonprofit organizations accountable to neighborhood residents with proven track records. The grants were to be used for activities that directly benefit low- and moderate-income residents. Finally, the only required local government involvement in the program was a certification that the project was consistent with local government community development plans.

Despite these commonalities, the Demonstration differs from the NSHD Program in four important respects that represent the unique aspects of the Demonstration. First, the NDD grants are matching funds, provided to the NDOs on a quarterly basis only after satisfactory documentation that the NDOs have raised eligible funds has been received by HUD. Second, only monetary contributions acquired from private sources within the NDOs' neighborhoods are eligible to be matched. In comparison, the NSHD Program encouraged, but did not require, in-kind and monetary contributions from neighborhood residents and the leveraging of private-sector resources.

Third, as discussed earlier, the activities eligible to receive NDD funds are quite broad, ranging from the types of development projects typically funded by HUD—housing and economic development—to service delivery and neighborhood improvement projects. The NSHD program, on the other hand, did not fund service delivery or neighborhood improvement projects.

Finally, although the NDD and NSHD funds both were granted to NDOs for specific projects and to build the capacity of the program participants, the emphases of the two programs are very

different. The NSHD program appears to have focused on improving the capacity of NDOs to undertake neighborhood revitalization projects,¹¹ while the NDD program has a dual emphasis on increasing the capacity of NDOs to raise funds from private sources within their neighborhoods and to become more self-sufficient. The NDD NOFA identifies these two emphases quite clearly:

This is a demonstration program to determine the ability of neighborhood organizations to support eligible neighborhood development activities using the cooperative efforts and voluntary contributions from individuals, businesses, and nonprofit and other organizations located within the neighborhood...and to encourage neighborhood organizations to become more self-sufficient in their development activities.¹²

EVALUATION RESEARCH DESIGN

The six categories of evaluation questions listed in the RFP previously identified were grouped into three major research issues:

- Controlling for other factors that might affect the outcome (project type, neighborhood characteristics, etc.), how did the availability of NDD matching grant funds affect the ability of various neighborhood development organizations to raise funds within their neighborhoods?
- Did the process through which NDOs pursued local matching funds materially assist them in moving toward self-sufficiency by increasing staff fundraising skills, enhancing relationships with new funding sources or building local support bases?
- Did the product (i.e., program or project for which matching grants were sought) have the potential to substantively and positively affect the quality of life in the subject neighborhoods?

The first issue listed above tests the effectiveness of the Demonstration matching grant mechanism itself as a fundraising tool for these NDOs in the current economic and political context. The second issue probes a much broader and longer range concern, i.e., whether or not the prospect of long-term economic self-suf-

¹¹ Neil S. Mayer, *Neighborhood Organizations Community Development*, the Urban Institute Press, Washington, D.C. 1984, p. 5.

¹² Neighborhood Development Demonstration Program, Announcement of Fund Availability for Fiscal Year 1984, *op. cit.*, Summary.

iciency for NDOs has been enhanced by the process of raising at least part of their funds in their own neighborhoods. Finally, the third issue assesses the value of the product achieved via the matching grant approach in addressing neighborhood problems.

The evaluation consists of three major components.¹³ The first component, an analysis of NDO applications and quarterly reports submitted to HUD during the Demonstration's year-long period for local fundraising, yields a description of the organizations participating in the Demonstration and the types of projects funded by the Demonstration. Review of these file materials provides a uniform data base for the subsequent analysis and evaluation.

The second component of the research is a telephone survey of the executive directors of the 41 neighborhood organizations participating in the Demonstration at the start of the evaluation. Conducted in August and September 1986, this survey, building on the information contained in the NDO applications and quarterly reports, was designed to obtain three types of data:

- Important background information on the neighborhood organization and the NDD-funded project that was not contained in the application or quarterly reports;
- Information about the organization's prior fundraising experiences and its experience in trying to raise the required matching funds; and
- Information needed to assess whether the Demonstration has contributed to the self-sufficiency of the organization.

The third component of the evaluation consists of interviews with the NDO staff persons responsible for managing the NDD-funded project, members of the boards of directors of the NDOs, local government officials familiar with the NDOs' activities and neighborhood conditions, and a purposive, non-random sample of some of the individuals, businesses, and representatives of organizations that contributed the matching funds raised by the NDOs.

The surveys in the third component, conducted in November and December 1986 with the 38 NDOs that remained in the Demonstration throughout the year-long fundraising period, addressed the second and third major research issues in a more comprehensive and systematic manner than the quarterly and final reports submitted by the NDOs. Interviews with these four types of respon-

¹³ A more extensive discussion of the research design is contained in the Appendix.

dents were carried out in two ways. Site visits were made to a randomly selected sample of 16 NDOs, with most of the interviews conducted in person during the field visit. The interviews for the remaining 22 NDOs participating in the Demonstration were conducted by telephone. At the time of these interviews, all of the participating NDOs had passed their one-year fundraising deadline under the program.

The interviews with the project managers and city officials are used to make tentative assessments of the projects' impacts on the surrounding neighborhoods. The interviews with the project managers, board members, and funders are the best source of information for evaluating whether the NDDP contributed substantially to the long-term self-sufficiency of the NDOs.

ORGANIZATION OF THE REPORT

Interpretation of the results of the Demonstration will be aided by an understanding of the types of projects for which the NDD funds have been used. A description of the characteristics of the Demonstration participants and their projects is contained in Chapter Two. Chapter Three presents an analysis of the NDO's performance in raising the required contributions from neighborhood residents, businesses, and institutions. The performance of NDOs in implementing the NDD-funded projects is analyzed in Chapter Four. This chapter examines whether the projects had been completed at the time of the last set of interviews conducted in November-December 1986 and whether cost overruns had occurred. Chapter Five investigates whether the Demonstration has helped the NDOs move toward self-sufficiency, one of the major goals of the Demonstration. Chapter Six examines the impact of the Demonstration on the NDOs themselves and on the neighborhoods in which the projects are located. Finally, the conclusions of the study are presented in Chapter Seven.

2. THE NEIGHBORHOOD ORGANIZATIONS AND THEIR PROJECTS

INTRODUCTION

Across the country, hundreds of community-based groups are working daily for the redevelopment of their low- and moderate-income neighborhoods. This chapter introduces the 38 organizations selected from this broad network that participated in the Demonstration. The description identifies the NDOs' largely urban neighborhoods, touches on the community development and fundraising strategies of the organizations themselves, and outlines the characteristics of the NDD projects.

An important question raised by this description is whether these groups are typical of the community development organizations across the country. Can generalizations be drawn from a study of such organizations to the larger sector that they represent? Certainly, the selection process (and the results of this study) suggest that the NDD participants are among the more able and talented neighborhood-based groups. Yet, because no national inventory of neighborhood development organizations exists, it is difficult to know whether the 38 NDD organizations are typical of even the most capable community groups throughout the U.S. Where appropriate, however, this chapter will compare the Demonstration participants and their projects to the only recent study of a somewhat comparable collection of organizations: the 99 urban community development groups that participated in the 1980 HUD Neighborhood Self-Help Development (NSHD) program.¹

¹ Neil S. Mayer, *Neighborhood Organizations and Community Development: Making Revitalization Work* (Urban Institute Press: Washington, D.C., 1984). The evaluation of the Neighborhood Self-Help Development (NSHD) program documented the results of a direct grant program to relatively sophisticated NDOs for approved housing or economic development projects. The average grant for the 99 urban recipients evaluated by Mayer was well over \$100,000, more than double the average grant under the Neighborhood Development Demonstration.

The description of the NDOs is organized into four major sections: (1) the city and neighborhood environments of the NDOs; (2) internal characteristics of the NDOs themselves; (3) characteristics of the projects funded by the NDD; and (4) characteristics of the NDD award and the NDO fundraising goals during the Demonstration.

These four major chapter headings correspond to four of the six categories of factors found to influence NDO success in the aforementioned Neighborhood Self-Help Development Program.² Just as in the evaluation of the NSHD Program, most of the NDO characteristics described in this chapter are viewed as potential determinants of NDO success in achieving the fundraising and project goals set by each participant in the Demonstration. These factors will be employed as independent variables in attempts to explain NDO performance in raising the required neighborhood contributions (Chapter Three) and in implementing the specific projects for which funding was received (Chapter Four).

In the course of describing the four types of NDO characteristics, this chapter simultaneously answers some of the specific research questions contained in the RFP. These questions are listed below:

- *What are the impacts of the Demonstration on the participating NDOs and their neighborhoods?*

Did the Demonstration enable the NDO to expand its horizons in terms of scope of project types or size of projects?

- *How did the projects contribute to neighborhood development?*

What types of projects were selected for the demonstration?

How do these projects relate to other neighborhood development activities and to prior organizational activities?

² The remaining two sets of explanatory variables are NDOs' relationships with their communities and with important outsiders and combinations of the five sets of characteristics. These categories of variables were not employed in this study due to lack of data and the small number of cases.

THE NDO CONTEXT: CITIES AND NEIGHBORHOODS

Neighborhood-based organizations are quintessentially local organizations, and can only be understood in the context of the communities that are both their birthplace and the object of their daily development efforts. In the NDD program, neighborhoods also were the only permitted source of contributions that could leverage the Federal incentive grants, and so took on even greater importance.

The NDO Cities

The NDD organizations were almost exclusively urban groups (the exception being a service organization from the rural southwest). The NDOs were most likely to come from the aging industrial cities of the northeast and midwest, areas that were favored by the UDAG distress criterion used in the program (described in Chapter One) and that have had an active neighborhood development sector. (See Table 2.1.) The northeast and midwest together accounted for nearly 70 percent of the program participants, while the west and the south were less heavily represented. Well over one-half of the participants (68.0 percent) came from cities of under 500,000 people, a much higher proportion than in the earlier HUD Neighborhood Self-Help Development Program.³ Most of the remainder of the NDOs were located in large cities of over one million inhabitants. (See Table 2.2.) Although it is informative to see where the NDD participants are located, city characteristics are not used in the statistical analysis presented in later chapters, because no logical connection between these variables and NDO success seems to exist.

The NDO Neighborhoods

Within their usual service areas, NDOs were given wide latitude in defining their neighborhoods for the purposes of the program. As mentioned in Chapter One, the Demonstration did set certain standards: the neighborhood had to have a high level of economic distress and be the residence of at least one-half of the board members. The organization's application also had to give acceptable evidence that they could raise the NDD match dollars within those boundaries. These constraints, and the variations in city size and organizational mission, produced a rather broad distribution of neighborhood sizes. Slightly less than one-third of the groups served communities of under 10,000 people, and about 15.0 percent (six) served large areas of 50,000 people and more,

3 Mayer, *op. cit.*, p. 53.

with the remainder falling fairly evenly between those extremes. (See Table 2.3.)

The neighborhoods represented in the program faced many common problems, in many regional and local varieties. Based on the NDO applications submitted to HUD, low family income and high unemployment were issues for all the NDOs. In most of their areas, 25.0 to 75.0 percent of the families earned poverty-level incomes in 1980. These absolute needs tended to be more severe in the midwest and northeast than in the south and west.⁴ Blighted housing and abandonment, as well as severe shortages of affordable housing, were often cited by NDOs as major community problems in renter and owner-occupied areas alike. Troubled commercial strips and unemployment were mentioned as other critical issues. The NDOs are generally working either in areas neglected by private market forces, or in "hot" market areas where lower income people are threatened with displacement.

Unfortunately, comparable data to measure the neighborhood conditions mentioned above for each NDO were not available. Consequently, the only objective indicator of neighborhood conditions employed in the analysis is the index of economic distress used for the UDAG program and calculated by HUD for each applicant to the NDD program. The distribution of this index, calculated from neighborhood poverty and unemployment levels, for the 38 NDOs is presented in Table 2.4. Although all of the NDOs in the demonstration operate in neighborhoods that are considered economically disadvantaged, the range in "levels" of economic distress is fairly large. The eight NDOs operating in areas with the two lowest levels of distress (2.5 and 5.0) had unemployment rates below 7.0 percent and levels of poverty below 50.0 percent. The NDOs in neighborhoods with distress indices of 10.0 had unemployment rates of 8.0 to 9.0 percent and incidences of poverty between 50.0 and 74.0 percent.

The NDO communities were disproportionately minority neighborhoods, reflecting the patterns of U.S. poverty as well as urban residential segregation. In 64.1 percent (24) of the communities, blacks, Hispanics, and other "minority" members together formed an ethnic and racial majority. (See Table 2.5.)

Among the 20 minority neighborhoods in which the majority of residents belonged to a single racial-ethnic group, 11 were primarily black, and nine communities were primarily Hispanic. (Asians

⁴ The characterizations of project type here were based on the dominant output described in the applications and program agreements. (The slightly different project typology in the Milestone II Report did not distinguish the dominant output.)

represented no more than 25 percent of the residents in any community.)

Other community characteristics were not as easy to quantify within the limits of the study. Site visits suggest that NDO neighborhoods also represented a range of resource environments; some communities had large numbers of industrial and commercial businesses, while others had only a small, struggling shopping strip and a few churches. Although none of the NDOs changed their neighborhood boundaries for the Demonstration, in a few instances NDO directors complained about a boundary line that had been drawn to reflect neighborhood need, but now separates the NDO from an industrial park or other potential contribution source. It may be that such land-use characteristics and geographic inadvertencies have an impact on NDO fundraising. The lack of data on this issue may be a significant weakness of the study.

Nevertheless, it is hypothesized that the three neighborhood characteristics measured affect NDO fundraising success, with NDOs in smaller, more economically distressed and primarily minority neighborhoods experiencing more difficulty reaching their local fundraising goals. This hypothesis rests on the assumption that neighborhoods with any of these three characteristics possess fewer resources upon which the NDOs can draw.

NEIGHBORHOOD DEVELOPMENT DEMONSTRATION ORGANIZATIONS

Neighborhood development organizations bring a rich diversity of resources and strategies to their community work, and the NDD organizations are no exception. They appear to be strongly neighborhood based and representative of the community, since the legislation requires a majority of the NDOs' boards to be comprised of neighborhood residents. Within that restriction, the broad range of activities funded by the Demonstration attracted organizations that varied widely in focus, size, organizational structure, experience, and funding history.

Focus and Size of the NDOs

Although the participating organizations focused on a variety of problems in their low- and moderate-income communities, the preminent issue clearly was housing. Some 65.7 percent of the organizations included housing in their primary activity, providing such housing services as weatherization or tenant organizing, or directly developing housing. (See Table 2.6.) Twenty-six

percent of the participating organizations (ten) were principally housing developers, the largest number of organizations focusing on any single activity, and one-half the groups included physical or business development among their primary foci. Still, a significant number of participating groups were organized around other issues—social services such as health or day care, neighborhood improvement, job development or commercial revitalization. The broad appeal of the NDD program was particularly evident in the participation of resident-controlled social service providers, groups often not included in definitions of neighborhood development organizations.⁵

When they applied for the Demonstration in 1984, most of the participating organizations (over 76.0 percent) were less than 12 years old. (See Table 2.7.) The largest number were formed in the mid-to-late 1970s, a time of rapid expansion in neighborhood-based development organizations. Despite the funding and programmatic difficulties facing community development in more recent years, 26.5 percent of the groups were formed during the 1979 to 1981 period.

Most of the NDOs were modest in size. The median annual budget was about \$238,000 in fiscal 1983, and less than one-third had budgets of \$500,000 or more. (See Table 2.8.) Staff sizes also were quite limited, with some 57.1 percent of the groups employing five or fewer people. (See Table 2.9.) Notably, two of the organizations had no full-time staff at all in the year preceding the Demonstration application. The NDD organizations were markedly smaller in staff size, but comparable in budget size, to the development organizations included in the 1980 Neighborhood Self-Help Development Program (NSHD). The NSHD groups reported a median staff size of 11 (double the median size of the NDOs participating in the NDD), and only one-quarter had staffs of less than five. While the largest Self-Help Development group had 200 staff, the largest staff reported in the NDD was 43.⁶ This contrast—similar budgets, different staff size—could reflect a number of factors: dissimilar definitions of "staff" in the two program evaluations; the end of the CETA program (with its provision of staff outside many organizations' budgets); or differences arising from the smaller city origins of many of the NDD groups.

The presence of so many small organizations in the Demonstration could be problematic. The critical importance of executive

⁵ Although service organizations are not always defined as part of the community development movement, they were active participants in the Self-Help Demonstration, which identified almost 12.0 percent of its participants with an historical focus on human services.

⁶ Mayer, *op. cit.*, p. 33.

directors and key staff in such small organizations makes them vulnerable to staff changes. Two of the four organizations that dropped out of the NDD before the evaluation began listed staffing changes as the major issue, and staffing problems played a large role in performance problems in several participating groups.

The NDOs participating in the Demonstration appear to possess a wide range of experience in performing the tasks that are crucial to the successful completion of projects. (See Table 2.10.) The majority of executive directors perceive that their organizations possess substantial experience in five key tasks that must be performed in almost every type of project undertaken by NDOs. However, because of the relatively young age of many of the NDD participants, a sizeable minority of NDOs have never performed some of these key tasks in-house.

It is anticipated that the NDO organizational characteristics described above could influence success in raising the neighborhood contributions, the total project budget and project implementation. Generally, the larger, older, and more experienced groups should encounter fewer problems than the smaller, younger, and less experienced groups.

Funding of the NDOs

During the past five years, the 38 neighborhood organizations participating in this Demonstration program depended upon a wide range of funding sources from both the public and private sectors.

The funding sources most often cited include:

- Federal government grants;
- Private foundation grants for general support;
- Private-sector grants for special projects;
- Local fundraising campaigns;
- Private-sector grants for general support;
- Private foundation grants for special projects;
- Private-sector loans; and
- Local government general support grants.

Smaller numbers of NDOs cited such additional sources as Federal housing subsidies, profits from housing development,

local and state program grants, membership dues, and fees for services.

As Table 2.11 demonstrates, NDOs have experienced a number of changes in funding sources in recent years. A sizeable percentage of the NDOs reported declining support from Federal (48.3 percent) and local government grants (54.5 percent) in the past five years. Many NDOs (35.7 percent) also have experienced drops in private foundation funding. The broadest increases in support were found in private-sector loans (54.2 percent) and in local fundraising (79.2 percent), although a number of NDOs also had seen growth in profits from housing development, membership dues, and fees for service.

A somewhat surprising picture emerges when the net changes in the funding pattern and overall amount of support received by each NDO is examined. (See Tables 2.12 and 2.13.) For 23.7 percent of the NDOs, the number of funding sources providing declining levels of support was not offset by an increase in the number of funding sources providing increased levels of funding. (See Table 2.12.)

Similarly, 29.4 percent of the NDOs experienced a net decline in their total budgets between 1983 and 1985. (See Table 2.13.) What is surprising is that the decline in support for the NDOs is not more widespread. That is, it was anticipated that a far greater percentage of the NDOs would have suffered budget cuts in the time period examined. It is encouraging to find that the opposite has occurred: that nearly 71 percent of the NDD participants have seen a net growth in their budgets, with 44.1 percent of the NDOs experiencing a net gain in their revenues of more than 50.0 percent in three years. Obviously, the decline in Federal and local grant support has been offset by increases in other funding sources. Nevertheless, the growth in revenues of most of the NDOs should not obscure the loss of revenue experienced by almost 30 percent of the NDOs. This decline in revenue has real consequences for the NDOs. More than one-third of the participants indicated that they have had to reduce or eliminate projects or services, especially in housing and economic development, as a result of past funding cuts. The most frequent direct effect of those cuts was a reduction in staff to implement these programs.

Such cuts have been a major force in encouraging NDOs to increase their local fundraising efforts in recent years. This response, however, has not been universal. About 38.2 percent of the groups (13) had not raised any money within their neighborhoods before the Demonstration program. (See Tables 2.14 and 2.15.) The relatively limited results of such efforts as were made by the NDOs prior to the NDD sheds some light on this phenomenon. Thirteen of the 21 NDOs that previously had tried

to raise funds within their neighborhoods estimated that this had yielded less than 10 percent of their budgets. (See Table 2.14.) In dollar terms, 12 groups had raised less than \$10,000 within their neighborhoods. (See Table 2.15.) Still, more than 20 percent of the NDOs had raised sizeable pieces of their budgets (between 20 and 82 percent) in their neighborhoods prior to the NDD.

The previous experience of the NDOs in raising funds within their neighborhoods is expected to be one of the most important factors affecting the NDOs' ability to meet their local fundraising targets. Although the size of the local fundraising goal will also be an important factor influencing NDOs' success, the NDOs with the best track record in neighborhood-based fundraising (measured either as percent of previous budget or in absolute terms) should be more successful than their inexperienced counterparts in raising neighborhood contributions.

NEIGHBORHOOD DEVELOPMENT DEMONSTRATION PROJECTS

The projects themselves—the community improvement activities through which the groups were working to stabilize and redevelop their communities—were an essential element of the Demonstration program. The broadness of program guidelines allowed a wide variety of projects. This section describes the project types, scale, and NDD staff experience with the type of project undertaken. (Later chapters will examine actual project outcomes and neighborhood benefits.)

NDD Project Types

The 38 NDD projects demonstrate the full range of activities eligible for program funding. Projects included creation of businesses, delivery of social services, planning and implementation of neighborhood improvements, the rehabilitation and construction of housing and other facilities, and job training. Often, a single NDD project contained a number of these elements as part of a group's broad array of neighborhood preservation activities.

Just as the majority of the NDOs included housing in their primary organizational focus, housing was the major NDD project focus as well.⁷ Almost 53 percent of the projects were housing

⁷ The characterizations of project type here were based on the dominant output described in the applications and program agreements. (The slightly different project typology in the Milestone II Report did distinguish the dominant output.)

projects per se; of the five projects with mixed focuses, housing was included in four, bringing the total projects affecting housing to 62.3 percent of all projects funded. (See Table 2.16.) The housing and housing-related projects include such housing services as assistance with code compliance monitoring; homeowner training in weatherization and repairs; home repair loans for general renovation, restoration of historic detail, or particular use by single-parent homeowners. Twenty rehabilitation and new construction projects were planned to improve or create about 258 rehabilitated units and some 164 newly-built units. Four of these rehabilitation and construction projects also included job training, thereby addressing both housing and unemployment problems at the same time.

The next most frequent project type was economic development, the focus of 21.1 percent of the groups. The creation of several business incubators and commercial facilities, a business loan guarantee fund, two home-repair businesses, and a cooperative hardware store, were among the goals of these projects. Other organizations provided supportive services for merchants and other neighborhood businesses, developing shopping directories and other promotional materials and assisting with supply and site problems.

Human services were the third most frequent type (10.5 percent) of neighborhood benefit provided by these projects. Neighborhood-based groups rehabilitated a day-care center to meet the child-care needs of newly employed area workers, planned the consolidation of a health-care facility, provided health education to hundreds of people, and produced bilingual crime-prevention materials. The one neighborhood improvement project, the smallest project category, focused on clearing vacant lots of debris and creating gardens and aesthetic improvements such as murals and banners. These sorts of high-visibility activities were part of some of the mixed projects as well, and were often cited as boosters of resident pride and neighborhood maintenance efforts.

Cutting across these categories were five projects which specifically incorporated job training, four through housing construction and rehabilitation and the other through lot clean-up and mural installation. This combined thrust against the most often cited problems of low-income communities—lack of affordable housing and chronic unemployment—has a long history in the community development movement.

Another aspect of the NDD projects is quite relevant to understanding the challenges to their successful completion: how many are development projects that attempt to create a market for the rental or sale of physical space or economic enterprises? Development projects—rehabilitation or new construction of a

building, creation of a business—are the most complicated and technically challenging projects for most NDOs. The numerous factors beyond an organization's control, when added to the difficulties in securing affordable financing, offer many potential pitfalls. In that light, it is especially interesting that a majority of the demonstration projects (23) are primarily development projects. (See Table 2.17.) Most of the remainder (12) are non-development projects (ranging from neighborhood improvement projects and loan programs to human service programs), and a few (three) include both activity types in more or less equal measure.

Based on many funders' frequent preference for projects with "concrete," visible, or tangible results, it is hypothesized that it would be easier to solicit funds for housing projects and development projects than for the other types of projects.

NDO Project Size

As might be expected from the size of the organizations and the funding level of the NDD program (maximum grant of \$50,000), the NDD projects were largely modest in scope. The median project budget at the time of application to the NDD program was only \$150,750 and only seven of the 38 projects had budgets of \$1 million or more.⁸ (See Table 2.18.) The budgets of most of the non-development projects were under \$100,000, and all but one were less than \$200,000. Although the development projects tended to have the larger budgets, 39.1 percent of the NDOs sponsoring development projects also expected total project costs to be less than \$200,000. The moderate size of these projects is also apparent in the number of units planned for completion: median number of units for housing rehab development projects was only 9.5, while the new construction projects were slightly larger at a median of 15 units. The commercial and business developments were also modest in scale.

NDO Staff Experience with the Type of Project Undertaken in the Demonstration

The track record of the NDO, and more particularly, its experience with the type of project pursued in the Demonstration, is considered an important factor to examine because the NDOs

⁸ These project budgets were drawn directly from the program agreements, and may differ somewhat from earlier analyses based on application information. The overall project scope may be somewhat larger than the median budget amount suggests. For seven projects, budgets did not include the "hard costs" (construction, labor, and materials) updated to the project, lowering those budget totals as will the overall median. Even taking this distortion into account, the NDD project budgets were much smaller than the Self-Help Development Projects, which had a median value of \$425,000 (three times the NDD figure). (Mayer, *op. cit.*, p. 58.) This may reflect the larger grant size of the earlier program, as well as the richer public resources available for such projects in the late 1970s.

would know what to expect during the project and consequently would be prepared to handle problems that might arise. Further, more, the NDO's ability to obtain the remaining needed financing would be enhanced by its track record, since funders frequently are reluctant to back NDOs undertaking a project for the first time. Interestingly, the majority of the NDOs had no previous experience with the specific type of project undertaken in the Demonstration. (See Table 2.19.) Clearly, then, the program enabled the NDOs to expand their horizons in terms of types of projects undertaken.

The experience of key staff with the type of project funded by the Demonstration also was considered important, since staff turnover could produce a situation where an inexperienced staff member managed the NDO project in an organization that had a strong track record. The experience of the NDO executive director and the NDD-funded project director (often the same person) is presented in Tables 2.20 and 2.21. Both the project directors (50.0 percent) and the executive directors (60.5 percent) appear to have had substantial experience with the type of project undertaken, with the executive directors being somewhat more experienced than the project directors. This suggests that at least one staff person in most of the NDOs was very knowledgeable about the NDD project. It is also interesting to observe that, in many cases, the two staff members had substantially greater exposure to the type of project being implemented than did the NDO itself.

Reasons for Project Selection

Neighborhood development organizations participating in the NDD had considerable latitude in the selection of projects for the Demonstration. Projects could be an addition to an ongoing project or a new independent effort. Most of the NDOs indicated that they selected the Demonstration project because it addressed an important NDO priority or neighborhood problem rather than for some more provident reason such as a project that was easy to raise funds for, or a project that was already in progress. Thus, 33 (86.8 percent) of the 38 NDD recipients stated that the project they selected addressed an important neighborhood problem, while 31 (81.6 percent) of the NDOs stated that their NDD project was a priority of the board. (See Table 2.22.) Furthermore, a majority (65.8 percent) of the NDOs indicated that their NDD project was part of a multi-year strategy. In contrast, only six (15.8 percent) of the NDOs selected their project because it was easy to raise funds for that type of project, and only ten (28.3 percent) chose projects because they had already received other funding commitments.

In addition to this widespread desire to address organizational priorities, many of the NDOs cited another instrumental reason for their choice of projects. Some 44.7 percent of the recipients wanted to develop a track record for that type of project, while

31.6 percent of the NDOs chose projects that could enhance their capacity in a number of ways, such as allowing them to undertake a new project, to improve the efficiency and quality of services, or to retain staff and/or keep the program going.

The relatively large number of NDOs selecting a project in order to develop a track record or build capacity reflects the fact, previously discussed, that the majority of NDOs (57.9 percent) had no previous experience with the project undertaken in the Demonstration. Nevertheless, the projects generally fit well within the past experience of the NDOs and, in over three-quarters of the cases, fell within their primary organizational focus. Six of the organizations conducting development projects cited the NDD project as their first development attempt. Although a very small number of other "new" projects represent shifts in orientation for the NDOs, most of these projects are new or complementary approaches to problems previously addressed by the NDOs. Of the 16 NDOs citing previous experience with the NDD project type, eight were either expanding existing projects or sponsoring a project exactly like one undertaken previously.

The NDD recipients also were asked to identify the role that the NDD played in the development of their projects. (See Table 2.23.) The most common response (76.3 percent of the NDOs) was that the NDD helped leverage other funding for the Demonstration projects. This leveraging appears to have occurred in both the early and late phases of the project development process.

Significantly, the NDD played an important role in the genesis of the projects, stimulating the project concept for 28.9 percent of the NDOs, enabling them to start something new, as well as providing the first commitment of funds for the projects of 22 (57.9 percent) of the NDOs. The contribution to the later phase of project development also was important, as the NDD award completed the funding package for 14 (36.8 percent) of the NDOs.

The interviews with the executive directors underscore the flexibility of the NDD. It stimulated NDOs to expand their horizons by undertaking totally new types of projects, yet allowed others to concentrate their energies on the types of projects that the NDOs had previously implemented. Just as importantly, it served as both the "first money in" and the "last money in," both crucial needs of NDOs at different times in the project development cycle.

THE NDD AWARD AND FUNDRAISING GOALS

This final section of the chapter sets the stage for the following chapter on NDO fundraising by describing the HUD incentive grant awards, the NDO fundraising goals that drove the local fundraising process, and the relationship between the fundraising goals set for the Demonstration and the NDOs' previous record of raising funds within their neighborhoods.

The majority of the projects (71.1 percent) received the maximum grant award of \$50,000, while only five projects received awards of less than \$30,000. (See Table 2.24.) Although the amounts of the awards were fairly closely clustered, the amounts of money that had to be raised locally to obtain that match varied widely. These goal amounts ranged from \$975 to the maximum of \$50,000. (See Table 2.25.) One-half of the groups (50 percent) had fundraising targets of under \$20,000. However, a sizeable 23.7 percent of the groups intended to raise \$40,000 or more, sums that were quite large, relative to past local fundraising, as will be shown shortly.

The relationship between the Federal incentive grant and the NDOs' fundraising goals is expressed by the "match ratio," the ratio of the NDD grant to the required local fundraising goal. As discussed in Chapter One, NDOs proposed their local fundraising goal and the desired Federal matching grant in the NDD application. The ratio of these two sums constituted the NDOs' proposed "match ratio," which was accepted by HUD if it was lower than the ratio calculated by HUD from U.S. Census data.

The distribution of the match ratios emerging from this process is shown in Table 2.26. Eleven NDOs (26.3 percent of the participants) had to raise as much locally as they received in Federal dollars, a one-to-one match that was the lowest level of assistance offered under the program. The remaining groups received more Federal funds for each neighborhood dollar, falling rather evenly into matching ratio categories ranging as high as 6 to 1. Seven groups (almost 19.0 percent) were eligible to receive five or more Federal dollars for every local dollar.

As Table 2.27 indicates, the majority of the NDOs awarded the maximum grant leveraged this award by proposing to raise substantially less than \$50,000 locally. For example, 14 of the 27 NDOs (51.9 percent) had to raise no more than \$16,667 locally to receive the maximum \$50,000.

The relatively large number of NDOs receiving the minimum one-to-one match was partly the product of the selection criteria for the program, which encouraged groups to request low matching ratios in order to be selected as finalists. A HUD analysis of the 44

NDOs initially selected for the Demonstration, for example, found that all of them were eligible (under the HUD formula and the statute) for more than the minimum one-to-one match, and that 93.0 percent of the group qualified for at least a three-to-one Federal-to-local match.⁹ Interestingly, only 44.7 percent of the 38 participants received as much as a three-to-one Federal-to-local match.

It is anticipated that the absolute amount of the funds to be raised locally should affect the NDOs' ability to meet their fundraising goal. All other things being equal, the NDOs with the larger fundraising targets should be less successful in reaching the target amount than groups with less ambitious goals. It is possible, however, that it is the difference between the fundraising goal set by the NDO for the Demonstration and the NDO's previous record of raising funds within the neighborhood, not the absolute amount of the NDD fundraising goal, that is likely to be an important determinant of success in acquiring the needed funds from neighborhood sources.

Tables 2.28 and 2.29 present a comparison of the NDD local fundraising goals and an estimate of the NDOs' previous record of raising funds within their neighborhoods. The estimate of previous neighborhood-based fundraising was obtained by multiplying the NDO 1983 fiscal year budget by the NDO's own estimate of the percent of its budget previously raised within the neighborhood. The resulting estimate is probably somewhat imprecise but should be reasonably accurate within the categories used to group the data.

Tables 2.28 and 2.29 indicate that many of the NDOs proposed to increase substantially the level of resources raised within their communities. Over one-third (35.3 percent) of the NDOs proposed to increase their funding obtained from neighborhood sources by more than \$20,000 during the year-long Demonstration. Significantly, five of the nine groups proposing to raise more than \$40,000 during the NDD raised no more than \$5,000 previously.

The estimated increase in neighborhood-based fundraising proposed for the NDD appears even larger when only those NDOs that previously obtained funds from neighborhood sources are examined. (See Table 2.30.) Eleven of the 21 groups for which complete data are available (52.4 percent) proposed fundraising goals that more than double their previous efforts.

⁹ Office of Policy Development and Research, *op. cit.*, p. 12.

The information presented in Table 2.29 reveals that the NDD motivated many NDOs to increase substantially the amount of funds they hope to raise within their neighborhoods. Because neighborhood-based fundraising is difficult even for NDOs experienced in this undertaking, it is anticipated that those NDOs that have set significantly higher local fundraising targets will experience greater difficulties in achieving these goals than less ambitious NDOs.

CHAPTER 2 TABLES

**TABLE 2.1
HUD REGIONS IN WHICH NDOs ARE LOCATED**

Region	Number of NDOs	Percent of NDOs	Percent in Mayer Study
Northeast Regions 1-3 and Puerto Rico	14	36.8%	44.0%
South Regions 4 and 6	5	13.2	17.0
Midwest Regions 5 and 7	12	31.6	23.0
West Regions 8 - 10	7	18.4	15.0
Total	38	100.0%	99.0%

Note: Total percent does not equal 100 due to rounding.

TABLE 2.2
SIZE OF CITIES IN WHICH NDOs ARE LOCATED

City Population	Number of NDOs	Percent of NDOs	Percent in Mayer Study
5,033 - 49,999	1	2.6%	
50,000 - 249,999	11	28.9	>48.0%
250,000 - 499,999	14	36.8	
500,000 - 1 million	2	5.3	23.0
More than 1 million	10	26.3	28.0
Total	38	99.9%	100.0%

Note: Total percent does not equal 100% due to rounding.

TABLE 2.3
POPULATION IN NDO NEIGHBORHOODS

Neighborhood Population	Number of NDOs	Percent of NDOs
872 - 9,999	12	31.6%
10,000 - 19,999	9	23.7
20,000 - 49,999	11	28.9
50,000 - 172,573	6	15.8
Total	38	100.0%

TABLE 2.4
INDEX OF ECONOMIC
DISTRESS OF NDD NEIGHBORHOODS

Index of Economic Distress	Number of NDOs	Percent of NDOs
2.5	4	10.5%
5.0	4	10.5
7.5	12	31.6
8.0	1	2.6
10.0	16	42.1
12.5	1	2.6
Total	38	99.9%

Note: Total percent does not equal 100 due to rounding.

TABLE 2.5
MINORITY POPULATION OF
NDO NEIGHBORHOODS AND CITIES

Percent Minority Population	Neighborhoods		Cities	
	Number of NDOs	Percent of NDOs	Number of NDOs	Percent of NDOs
0 - 24%	9	23.7%	11	29.7%
25 - 49%	5	13.2	21	56.8
50 - 74%	9	23.7	5	12.5
75 - 100%	15	39.4	0	0
Total	38	100.0%	37	99.0%
Missing Data	0		1	

Note: Total percent does not equal 100 due to rounding.

**TABLE 2.6
PRIMARY FOCUS OF NDOs**

Activity	Number of NDOs	Percent of NDOs
Housing	14	36.8%
Housing services	(4)	
Housing development	(10)	
Housing plus Other Activities	11	8.9
Economic Development	6	15.8
Commercial revitalization	(1)	
Business/job development/ commercial revitalization	(5)	
Services and Improvements	7	18.4
Social services	(3)	
Neighborhood improvement	(1)	
Anti-crime	(2)	
Other	(1)	
Total	38	99.9%

Note: Total does not add to 100.0% due to rounding.

**TABLE 2.7
AGE OF NDO**

Age of NDO	Number of NDOs	Percent of NDOs
3 - 5 years	10	26.3%
6 - 10 years	19	50.0
12 - 16 years	6	15.8
16+ years	3	7.9
Total	38	100.0%

Mean Age: 8.9

Median Age: 7.0

Note: "Age of NDO" is the organization's age in 1984.

TABLE 2.8
SIZE OF NDO TOTAL BUDGET

Annual Budget	Number of NDOs	Percent of NDOs
\$0 - 49,999	6	16.2%
\$50,000 - 99,999	5	13.5
\$100,000 - 249,999	9	24.4
\$250,000 - 499,999	5	13.5
\$500,000 - 999,999	6	16.2
\$1,000,000 - 3,378,641	6	16.2
Total Reporting	37	100.0
Missing Data	1	

Mean: \$557,053

Median: \$238,846

Note: "Annual Budget" here indicates total organizational expenses in the fiscal year (1983) preceding the NDDP application.

TABLE 2.9
SIZE OF NDO STAFF IN 1983

Total Size of Staff	Number of NDOs	Percent of NDOs
0	2	5.7%
1	4	11.4
2 - 5	14	40.0
6 - 9	7	20.0
10 - 43	8	22.9
Total Reporting	35	100.0%
Missing Data	3	
Mean: 8.5		
Median: 5		

Note: "Staff" includes full-time permanent staff members in the fiscal year (1983) preceding the NDDP application.

TABLE 2.10
NDO PREVIOUS EXPERIENCE WITH KEY PROJECT TASKS

Task	Level of Experience			Total
	None	Some	Substantial	
Conceptualizing a Project	6 (15.8%)	9 (23.7%)	23 (60.5%)	38 (100.0%)
Assessing Market Potential	7 (18.4%)	9 (23.7%)	22 (57.9%)	38 (100.0%)
Assessing Feasibility	9 (23.7%)	7 (18.4%)	22 (57.9%)	38 (100.0%)
Assembling Financial Package	6 (15.8%)	8 (21.1%)	24 (63.2%)	38 (100.0%)
Project Management	4 (10.5%)	6 (15.8%)	28 (73.7%)	38 (100.0%)

TABLE 2.11
TRENDS WITHIN NDOs' MAJOR
SOURCES OF FINANCIAL SUPPORT

Source of Financial Support	Number of NDOs Citing			Total
	Decrease	No Change	Increase	
Federal Government Grants	14	6	9	29
Local Government Grants	12	5	5	22
Federal Housing Subsidies	6	2	2	10
Private Foundation General Support	10	10	8	28
Special Grant	10	7	7	24
Local Government Program Grant	8	4	8	20
State Government Program Grant	6	4	5	15
Private Sector Loan	5	6	13	24
General Support	6	10	9	25
Special Grant	5	10	11	26
Local Fundraising	1	4	19	24
Profit from Housing Development	2	4	19	25
Membership Dues	1	3	6	10
Fees for Service	1	5	5	11

Note: Totals in each column exceed thirty-eight since many NDOs cited more than one source of support.

Totals for each source include all NDOs that cited support from that source over the past five years.

TABLE 2.12
OVERALL CHANGES IN NDOs' FUNDING

**NET CHANGE IN NUMBER OF SOURCES PROVIDING INCREASED
LEVEL OF FUNDING, 1981-1986**

Number of Sources	Number of NDOs	Percent of NDOs
-6 to -3	4	10.5%
-2 to -1	5	13.2
0	5	13.2
1 to -2	13	34.2
3 to 5	11	28.9
Total	38	100.0%

TABLE 2.13
OVERALL CHANGES IN NDOs' FUNDING

PERCENT OF CHANGE IN NDOs' TOTAL BUDGET, 1983-1985

Percent of Change	Number of NDOs	Percent of NDOs
-73.4% to -.01%	10	29.4%
1.0 to 50.0	9	26.5
51.0 to 99.0	6	17.6
100.0 to 868.0	9	26.5
Total	34	100.0%
Missing Data	4	

Note: Information on net change in the number of sources providing increased levels of funding and the NDO 1985 fiscal year budget was obtained from interviews with the NDO executive directors. Fiscal Year 1983 budget information was obtained from the NDD applications submitted by the NDOs.

TABLE 2.14
NDOs' EXPERIENCE IN RAISING FUNDS WITHIN
THE NEIGHBORHOOD PRIOR TO PARTICIPATION IN THE NDD

PERCENT OF NDO 1983 BUDGET RAISED

Percent of NDO Budget Raised	Number of NDOs	Percent of NDOs
0	13	38.2
1 to 9	13	38.2
10 to 49	6	17.6
50 to 82	2	5.9
Total	34	99.9
Missing Data	4	
Mean: 9.5%		
Median: 1.0%		

TABLE 2.15
NDOs' EXPERIENCE IN RAISING FUNDS WITHIN
THE NEIGHBORHOOD PRIOR TO PARTICIPATION IN THE NDD

ESTIMATED TOTAL FUNDS RAISED
WITHIN THE NEIGHBORHOOD, 1983

Estimated Total Funds Raised	Number Of NDOs	Percent of NDOs
\$0	13	38.2%
\$1 - 9,999	12	35.3
\$10,000 - 19,999	2	5.9
\$20,000 - 39,999	3	8.8
\$40,000 - 50,000	1	2.9
\$50,001 - 74,476	3	8.8
Total	34	100.0
Missing Data	4	

Note: Percent does not equal 100 due to rounding.

TABLE 2.16
TYPES OF PROJECT ACTIVITIES

Project Output Type	Number of NDOs	Percent of NDOs
Housing	20	52.6%
Economic Development	8	21.1
Human Services	4	10.5
Neighborhood Public Improvement	1	2.6
Mixed Outputs	5	13.2
Total	38	100.0

Note: The type characterization is based on the dominant activity described in the project descriptions in the applications and program agreements. "Mixed activities" includes multiple-component projects which lack a single dominant type of activity.

TABLE 2.17
PRIMARY TYPE OF NDD PROJECT PRODUCT

Activity Categories	Number of NDOs	Percent of NDOs
Development	23	60.5%
Physical development	(21)	
Business creation	(2)	
Non-Development	12	31.6
Mixed (development and non-development)	3	7.9
Total	38	100.0%

Note: The type characterization is based on the dominant output to be produced by the project as described in the project descriptions in the applications and program agreements. "Mixed outputs" includes multiple-component projects that lack a single dominant type of output or product.

TABLE 2.18
TOTAL COST OF NDD PROJECTS

Total Project Budget	Type of Project Activity			Total
	Development	Non-Development	Both	
\$0 - 49,999	0	2	0	2
\$50,000 - 99,999	3	6	1	10
\$100,000 - 199,999	6	3	1	10
\$200,000 - 499,999	5	1	0	6
\$500,000 - 999,999	3	0	0	3
\$1,000,000 to 4,500,000	6	0	1	7
Total	23	12	3	38

TABLE 2.19
NDO PREVIOUS EXPERIENCE
WITH PROJECTS SIMILAR TO NDD PROJECT

Relationship of NDD Project to Projects Previously Undertaken by NDO	Number of NDOs	Percent of NDOs
No Previous Experience	22	57.9%
Some Experience	6	15.8
Substantial Experience	8	21.1
Previous Experience (Amount unknown)	2	5.2
Total	38	100.0

TABLE 2.20
PROJECT DIRECTOR EXPERIENCE WITH NDD PROJECT TYPE

Level of Experience	Number of NDOs	Percent of NDOs
None	6	15.8%
Some	13	34.2
Substantial	19	50.0
Total	38	100.0%

TABLE 2.23
REASONS NDOs SELECTED
THEIR PROJECTS FOR THE NDDP

NDD Role	Number of NDOs	Percent of NDOs
Stimulated project concept	11	28.9%
Provided first commitment of funds	22	57.9
Leveraged other funds for the project	29	76.3
Completed the funding package	14	36.8
Gave credibility to the NDO	24	63.2
Otherwise helped NDO and its programs	13	34.2

Note: Total number of responses exceeds the 38 respondents because some NDOs cited more than one reason.

TABLE 2.24
AMOUNT OF THE NDDP AWARDS

Amount	Number of NDOs	Percent of NDOs
\$5850 - 9,999	1	2.4%
\$10,000 - 29,999	4	10.6
\$30,000 - 49,999	6	15.7
\$50,000+	27	71.1
Total	38	99.8

Note: Total percent does not equal 100 due to rounding.

TABLE 2.21
EXECUTIVE DIRECTOR EXPERIENCE WITH NDD PROJECT TYPE

Level of Experience	Number of NDOs	Percent of NDOs
None	7	18.4%
Some	8	21.1
Substantial	23	60.5
Total	38	100.0%

TABLE 2 .22
ROLE OF NDD PROGRAM IN SELECTION OF PROJECT BY NDO

Reason Cited	Number of NDOs	Percent of NDOs
Addressed important neighborhood problem	33	86.8%
Board priority	31	81.5
Part of a multi-year strategy	25	65.8
Already received other funding commitments	10	26.3
Easy to raise funds for this type project	6	15.8
Wanted to develop a track record	17	44.7
Others (most stressed capacity building)	12	31.6

Note: Total number of responses exceeds the 38 respondents because some NDOs cited more than one reason.

TABLE 2.25
NDO LOCAL FUNDRAISING GOALS

Local Fundraising Goal	Number of NDOs	Percent of NDOs
\$9750 - 9,999	5	13.2%
\$10,000 - 19,999	14	36.8
\$20,000 - 29,999	8	21.1
\$30,000 - 39,999	2	5.2
\$40,000 - 49,999	3	7.9
\$ 50,000	6	15.8
Total	38	100.0

TABLE 2.26
APPROVED RATIO OF NDD GRANT
TO FUNDS RAISED WITHIN THE NEIGHBORHOOD

APPROVED MATCH RATIOS

Match Ratio	Number of NDOs	Percent of NDOs
1.0	10	26.3%
1.1 - 1.9	4	10.5
2.0 - 2.9	6	15.8
3.0 - 3.9	5	13.2
4.0 - 4.9	6	15.8
5.0 - 5.9	5	13.1
6.0	2	5.3
Total	38	100.0

TABLE 2.27
APPROVED RATIO OF NDD GRANT
TO FUNDS RAISED WITHIN THE NEIGHBORHOOD

RELATIONSHIPS OF MATCH RATIOS TO NDD AWARDS

NDD Grant Amount	Match Ratios			
	1	1.1-2.9	3.0-4.9	5.0-6.0
\$5850 - 9,999	0	0	0	1
\$10,000 - 29,999	2	1	1	0
\$30,000 - 49,999	2	2	2	0
\$50,000	6	7	8	6

TABLE 2.28
INCREASE IN AMOUNT OF FUNDS TO BE RAISED
WITHIN NDO NEIGHBORHOODS DURING THE DEMONSTRATION

ABSOLUTE CHANGE IN FUNDS TO BE RAISED WITHIN NDO
NEIGHBORHOODS RESULTING FROM NDO FUNDRAISING GOALS

Size of Change	Number of NDOs	Percent of NDOs
-\$731,976 - \$1	5	14.7%
\$1 - 9,999	8	23.5
\$10,000 - 19,999	9	26.5
\$20,000 - 39,999	7	20.6
\$40,000 - 50,000	5	14.7
Total	34	100.0
Missing Data	4	

TABLE 2.29
INCREASE IN AMOUNT OF FUNDS TO BE RAISED
WITHIN NDO NEIGHBORHOODS DURING THE DEMONSTRATION

PERCENT CHANGE IN FUNDS TO BE
RAISED WITHIN NEIGHBORHOOD FOR NDOs
PREVIOUSLY RAISING FUNDS WITHIN NEIGHBORHOODS

Percent of Change	Number of NDOs	Percent of NDOs
-98% - -1.0%	5	23.8%
0 - 99.0	5	23.8
100.0 - 999.0	5	23.8
1000.0 - 3210.0	6	28.6
Total	21	100.0
Missing Data	4	

Note: The amount of funds previously raised within the NDOs' neighborhoods is obtained from Table 2.15. The funds to be raised within the neighborhoods during the NDD are taken from Table 2.23.

3. FUNDRAISING

INTRODUCTION

This chapter discusses the experiences of the 38 neighborhood development organizations (NDOs) in raising the required local contributions as they participated in the Neighborhood Development Demonstration (NDD).

As stated in Chapter One, fundraising was an integral aspect of the NDD. The incentive-matching grant design of the NDD required that the local contribution be raised before the Federal match would be released, thus making fundraising critical to the feasibility of the NDOs' projects. In addition, the intent of the Demonstration is to encourage greater local self-sufficiency by requiring that the NDOs raise funds within their own neighborhoods. Presumably, the NDD would provide the incentive for NDOs to acquire new funding resources for neighborhood-based projects and increase the long-term capability of the NDOs for neighborhood-based fundraising.

NDOs participating in the NDD were responsible both for raising funds within the neighborhood to match the incentive HUD grant and, in most cases, to raise the rest of the funds necessary to complete their NDD projects. Although total project costs for five NDOs were met completely by the HUD incentive grant and the funds raised within the neighborhood, the remaining NDOs needed to raise additional funds to complete the projects.

These additional project funds could be raised from sources outside the neighborhood. How NDOs performed in raising the total project budget is discussed in Chapter Four. Other questions addressing the long-term impacts of the Demonstration on NDOs, including measures of self-sufficiency, are discussed in Chapter Five.

This chapter addresses two key evaluation questions identified by HUD in the Request for Proposals (RFP):

- *To what degree can new voluntary funding be generated at the neighborhood level in response to an incentive grant?*

How much has been generated? What are the major sources (individuals, businesses, foundations)?

What was the relationship between the selection and success of particular fundraising activities?

How does the selection and success of fundraising activities relate to characteristics of the NDO and the neighborhood?

- *How did the Demonstration model affect project success?*

In particular, how did the following local fundraising requirements affect NDO efforts:

Providing funds directly to NDOs rather than to local governments.

Requiring local funds to be generated from within the neighborhood boundaries rather than from a broader local area.

Counting only contributions of funds, but no in-kind and volunteer resources, toward the local match.

Providing the Federal match on a reimbursement basis rather than as an advance to attract private funds.

NDOs were classified as successful in raising their local contributions if they raised 100.0 percent of their goal within the year-long fundraising period of the Demonstration. Because this was one of the key requirements of the program, nothing less than this standard was considered successful.

All funds raised by the NDOs from within their neighborhoods to meet the required local fundraising goals were classified into one of three sources: individuals, businesses, or nonprofit institutions. Fundraising methods, the techniques or activities employed by the NDOs to raise the funds, also are examined. Six categories of fundraising methods were identified: soliciting businesses, canvassing individuals, preparation of proposals to nonprofit institutions, sponsoring special events, collecting fees for services, and other methods.

The data used in this chapter to evaluate the fundraising performance of the NDOs in raising the local funds are described in detail in the Appendix of this report. The data sources include the

Close-Out Reports submitted by the NDOs at the end of the Demonstration, the initial and follow-up interviews conducted by the contractor with the Executive Directors of the NDOs, interviews with members of the Boards of Directors of the NDOs, and interviews with a purposively selected sample of 88 local contributors. Data identifying the three funding sources were obtained from the Close-Out Reports filed on each NDD project. Data describing the six categories of fundraising methods were obtained from interviews with the Executive Directors of the participating NDOs.

Although the data from the interviews with the local contributors are used only as supporting evidence, a qualification to the use of these data is necessary. For reasons discussed in greater detail in the Appendix, it was not possible to select the contributor sample randomly. Rather, each executive director was asked to recommend three contributors from among their largest contributors who might be interviewed. Thus, the responses from these contributors do not necessarily reflect the entire universe of local contributors to the NDOs during the NDD. However, the contributions made by these 88 contributors comprise nearly 40 percent of the total funds raised by the NDOs within their neighborhoods. Consequently, the interviews provide insights into the motivations of contributors that provided a large, important share of the funds needed to leverage the Federal incentive grant. In addition, the contributors interviewed include a broad mix of the types of people and/or institutions that provided the local funds: 10 board members; 12 nonprofit institutions; 14 residents; 16 foundations and large private corporations; 17 banks and savings and loans; and 19 small businesses, merchants, and merchant associations. A fuller discussion of the sampling procedures used in this study is contained in the Appendix .

RAISING THE LOCAL MATCH

As discussed in Chapter One, the amount of money to be raised from within the neighborhoods was proposed by the NDOs in their NDD applications. This amount varied widely, depending on the NDOs' estimates of what they could raise from within their neighborhoods, what they needed for their proposed projects, their desire to obtain additional evaluation points for proposing a 1:1 local to Federal match, and whether they wanted to seek the maximum available Federal grant of \$50,000.

The 38 participating NDOs agreed to raise from \$975 to \$50,000 from within neighborhoods they defined in their applications to HUD. As shown in Chapter Two, the neighborhoods themselves

differed substantially in population size, level of economic distress, racial composition, and region of the country.

Although attainment of 100.0 percent of the local fundraising goal is used as a measure of success for each NDO, identification of a standard to measure the overall success of the Demonstration in encouraging neighborhood-based fundraising is more difficult.

Established standards do not exist for determining the minimum number of participating NDOs that must be successful in raising funds within their neighborhoods in order to declare a program, such as the NDD, successful. Consequently, the conclusion regarding the success of the Demonstration in promoting neighborhood-based fundraising must rely on judgments about the level of difficulty inherent in raising funds within low- and moderate-income communities.

Fundraising has become almost a science in itself, spawning its own profession. Neighborhood-based fundraising has unique dynamics that make it a particularly time-consuming and difficult activity. Neighborhood nonprofit organizations are rarely in the enviable position of having expert fundraising skills on staff or being able to hire experienced fundraising consultants. Most NDOs struggle to keep their substantive work on schedule and devote all of their staff resources to program activities. Consequently, many have not been able to develop the skills necessary to carry out effective, ongoing, multi-year fundraising campaigns, let alone mount successful campaigns restricted to the residents, businesses, and institutions of low-income neighborhoods. Thus, few NDOs enjoy the luxury of being able to rely on neighborhood contributions to maintain their organizations' budgets. Of the 38 participating NDOs, for instance, only eight have a history of raising more than 10 percent of their organizations' budgets from neighborhood contributions.

Although the major indicator used to measure fundraising success is whether the NDOs reached their local fundraising target, qualitative factors also will be examined to reveal whether the NDD has increased the capability of NDOs to raise funds within their communities. These factors include the ability of some NDOs to raise funds within their neighborhoods for the first time through the NDD, the ability of other NDOs to tap new sources of neighborhood contributions, and the experience and expertise in fundraising gained by other NDOs as they tried new fundraising methods for the first time. Thus, even if some NDOs were not totally successful in hitting their fundraising targets during the Demonstration, the experiences gained by them in the Demonstration may very well increase the efficiency and productivity of their future fundraising campaigns.

Matching Funds Raised

A majority of the NDOs, after a year in the Demonstration, had raised the local contributions required. Nearly 74.0 percent, or 28 out of 38 NDOs, met their fundraising goals. Alternatively, 10 (26.3 percent) fell short of their targets. Twenty-two groups raised over 100.0 percent of their required match, six raised 100.0 percent, and another six NDOs raised 87.0 percent or more. Only four groups attempting to raise the required match failed substantially; that is, they raised less than two-thirds of their required match. (See Table 3.1.)

Through the Demonstration, the 38 participating NDOs raised nearly \$1 million, or a total of \$915,919.00. This exceeds the total aggregate amount of funds proposed to be raised by the 38 NDOs by three-quarters of one percent. Many of the NDOs raised substantial sums of money within their neighborhoods. Thirty-three of the groups raised at least \$10,000 each from their neighborhoods, while eight raised more than \$40,000. (See Table 3.2.)

Even based solely on the objective criterion of percentage of fundraising goal achieved, a strong argument can be made that the Demonstration was successful in encouraging neighborhood-based fundraising. The ability of 74.0 percent of the NDOs to raise the required amount of funds, with another 16.0 percent raising between 87.0 and 99.0 percent of their goals, is an impressive performance for a number of reasons. First, as discussed earlier, fundraising is often a difficult undertaking for NDOs because most of their staff resources are committed to substantive work on projects. Second, 13 of 38 NDOs (34.2 percent) had never attempted to raise funds within their communities, while another 12 NDOs (31.6 percent) had never raised more than \$9,999 from neighborhood sources. Third, the targets set by 21 of the NDOs (61.8 percent) exceeded the previous levels of funding obtained from neighborhood sources by more than \$10,000. Finally, as will be discussed later, approximately 45.0 percent of the total funds raised by the NDOs came from new contributors.

Comments provided by many NDOs in the Close-Out Reports submitted to HUD at the end of the Demonstration provide qualitative evidence of more intangible, long-term fundraising benefits resulting from the Demonstration. Some organizations indicated that they had benefitted from technical assistance and now realized that more potential sources of funding existed within their neighborhoods than they had realized previously.¹

¹ ID # 01-17, 05-35, and 05-63

Other NDOs stated that the Demonstration stimulated them to begin building a fundraising strategy or program, having lacked such a coordinated effort prior to the NDD.² Still other NDOs identified the lessons about fundraising that they had learned during the Demonstration and the increased capacities that they felt could be applied to future fundraising efforts.³

The objective data presented above suggest very strongly that the Demonstration successfully stimulated neighborhood-based fundraising, while the comments of the NDOs suggest that the NDD also may have generated long-term benefits. Objective analyses presented in Chapter Five support the conclusion that the NDD quite likely will produce important long-term benefits for the participating NDOs.

Sources of Neighborhood Contributions

The NDOs participating in the NDD were free to raise the required local contributions from any private source, including businesses, individuals, or nonprofit institutions or organizations in their neighborhoods. However, as will be discussed later, some confusion regarding the nature of eligible contributions arose during the Demonstration.

Local businesses provided the largest proportion of the funds collected from any source of contributors, greater than either individuals or nonprofit institutions. Of the total \$915,919 raised from neighborhood sources by the 38 NDOs, 46.6 percent came from local businesses, compared to 30.3 percent from nonprofit institutions and 23.1 percent from individuals. (See Table 3.3.)

The importance of neighborhood businesses as a source of local funds for the NDOs is underscored when contributions to individual NDOs are compared. For instance, 17 NDOs (44.7 percent) raised 50.0 percent or more of their match from local businesses. By comparison, only three NDOs (7.9 percent) raised 50 percent or more of their match from individuals within the neighborhood. (See Table 3.4.)

² ID # 01-23, 02-37, and 09-20.

³ ID # -5-15, 05-43, and 10-04.

SUCCESS OF FUNDRAISING METHODS

Fundraising methods used by NDOs to raise the required local contributions for the NDD are grouped into six major categories:

- Soliciting businesses
- Canvassing individuals
- Preparing proposals to nonprofit institutions
- Sponsoring special events
- Collecting fees for services
- Using other methods

Each of these major categories contains several more specific fundraising techniques or activities, such as: soliciting small businesses; submitting applications to local banks; undertaking large-scale mailings; sponsoring membership drives; holding dinners; organizing festivals; submitting proposals to local foundations; making appeals to local churches; soliciting civic organizations, etc. Generally, however, too few NDOs tried any one specific technique to allow reliable conclusions about specific techniques to be drawn.

The most common fundraising method used by the NDOs in raising the required funds was to solicit businesses for contributions. More precisely, 32 of the 38 NDOs (84.2 percent) solicited businesses for their required local contributions. (See Table 3.5.) Small businesses within the neighborhoods, as opposed to banks, corporations, or other types of business associations, were the most common target for fundraising.

Two other methods were tried by over one-half of the NDOs. One of these methods was to seek contributions from individuals within the neighborhood, which was tried by 21 of the NDOs (55.3 percent). The most commonly used of these methods was to solicit individuals through the mail. Far less common were such methods as telephone canvassing, door-to-door solicitations, or seeking membership dues.

The other popular fundraising strategy was to sponsor a special fundraising event, such as a raffle, dinner, bingo, street festival, etc. Twenty NDOs (52.6 percent) tried to raise matching funds by sponsoring these types of events, with many organizations holding more than one event.

Seventeen NDOs (44.7 percent) solicited funds from institutions, including foundations, churches, schools and civic organizations. Of these, foundations and churches were the prime targets.

The relative success of each of the six fundraising methods identified above was measured by examining three questions:

- Which fundraising methods contributed the most toward reaching the required match of the NDOs;
- Which fundraising methods attracted the most new contributors for the NDOs; and
- Which fundraising methods did the NDOs themselves rank as most successful.

Relative Importance of Fundraising Methods in Raising the Local Match

Three criteria were used to measure the relative importance of the fundraising methods employed by the NDOs to raise their required local match:

- The absolute amount of funds each fundraising method raised for all 38 NDOs in the NDD;
- The proportion each fundraising method contributed to the local funds raised; and
- The extent to which the various fundraising methods reached the goals set by the NDOs for the specific method employed.

It is necessary to note here that the three fundraising sources discussed in the previous section and the six categories of fundraising methods discussed here overlap and thus are not comparable in any way. For instance, special events sponsored by NDOs may raise funds from individuals, businesses and institutions who participate in the dinner or festival. Likewise, businesses, as well as individuals or nonprofit institutions, may pay fees for services. Thus, some of the fundraising methods raised money from more than one source, and it was not possible to isolate the sources of contributions tapped by each of these methods.

Of the total \$915,919 local match raised from within neighborhoods by the 38 NDOs, 38.2 percent was raised by soliciting businesses, nearly double the next most productive fundraising method used. (See Table 3.6.) Sponsoring special events was the next most important method, providing 19.2 percent of all funds raised, followed by submitting proposals to nonprofit institutions (15.5 percent) and canvassing individuals (13.2 percent). Al-

though direct solicitation of businesses appears to have provided the majority of funds contributed by businesses, comparison of Tables 3.3 and 3.6 indicates that a sizeable proportion of the business contributions was raised using other fundraising methods.

Evaluating which fundraising method contributed the most toward achievement of the NDO funding targets by examining the share of each NDO's required local funds provided by each method demonstrates that few NDOs could rely on only one fundraising method to raise the needed neighborhood contributions. In fact, only 10 NDOs raised their entire match using a single fundraising method (although not necessarily relying on a single source).

Not only did 28 of the 38 participating NDOs try at least two fundraising methods to raise their local contributions, but regardless of which fundraising method was employed, a majority of the NDOs received less than one-half of their required match from any one method.

A comparison of the relative importance of the six methods indicates that, on an overall basis, direct solicitation of businesses is the most important fundraising approach. This method was used by 32 NDOs (84.2 percent) and generated at least one-half of the needed local funds for slightly more than 43.0 percent of the NDOs employing the approach. Sponsoring special events and submitting proposals to nonprofit institutions emerge as the next most important approaches. Examination of the performance of submitting proposals to nonprofit institutions yields an interesting insight. This approach was used by only 17 NDOs (44.7 percent), yet it provided at least one-half the needed funds for 47.0 percent of those NDOs. Unfortunately, it is not possible to ascertain whether the relatively low utilization rate of this approach reflects the absence of institutions in many neighborhoods or an unwillingness or lack of familiarity on the part of NDOs to prepare and submit proposals to nonprofit institutions. Still, the relatively high payoff from using this method raises the question of why the method was not used more frequently by the NDOs.

It is not possible to judge whether the NDOs' expectations regarding the amount of funds they could raise from each fundraising method are realistic. Nonetheless, the proportion of the expected amount actually raised provides an indication of the productivity of each fundraising approach relative to local circumstances as assessed by the NDOs themselves.

An examination of the ratio of the actual amount raised to what was expected by the NDOs from each fundraising method suggests that the fundraising efforts were often less successful than the NDOs expected them to be. Nonetheless, at least 50.0 percent

of the NDOs who identified such goals achieved or exceeded their fundraising targets in four of the six major categories of fundraising methods. (See Table 3.8.) Interestingly, although soliciting businesses tended to be the largest single source of neighborhood funds, NDOs were somewhat less likely to achieve their fundraising goals from this source than by sponsoring special events, submitting proposals to nonprofit institutions, or canvassing individuals.

This pattern of results can be explained, in part, by the fact that solicitation of businesses was the one technique most frequently tried for the first time by NDOs during the Demonstration. (See Table 3.9.) Consequently, NDOs may have been less experienced in establishing realistic goals for raising funds from the business community than in setting goals for the other methods.

In summary, soliciting businesses clearly emerges as the most important fundraising technique in terms of the absolute amount of money raised by the NDOs. However, sponsoring special events and submitting proposals to nonprofit institutions, when employed, were somewhat more productive than solicitation of businesses in generating a greater proportion of the required funds or in achieving the goal set for each fundraising method. Consequently, while soliciting businesses was an important, if not critical, method of raising neighborhood funds, other methods of raising contributions were important as well. Indeed, most NDOs needed to rely on more than one fundraising method to raise the required funds within their neighborhoods.

Fundraising Methods Attracting New Contributors

Even though more than two-thirds of the NDOs had attempted to raise funds from within their neighborhoods prior to participating in the NDD, the extent to which any of the NDOs attracted new contributors is an important indicator of the success of the Demonstration in stimulating neighborhood-based fundraising.

Executive directors of the NDOs were asked to identify whether or not the fundraising methods they tried attracted new contributors. Collecting fees for services generated the greatest proportion of new funds (87.2 percent) of the total contributed, but a relatively small number, only seven, of the 38 participating NDOs attempted to generate contributions this way. Sixty-one percent of the funds generated by soliciting businesses came from new contributors, nearly twice the proportion of the next ranked method, sponsoring special events, which raised 32.5 percent in new funds. (See Table 3.9.)

The success of soliciting businesses as a way of attracting new contributors is underscored by the fact that 51.7 percent of all funds coming from new contributors were generated by this fundraising method.

The high proportion of new contributors attracted by soliciting businesses further demonstrates the relative success of this fundraising method for the NDOs. These funds represent a significant new source of support from the neighborhoods for the participating NDOs.

NDOs' Ranking of Fundraising Methods Tried

The executive directors supported the importance of the business community as a source of the neighborhood funds when they were asked to identify the most successful fundraising method used during the NDD. Sixteen NDOs (50.0 percent of those trying to raise funds by soliciting businesses) identified this fundraising method as their most successful. (See Table 3.10.)

The next-highest ranking was given to submitting proposals to nonprofit institutions, with 41.2 percent of the directors using this technique ranking it as their most successful fundraising method. Eight of the 20 NDOs (40.0 percent of those trying) sponsoring special events ranked it as most successful, while only six of the 21 NDOs canvassing individuals for funds ranked this method as their most successful. It is important to note that some executive directors reported that their special events were as important for the visibility and support they generated within the neighborhood as they were for the contributions they raised.

Comments made by the NDOs in their closeout reports provide some insight into the problems NDOs experienced with specific fundraising methods tried. Four NDOs indicated that local businesses failed to respond to their fundraising attempts.

This lack of response of the business community appears to stem from both inadequate fundraising techniques and fiscal constraints that prevented local businesses from supporting the NDOs.

Another seven NDOs attempted a special event which failed, with some NDOs trying more than one special event. Several of these NDOs indicated that much more work would be required to make such events successful fundraisers yet, regardless of these experiences, they planned to try them again. Other NDOs suggested that the events they tried were simply inappropriate as fundraisers for their neighborhoods. A few NDOs were unable to get enough volunteers to work on fundraising. As a result, four

NDOs either had to change their plans or devise alternative ways to carry out the fundraising.

FACTORS CONTRIBUTING TO SUCCESS IN RAISING LOCAL MATCH

Five factors were hypothesized to be potential determinants of the NDOs' success in meeting their neighborhood fundraising goal for the NDD. These five factors involve the following characteristics:

- The neighborhood of the NDO;
- The NDO itself;
- The project funded through the NDD;
- The fundraising methods tried; and
- Selected aspects of the Demonstration model.

The variables considered most likely to influence fundraising success that could be measured in this study are described in Chapter Two. Table 3.11 lists each of these variables and identifies the nature of their relationship with at least one of two measures of fundraising success: whether or not the NDO raised the required local contributions and/or the percent of the required local match raised.

Two types of statistical analysis were performed to examine the relationship between the various measures of success examined in this study and the variables expected to influence these measures of success. Pearson correlation analysis was used to measure the nature of the relationship between NDO success and the hypothesized determinants of success (independent variables) when both the independent variable and success could be measured on an interval or ratio scale; that is, when meaningful and exact differences exist between the values or information obtained for each NDO.⁴ For example, size of NDO budget and staff are interval data, while the percentage of budget raised within a neighborhood represents data measured on a ratio scale. A Chi-square test was used to test the relationship when either the independent variable or the indicator of success could not be measured on an interval or ratio scale. Frequently, both types of

⁴ Occasionally, difference of means tests were employed to assess the relationship between an interval scale success measure and a non-interval scale independent variable.

analyses were performed by classifying interval/ratio scale variables into a few meaningful categories.

Unfortunately, few of the many relationships examined are statistically significant at the .05 level of probability, the generally accepted yardstick for concluding that the observed association between two variables is not a chance occurrence, but represents a reliable, systematic pattern. The widespread absence of statistically significant relationships is due to at least three factors. First, the small number of cases (38) means that the relationship between two variables (e.g., the difference in fundraising success among various types of NDOs) must be very large or striking to obtain statistical significance. Second, little meaningful variation in many of the characteristics exists among the 38 NDOs, further increasing the difficulty of attaining significance. A good example of this is success in local fundraising, where only 10 of the 38 NDOs failed to raise their required match. Finally, idiosyncratic factors—e.g., problems or situations that may have affected only a few NDOs—frequently assume greater importance in determining outcomes when the number of cases and the variation in NDO characteristics is small. Thus, each of the 10 NDOs that did not reach its local fundraising target may have failed to raise the funds for a reason that is unique to its situation or shared only by a few other NDOs. In such a situation, the likelihood of obtaining a statistically significant relationship is remote.

The discussion presented below, and in the other analysis chapters, emphasizes the few statistically significant relationships observed. However, because of the three constraints noted above, relationships that are not statistically significant, but which may, nevertheless, appear to be substantively meaningful (because the differences in performance among different types of NDOs are relatively large) also will be noted.

As is evident from Table 3.11, very few of the variables have statistically significant relationships with local fundraising success. A major reason for this, as discussed above, is the relatively small number of NDOs (10) that did not succeed in raising all of their required local contributions. These relationships are discussed below.

Neighborhood Characteristics

One of the major objectives of the Demonstration identified in the NOFA is the extent to which characteristics of the neighborhood of the NDOs selected to participate in the NDD influenced their ability to raise the required local match. To find that certain characteristics had a positive or negative influence on the NDOs' ability to raise funds within their neighborhoods would have important implications for the design of the NDD program.

Three characteristics of the NDO environment that could be measured with available data were expected to influence local fundraising success: racial composition, population size, and degree of economic distress (an index comprised of two variables—percent of neighborhood population below the poverty line and the neighborhood unemployment rate).

It was not possible, given the data available, to measure two likely determinants of local fundraising success—the land-use characteristics of the neighborhood and the presence of institutions within the area. The important contributions made by local businesses and nonprofit institutions to the success of NDOs in raising their local match suggests that the degree of NDO access to businesses and nonprofit institutions of all types should influence NDOs' ability to achieve their fundraising goals. At this point, it only can be inferred from the findings presented above with regard to successful fundraising methods that the presence of local businesses and nonprofit institutions is an important contributor to an NDO's ability to raise funds within its neighborhood.

Two of the three relationships examined are in the expected direction, although they are not statistically significant or very meaningful (i.e., the variables are only weakly related). First, NDOs operating in larger neighborhoods were more likely to raise the required local funds than were NDOs in smaller areas. For example, NDOs in communities of fewer than 10,000 people raised their local matching grant requirements 64.3 percent of the time, compared with 73.3 percent of those NDOs operating in neighborhoods with more than 50,000 people.

Second, NDOs in less economically distressed areas were somewhat more successful in local fundraising than NDOs in more economically disadvantaged areas. For example, 76.2 percent of the NDOs in areas with economic distress indices of 8.0 or less raised their local fundraising requirement, compared to 70.6 percent of the NDOs in areas with distress indices of 10.0 or more.

The third relationship runs counter to expectations and is also not significant statistically. NDOs serving primarily minority neighborhoods had less difficulty raising their matching grant funds than did their counterparts in non-minority neighborhoods. While 75.0 percent of the NDOs in primarily minority neighborhoods met or exceeded their local matching grant goals, only 71.4 percent of those in areas with less than 50.0 percent minority population met their local fundraising goals.

The absence of statistically significant relationships between neighborhood characteristics and success in local fundraising led to an alternative formulation, one that also did not yield statistically significant or meaningful relationships. It was hypothesized that

NDOs, in setting their local fundraising targets, took neighborhood conditions into consideration. That is, it was expected that neighborhood factors influenced the amount of funds that NDOs proposed to raise within their neighborhoods, not their success in hitting the target. Analyses of the relationship between the neighborhood characteristics and the NDOs' proposed local fundraising targets revealed that none of the relationships was statistically significant, although the local fundraising goal increased slightly with neighborhood size and minority composition of the neighborhood, and decreased slightly with the index of economic distress.

Although the statistical analysis indicates that neighborhood characteristics did not exert a statistically significant effect on local fundraising success, interviews with the NDO executive directors reveal that neighborhood factors nevertheless appear to have influenced the ability of some NDOs to raise the required local match.

NDO executive directors were asked if they experienced any problems in trying to raise the local match. Ten executive directors (26.3 percent) indicated that the limited availability of resources within their neighborhoods, due to poverty and the lack of major institutions, adversely affected their fundraising campaigns. Furthermore, NDO directors who indicated that neighborhood characteristics created problems in raising local funds were significantly less likely to achieve their fundraising goals than executive directors who did not believe that neighborhood conditions affected fundraising. Fifty percent of the directors citing this problem failed to raise their match, compared to only 18.0 percent of those directors who did not perceive neighborhood conditions to be a barrier to fundraising. However, this perception that the neighborhood lacked adequate resources to support a fundraising campaign is not significantly associated with those neighborhood factors one would expect to be correlated with the perception—small size, high percentage of minority households, and substantial economic distress.

The perceptions of the NDO executive directors suggests that neighborhood factors limit somewhat the ability of NDOs to raise funds within their neighborhoods. The results also show, however, that these constraints can be overcome by NDOs. Unfortunately, the sample of NDOs is too small to permit analyses to isolate those factors that enable many NDOs to raise the required local funds in the midst of neighborhood poverty while other NDOs fail to do so.

NDO Characteristics

A second objective of the Demonstration is to examine the relationship between characteristics of the participating NDOs and the

NDOs' success in raising their required local match. Again, the characteristics analyzed are discussed in Chapter Two and listed in Table 3.11.

Two of these characteristics proved to be related to fundraising success in a statistically significant fashion: the previous experience of the NDOs in raising funds within their neighborhoods and the NDOs' 1983 budget. The first relationship was negative; that is, those NDOs that had not previously tried to raise funds within their neighborhood were more likely to be successful in raising the local match (92.3 percent) than those NDOs with such experience (61.9 percent). (See Table 3.12.)

The inverse association between prior neighborhood fundraising experience and success in raising the local match runs counter to what was expected. It was expected that NDOs with prior experience in raising money within their communities would be more successful than inexperienced NDOs in generating the local match. This hypothesis was reinforced by the finding that the absolute amount of funds raised within the neighborhood during the NDD was positively and significantly correlated with the proportion of the NDO's FY 1983 budget raised within the neighborhood. Further analyses were performed to determine whether the relationship between previous neighborhood fundraising experience and success in raising the local match in the NDD could reflect systematic differences between NDOs with varying levels of prior reliance on their neighborhoods for funds. No systematic differences that could explain this relationship were uncovered, however.

Although the observed relationship is unexpected, a plausible explanation for the finding does exist. Previous analyses have indicated the importance of new contributors to the NDOs' ability to raise the agreed upon local funding goal. It is quite possible that neighborhoods in which NDOs previously had not tried to raise funds represent untapped potential for fundraising. In fact, experienced fundraisers recognize that it is sometimes easier to get a contribution for a new venture than it is to convince previous contributors to continue giving.

The second NDO characteristic that significantly affected local fundraising success is the size of the NDO budget in 1983. As indicated in Table 3.11, the correlation between total 1983 budget and the percentage of the local match raised is .353, significant at the .05 level of probability. The correlation indicates that the likelihood of an NDO's raising the required local funds increases with the size of its budget in the year preceding the application for participation in the Demonstration. For example, 83.3 percent of the NDOs with budgets in excess of \$500,000 raised their funds, compared to 63.6 percent of the NDOs with budgets of less than

\$100,000. Presumably, total budget is a proxy for an NDO's overall fundraising ability and sophistication, factors that may help NDOs organize an effective neighborhood-based fundraising campaign. It is interesting to note, however, that the executive director's assessment of the NDO's level of experience in assembling a financial package is not significantly associated with local fundraising success.

None of the other NDO characteristics examined appears to have influenced local fundraising success in a statistically significant or substantively meaningful way. For example, no relationship was observed between success in raising the local match and the primary focus of the NDO (housing, economic development, human services and neighborhood improvements), NDO staff size, the age of the NDO or the executive director's perceptions of the NDO's level of experience in implementing crucial project tasks.

Project Characteristics

A third objective of the Demonstration is to examine the relationship between project characteristics and the NDOs' ability to raise funds locally. It was anticipated that project characteristics would affect fundraising success since some types of projects—typically those that result in a noticeable physical change in the community—are frequently more appealing than other types of projects to potential contributors.

Only one project characteristic—proportion of project budget raised prior to the start of the NDDP—is significantly related to local fundraising success, and the nature of the relationship is contrary to expectations. NDOs implementing projects with little or no funds committed prior to the start of the Demonstration were more successful in hitting their local fundraising target than NDOs that already had raised at least part of their total costs for the project. It is possible that prior commitment of funds reduced some of the incentive to undertake an aggressive fundraising effort within the neighborhood, but this is only speculation.

Three other project characteristics appear to influence the outcome of local fundraising efforts, although the relationships are not statistically significant. The first of these is the primary type of activity undertaken by the Demonstration project. Service delivery and neighborhood improvement projects apparently were easier than housing or economic development efforts to sell to neighborhood residents, businesses or institutions. For example, 90.0 percent of the NDOs sponsoring service delivery and neighborhood improvement projects hit their fundraising targets, compared to only 67.9 percent of the NDOs undertaking housing or economic development projects. An explanation for this relationship is not

apparent, especially since no relationship exists between type of project activity and the required amount of the local match.

Second, a negative relationship appears to exist between total project budget and local fundraising success. Approximately 92.0 percent of NDOs sponsoring projects with budgets below \$100,000 raised their match, compared to 57.1 percent of those NDOs whose projects cost \$200,000 or more. Since the local contributions and the Federal match comprise the total budget or nearly all of the budget for many of the projects costing under \$100,000, it may be that fundraising is easier if the NDO can argue that few or no other funds are needed to complete the project if all of the projected local contributions are received.

Finally, NDOs whose executive directors had substantial experience with projects similar to those being undertaken in the NDD were more likely to meet their local fundraising goal (78.3 percent) than NDOs directed by an individual with no previous experience with the type of project funded by the Demonstration. This relationship needs no further explanation.

Characteristics of NDD Fundraising Goals and Methods

It is interesting to observe that the amount of funds proposed to be collected within their neighborhoods by the NDOs is the only aspect of the fundraising process to affect fundraising success in a statistically significant fashion (albeit only at the .1 level of probability). Not surprisingly, the likelihood of achieving success decreases as the amount of the goal increases. The absolute amount of funds being sought from neighborhood sources apparently affected the NDOs' ability to achieve the goal, while the difference between the goal set for the NDD and previous levels of neighborhood fundraising did not.

It is also interesting to note that the matching ratio used to determine the amount of Federal funds that would be generated by the contributions given by neighborhood sources did not appear to influence NDO success in raising the local funds. A concern had existed that NDOs would overestimate what they could raise within their neighborhoods by proposing a one-to-one match ratio in order to maximize their chances of being selected for the Demonstration.

Somewhat surprisingly, the sources of an NDO's contributions did not appear to influence success. In spite of the fact that businesses provided a large proportion of the matching funds raised by NDOs within their neighborhoods, no statistically significant correlation was found between the proportion of the NDOs' funds raised from businesses, individuals, or institutions, and the per-

centage of the NDOs' fundraising goal actually reached. Moreover, no statistically significant association was found between the fundraising technique identified by each NDO as its most successful approach and whether or not the NDO was successful in raising its required match.

Although the statistical analysis revealed few significant relationships between those aspects of the fundraising methods that could be quantified and fundraising success, interviews with NDO executive directors and contributors provide some insight into qualitative aspects of fundraising that appear to have played an important role in successful fundraising.

A major axiom in fundraising is that the more personal the fundraising approach, the more likely the approach is to be successful. The implication of this axiom is that the personal involvement of NDO staff or members of the Board should contribute to success in raising the local match. Certainly, the perceptions of the NDO executive directors seem to support this conclusion, since 45.9 percent of the executive directors believe that personal contact with contributors was the single most important factor responsible for their fundraising success. (See Table 3.13.) This personal contact was perceived to be more important than neighborhood need or characteristics. The contributor interviews support the importance of personal contacts, since business and non-profit institutional contributors, the biggest givers, were approached most frequently by a personal contact.

A second factor that appears to be important is the adoption by NDOs of a flexible approach to fundraising that employs more than one method to raise funds. The importance of this flexibility was demonstrated earlier by the finding that most successful NDOs employed more than one approach in raising their neighborhood funds.

The final indication that the dynamics of fundraising itself are important in determining the NDOs' success in meeting their local fundraising targets comes from four of the 10 NDOs that failed to achieve their goals. The executive directors of these four NDOs attributed their inability to raise the local match to internal problems encountered by the NDOs in trying to raise funds from neighborhood sources. These problems include turnover of staff responsible for fundraising and poor planning and timing of the fundraising efforts. The interviews with the executive directors and the analysis of the sources of funding suggest that the fundraising approaches employed by the NDOs are as important as the characteristics of the NDOs, their neighborhoods and projects. This conclusion should be viewed as tentative until it can be tested more systematically. Nevertheless, the weight of the

evidence points to the importance of fundraising methods as key factors affecting attainment of the funding goals.

Parameters of the NDD Model

In an effort to investigate whether the parameters of the Demonstration program model itself might have affected NDO fundraising success, the executive directors of the participating NDOs were asked to comment on several specific aspects of the Demonstration. This aspect of the inquiry focused on the impact of:

- The availability of the incentive grants;
- Providing funds directly to the NDOs rather than to local governments;
- Requiring local funds to be generated from within the neighborhood boundaries rather than from a broader local area;
- Counting only contributions of funds, not in-kind and volunteer resources, toward the local match; and
- Providing the Federal match on a reimbursement basis rather than as an advance to attract private funds.

Interviews with the NDO executive directors (as well as with contributors) indicate clearly that the availability of the Federal matching grant served both as an incentive to the NDOs to raise their required local funds and as an inducement to contributors to support the NDD projects. The NDOs' almost unanimous emphasis on the availability of the match in their fundraising efforts (81.6 percent of the NDOs stressed this in their local fundraising) demonstrates how critical the NDO staff felt the incentive funds were as a selling point to attract contributions from sources within their neighborhoods. (See Table 3.14.)

Moreover, many of the NDOs emphasized that the availability of the match increased their ability to raise funds in their neighborhoods. In their closeout reports, 13 NDOs said that not only were previous supporters inclined to increase their contributions, but also that new contributors were convinced to give by knowing that their dollars were to be matched with Federal funds.

The final piece of evidence regarding the importance of the matching funds comes from the contributors themselves. A majority of the contributors interviewed indicated, when asked, that the availability of matching funds was a factor in their decision to contribute. Of the 88 contributors interviewed, 60 (68.2 percent) said that the match influenced them to make a contribution. Further

discussion of the effect of the match on the contributors is presented in Chapter Five.

Providing funds directly to the NDOs rather than through local governments was cited by 25 of the NDOs as a positive feature of the program. Two key reasons were given. The first involved the advantage of working directly with HUD and, thereby, avoiding an extra layer of local bureaucracy. The second reason is that the NDD grant provided a leveraging effect which the NDOs believed gave them an advantage in dealing with local government on funding as well as other development issues.

When NDOs were asked whether or not specific requirements of the Demonstration affected their ability to raise funds within the neighborhood, the problem that was cited more frequently than any other was restricting local contributions to the neighborhood. Thirty-one of the NDOs—83.8 percent—felt that this requirement limited their ability to raise funds. Fourteen NDOs commented that it made fundraising more difficult by cutting them off from access to likely sources of funding (including previous supporters) located within their localities but outside their neighborhood. Thirteen NDOs stated that the income level of the population living within the strict confines of the neighborhood was too low to be expected to support a grassroots fundraising campaign, while 12 NDOs stated that their neighborhoods lacked institutions, businesses or other large funders that might be counted on for major contributions. Finally, five NDOs said that the neighborhood boundaries, although defined by the NDOs themselves, made no sense for fundraising purposes and simply reflected local geographic, political or administrative boundaries for their service area or constituency.⁵

Although most of the NDOs believed that restricting fundraising to their neighborhoods caused them problems in meeting their local fundraising goals, the majority (71.0 percent) of those criticizing this aspect of the Demonstration raised the required local funds. This suggests that restricting fundraising to the NDOs' neighborhoods increased the difficulty of fundraising, but not so much that most NDOs could not overcome the problems and succeed in raising the necessary funds. As was discussed earlier, however, five of the ten NDOs that failed to meet their fundraising goal attributed their lack of success to neighborhood poverty and lack of institutions. Clearly, then, restricting fundraising to NDO neighborhoods appears to have prevented a small percentage (12.1 percent) of NDD participants from acquiring the local funds needed to leverage the full incentive grant awarded them.

⁵ The number of NDOs listed exceeds 31, since some NDOs gave more than one reason for identifying problems resulting from neighborhood-based fundraising.

Since most of the NDOs overcame this problem, it is quite conceivable that more timely technical assistance to the NDD participants would help them overcome the limitations posed by neighborhood conditions.

More than one-half of the NDOs stated that counting only contributions of funds, rather than in-kind and volunteer resources as well, was an impediment to their ability to meet or exceed their local fundraising goal. Most of these NDOs claimed that they could have generated more local support, especially from local businesses, contractors, and vendors, if they could have offered the additional incentive of the Federal matching grant. In some cases, NDOs claimed that, indeed, they had raised contributions that were later disallowed by HUD as counting toward their match because of the exclusion of in-kind or volunteer contributions. In addition, one of the three NDOs that withdrew from the Demonstration after it began indicated that it could not raise the local funds unless in-kind contributions could be counted as part of the resources raised within the neighborhood.

Confusion over what types of funds were eligible to be counted as part of the neighborhood contributions that would leverage the Federal matching grant was cited by four NDOs as the major reason for their failure to raise their required neighborhood funds. The confusion involved eligibility of loans from building owners, proceeds from the bargain sale of real estate and the treatment of expenses incurred in raising the local funds. One other NDO stated that it failed to meet its fundraising goal because HUD changed the matching ratio after the start of the Demonstration, and it could not raise the additional funds.

Some of the confusion referred to above should be eliminated by changes made in the NOFA for the second round of the NDD. The NOFA states clearly that loans cannot be included in the funds raised from the neighborhood for the purpose of leveraging the Federal matching grant.

Finally, almost one-half of the NDOs perceived the provision of the Federal match on a reimbursement basis as a problem. The gravity of the problem varied widely, however, from those who found it merely inconvenient to those who complained that it caused constant cash flow problems and/or created delays in project implementation.

There is clearly some room for interpretation here as to whether this is an inherent design flaw or should be attributed to the limited resources (especially cash flow) of the NDOs participating in the program. Nevertheless, to the extent that the program design can anticipate and, wherever possible, accommodate the

economic difficulties of the participating NDOs, ways of addressing this problem should be examined.

In conclusion, three of the major innovative features of the Demonstration—restriction of the fundraising to the NDO's neighborhood, a narrow interpretation of the types of contributions qualifying as eligible funds, and provision of the Federal match on a reimbursement basis—caused problems for many of the Demonstration participants. Indeed, eight of the ten NDOs that failed to raise the required funds from neighborhood sources identified two of these features of the Demonstration—neighborhood-based fundraising and the definition of eligible funds—as the primary reasons for their lack of success in meeting their fundraising goals.

Still, the vast majority of the NDOs overcame these problems and managed to raise the required funds within their neighborhoods. Sufficient information is not available to judge whether more timely technical assistance would have enabled the 10 NDOs that fell short in fundraising to raise the rest of the needed funds. Otherwise, any major improvement in the success rate may require revisions to one or more of the problematic features of the Demonstration design noted above. Further discussion of these issues is contained in Chapter Seven.

CHAPTER 3 TABLES

**TABLE 3.1
PERCENT OF REQUIRED MATCH RAISED BY NDOs**

Percent of Required Local Match Raised	Number of NDOs	Percent of NDOs
20-86%	4	10.5%
87-99%	6	15.8
100%	6	15.8
100-34%		22 57.9
Total	38	100.0%

**TABLE 3.2
MATCH DOLLARS RAISED BY NDOs**

Amount Raised	Number of NDOs	Percent of NDOs
\$976-10,000	5	13.2%
\$10,001-20,000	17	44.7
\$20,001-30,000	5	13.2
\$30,001-40,000	3	7.9
\$40,001-50,000	4	10.5
\$50,001-58,000	4	10.5
Total	38	100.0%

**TABLE 3.3
SOURCE OF MATCH DOLLARS RAISED BY NDOs**

Source	Total Dollars Raised	Percent of Total Raised
Businesses	\$426,996	46.6%
Nonprofit Institutions	\$277,579	30.3
Individuals	\$211,344	23.1
Total	\$915,919	100.0%

TABLE 3.4
PROPORTION OF NDO MATCH RAISED BY SOURCE

Source	Percent of Match Raised					100%
	0%	1-24%	25-49%	50-74%	75-99%	
Businesses	5	9	7	5	7	5
Nonprofit Institutions	10	9	3	10	4	2
Individuals	11	16	8	1	0	2

Note: n = 38

TABLE 3.5
MOST COMMON FUNDRAISING METHODS TRIED BY NDOs

Fundraising Method	Number of NDOs	Percent of NDOs
Soliciting Businesses	32	84.2%
Soliciting small businesses	23	
Application to local banks	9	
Requests to large corporations	10	
Canvassing Individuals	21	55.3%
Large scale mailings	13	
Membership drives	5	
Sponsoring Special Events	20	52.6%
Dinners	11	
Festivals	4	
Proposals to Nonprofit Institutions	17	44.7%
Proposals to local foundations	8	
Appeals to local churches	7	
Appeals to civic organizations	3	
Collecting Fees for Services	7	18.4%
Using Other Methods	10	26.3%

Note: Total exceeds 38 because some NDOs cited more than one method. Numbers of NDOs trying specific fundraising methods also do not sum to totals for major fundraising methods, because some NDOs tried more than one method within a category, and some specific methods are not listed because so few NDOs tried them.

TABLE 3.6
TOTAL MATCH RAISED BY FUNDRAISING METHOD

Fundraising Method	Total Dollars Raised	Percent of Total
Soliciting Businesses	\$349,882	38.2%
Sponsoring Special Events	\$175,856	19.2
Submitting Proposals to Nonprofit Institutions	\$141,967	15.5
Canvassing Individuals	\$120,901	13.2
Collecting Fees for Services	\$ 33,889	3.7
Using Other Methods	\$ 93,424	10.2
Total	\$915,919	100.0%

**TABLE 3.7
PROPORTION OF NDO MATCH RAISED
BY FUNDRAISING METHOD**

Fundraising Method	Percent Of Match Raised			
	0%	1-49%	50-99%	100%
Soliciting Businesses	2	16	11	3
Sponsoring Special Events	1	10	7	2
Canvassing Individuals	3	17	0	1
Proposals to Nonprofit Institutions	1	8	6	2
Collecting Fees for Services	0	6	1	0
Using Other Methods	2	6	0	2

Note: Total exceeds 38 because some NDOs used more than one fundraising method.

TABLE 3.8
PROPORTION ACTUALLY RAISED OF
GOALS SET BY NDOs FOR FUNDRAISING METHODS

Fundraising Method	Percent of Goal for Method				Percent of NDOs Raising Goal
	0%	1-49%	50-99%	100%+	
Soliciting Businesses	0	6	3	10	52.6%
Sponsoring Special Events	0	3	2	9	69.2
Proposals to Nonprofit Institutions	0	3	0	9	75.0
Canvassing Individuals	2	2	0	8	66.7
Collecting Fees for Services	0	1	2	2	40.0
Using Other Methods	1	1	1	2	40.0

Note: Total exceeds 38 because some NDOs used more than one fundraising method. The total number of NDOs using each method is less than indicated on Table 3.9 because not all NDOs identified specific fundraising goals for the methods employed.

TABLE 3.9
PROPORTION OF NEW CONTRIBUTIONS
RAISED BY FUNDRAISING METHOD

Fundraising Method	Total Dollars Raised	Total New Dollars Raised	Percent New of Total Dollars Raised	Percent of All New Dollars Raised	Percent of NDOs Using First Time
Soliciting Businesses	\$349,882	\$213,428	61.0%	51.7%	65.6%
Sponsoring Special Events	175,856	57,153	32.5	13.8	57.1
Proposals to Nonprofit Institutions	141,976	41,454	29.2	10.0	58.8
Canvassing Individuals	120,901	21,762	18.0	5.3	50.0
Collecting Fees for Services	33,889	29,551	87.2	7.2	57.1
Using Other Methods	93,424	49,328	52.8	12.0	50.0
Total	915,919	412,676	--	100.0	--

TABLE 3.10
NDOS' RANKING OF MOST
IMPORTANT FUNDRAISING METHODS

Fundraising Method	Number of NDOs Ranking As Most Important	Number of NDOs Using Method	Percent of NDOs Using Method
Soliciting Businesses	16	32	50.0%
Sponsoring Special Events	8	20	40.0
Proposals to Nonprofit Institutions	7	17	41.2
Canvassing Individuals	6	21	28.6
Collecting Fees for Services	0	7	0.0
Using Other Methods	0	10	0.0

Note: Some NDOs tried more than one fundraising method.

TABLE 3.11
FACTORS HYPOTHESIZED TO INFLUENCE NDO ABILITY TO
RAISE REQUIRED FUNDS FROM NEIGHBORHOOD SOURCES

Independent Variables	Dependent Variables	
	Required Local Contributions Raised	Percent of Local Contributions Raised
Neighborhood Characteristics		
Population size	-	.168
Percent minority	-	.118
Economic distress	-	.062
NDO Characteristics		
Primary focus	1.69	-
Years in existence	-	-.070
Total budget, 1983	-	.353**
Total staff, 1983	-	-.124
Previous NDO experience in:		
conceptualizing project	.180	-
assessing market potential/need	2.29	-
assessing financial feasibility	.98	-
assembling financial package	2.33	-
project management	.004	-
Overall trend in NDO budget, 1983-85	.019	.020
Prior NDO experience in neighborhood fundraising:		
any experience	3.81*	-
percent of budget raised	-	-.005
amount of fund raised	-	.100
NDD Project Characteristics		
Primary type of activity	1.86	-
Type of product	.002	-
NDO prior experience with type of project	.367	-
Staff experience with type of project:		
executive director	1.24	-
project director	1.22	-

Continued on Following Page.

TABLE 3.11 Continued
FACTORS HYPOTHESIZED TO INFLUENCE NDO ABILITY TO
RAISE REQUIRED FUNDS FROM NEIGHBORHOOD SOURCES

	Dependent Variables Required Local Contributions Raised	Percent of Local Contributions Raised
Project budget	-	.024
Project fundraising began before NDD start date	.024	-
Percent of project budget raised prior to start date	-	-.307
Project activities began before NDD start date	-	-
NDD Fundraising Goals		
NDD local fundraising goal	-	.229*
Matching ratio	-	.201
Comparison of fundraising goal with prior neighborhood fundraising experience:		
absolute difference	-	-.127
percent difference	-	-.276
Proportion of local match provided by:		
businesses	-	.019
nonprofit institution	-	.138
individuals	-	-.057

Note: The data presented in the column for "Required local contribution raised" are Chi-square statistics, while the statistics presented in the "Percent of local contribution raised" column are Pearson correlation coefficients. Pearson correlation coefficients were run only for variables measured on an interval scale.

*Indicates that the relationship is statistically significant at the .01 level of probability.

**Indicates that the relationship is significant at the .05 probability level.

TABLE 3.12
NDO FUNDRAISING SUCCESS AND PREVIOUS
EXPERIENCE RAISING FUNDS WITHIN THEIR NEIGHBORHOODS

	Previous Experience Trying To Raise Funds Within Neighborhood	
	No	Yes
NDOs Raising Match		
Number	12	13
Percent	92.3%	61.9%
NDOs Not Raising Match		
Number	1	8
Percent	7.7%	38.1%

Note: Chi-Square test significance level= .0509.
n= 34

TABLE 3.13
FACTORS IDENTIFIED BY NDOs AS
MOST RESPONSIBLE FOR THE SUCCESS OF
THEIR MOST SUCCESSFUL FUNDRAISING METHOD

Responsible Factors	Number of NDOs	Percent of NDOs
Personal contact with contributor	17	45.9%
Hard work on fundraising activities	7	18.9
NDO characteristic	6	16.2
Need for neighborhood improvement	6	16.2
Availability of the incentive matching grant	5	13.5
Contributor self-interest	5	13.5

Note: Total exceeds 38 because some NDOs cited more than one factor.

TABLE 3.14
FACTORS STRESSED BY NDOs IN LOCAL FUNDRAISING

Factor Stressed	Number of NDOs	Percent of NDO
Availability of incentive matching grant	31	81.6%
NDD project characteristics	30	78.9
Need for neighborhood improvements	25	65.8
Reputation of the NDO	22	57.9
Importance of neighborhood support	12	31.6

Note: Total exceeds 38 because some NDOs cited more than one factor.

4. NDO PERFORMANCE IN PROJECT IMPLEMENTATION

INTRODUCTION

Previous chapters have described the projects undertaken by the NDOs during the Demonstration and the NDOs' record of raising funds within their neighborhoods. The performance of the NDOs in implementing the Demonstration projects is the focus of this chapter.

Much of the interest in the Demonstration has centered on whether NDOs can raise money within their neighborhoods in response to a matching grant. While this is certainly an important issue, the purpose of the matching grant mechanism is to assist NDOs in acquiring the resources to undertake projects for neighborhood improvements. Ultimately, the effect of the NDD-funded projects on the neighborhoods may be the true "test" of the success of the Demonstration.

This chapter addresses two of the subsidiary research questions posed by the RFP for the evaluation of the NDD:

- *To what degree can new voluntary funding be generated at the neighborhood level in response to an incentive grant?*

Were NDOs able to raise their target levels of funds to support their planned projects?

- *How did the projects contribute to neighborhood development?*

What were the outcomes and neighborhood impacts of the demonstration projects?

Even though one of the research questions formulated by HUD concerned the impact of NDD-funded projects on NDO neighborhoods, it is premature to perform a meaningful analysis of the outcomes of the projects, e.g., their impact on the neighborhoods, at

this time. The reasons for this are discussed in more detail in the chapter. However, it is possible to describe the results of the projects that have been completed and to examine the crucial link between project conceptualization and initiation and the amelioration of neighborhood conditions—the implementation of the project—for all of the projects. After all, good ideas and adequate resources are not sufficient in themselves to attack neighborhood problems. Successful implementation and operation of the projects flowing from the ideas and paid for by the resources acquired must occur before conditions are improved. Consequently, the ability of NDD participants to implement their projects successfully is an important intermediate or surrogate indicator of the value of the Demonstration. It is recognized, however, that this analysis cannot substitute for a more thorough analysis of both the NDOs' ability to produce the outputs promised—housing units, jobs, etc.—and the effect of these outputs on neighborhood conditions. Such an analysis however, cannot be completed for at least a few years. In the interim, the NDOs' progress in pushing their projects forward can be analyzed.

This chapter is divided into two major sections. In the first, four important measures of project performance are analyzed. The first is the NDOs' ability to raise the remainder of the resources needed for the project budget. As will be discussed shortly, the project cost for most projects exceeded the sum of the NDD grant and the local fundraising goal. Obviously, the NDOs' success in completing their funding packages is a key indicator, indeed a determinant, of project success.

A second measure of NDO performance is the ability of the participants to complete projects on schedule. The third indicator of success is the NDOs' ability to finish the projects within the budgets originally estimated for the projects. The final measure of NDO performance is whether the projects achieved the level of production, e.g., number of housing units renovated, loans issued, etc., promised in the Demonstration work plan and grant agreement.

The last major section of this chapter examines some of the factors that appear responsible for project performance. Many of the factors analyzed in Chapter Three are examined in this chapter as well, although NDO and project characteristics are relied upon almost exclusively in this section of the analysis because neighborhood factors were not expected to influence project implementation.

INDICATORS OF PROJECT PERFORMANCE

Acquisition of Total Project Budget

The NDO grant plus the local contribution comprised the entire project budget for six of the 38 NDOs that remained in the Demonstration throughout the one-year fundraising cycle. (See Table 4.1.) The remaining 32 NDOs, however, had to raise funds from other sources to complete their projects. In percentage terms, the local contributions plus the Federal match comprised less than one-half of the total project costs in 21 of 38 NDOs (55.3 percent). In absolute terms, 13 NDOs (36.1 percent) had to raise less than \$100,000 in addition to the NDD grant and local contributions, while 12 NDOs (33.3 percent) still had to raise more than \$200,000 on top of the Federal match and local contributions. Not surprisingly, the resource needs were greatest for those NDOs pursuing development projects. For example, the overall project budget of two NDOs, one undertaking a housing project that included new construction and the other planning to construct a consolidated health clinic, exceeded \$4 million.

As discussed earlier, although the NDOs were required to raise their local match within one year of signing the grant agreement with HUD, the time period for raising the rest of the project budget was unlimited. Still, the NDD recipients were somewhat less successful in completing the project budget than in raising the local matching funds. Compared to the 73.7 percent success rate in raising the local match, 65.8 percent of the NDOs (25 of 38) that remained in the Demonstration for the full fundraising cycle had completed their project fundraising as of December 1986, more than 15 months after the last grant agreement with HUD was signed and, in some cases, more than two years after the NDOs began trying to raise funds for their projects. (See Table 4.2.) However, of the 13 groups that had not raised their total project budget, five had been fundraising for less than one year prior to the interview, while five others have been seeking funding for less than 18 months. Furthermore, four of the 13 projects that had not met their budget were close to eliminating the funding gap, having acquired more than 85.0 percent of the needed resources. Another three NDOs had raised more than one-half of the budget, while three others had acquired less than one-half of the funding needed.¹

¹ The size of the budget shortfall for three NDOs was not available.

The funding sources tapped by the NDOs for the remainder of their project budgets are listed in Table 4.3. A few trends stand out. First, except for two categories of funds—Federal grants/contracts and NDOs' own money—the number of NDOs receiving funds from a particular source appears to exceed the number that had expected to receive funds from the source at the time of their applications to the Demonstration. This is a very tentative finding since many NDOs' applications did not identify sources for all of the funds needed to complete their projects.

Second, very few—two—of the NDOs have received Federal grants or contracts, long a mainstay of NDO housing projects. Third, the private sector, local governments, and private foundations are the three most heavily relied upon funding sources. And fourth, the single most frequently obtained source of funds is private-sector loans, obtained by 34.2 percent of all NDOs. This trend should be viewed as a mixed blessing. On the one hand, it is encouraging that many NDOs have received private-sector loans, since NDOs traditionally have experienced difficulties in obtaining loans from conventional lending sources such as banks and savings and loans. On the other hand, heavy reliance on private-sector loans to pay for projects often drives up project costs due to interest payments. Furthermore, in housing developments, reliance on debt capital ultimately increases the cost of the housing—both rents and sales prices—to the consumer.

The NDD grants to the NDOs have leveraged a substantial amount of other funds,² especially since six projects required no funds beyond the NDD grant and the local match. (See Table 4.4.) The 34 NDOs for which data are available raised a total of \$12,968,487 in funds as of December 1986, for a leveraging ratio of 7.77:1.³ This estimate is an understatement of the total funds leveraged, since it is reasonable to expect that the 13 NDOs with incomplete funding packages raised additional funds after December 1986.

The relationship of the total project budget and the NDOs' ability to raise needed funds is graphically indicated in Table 4.5. The 13 NDOs still lacking part of their financing all have projects with budgets in excess of \$100,000, with slightly less than one-half of these 13 NDOs involved in projects costing more than \$500,000. The Pearson correlation coefficient between total project budget and percent of budget raised is $-.540$, statistically significant at the

² Some of the NDD grants may not have leveraged other resources in the traditional sense, since the grants were received after the other funding commitments were in place.

³ A total of \$1,597,218 in NDD grant payments was issued as of June 1987. However, the NDD grant payments to the four NDOs for which total money raised is not available were eliminated from the calculation.

.05 level. Clearly, the more costly the project, the less likely the NDOs are to have raised all of the needed funds.

Analysis of the relationship between success in overall project fundraising and the NDO characteristics described in Chapter Two is presented later in this chapter. The perceptions of the executive directors of the NDOs with budget gaps, however, are discussed below.

The directors of these 13 NDOs cited a number of reasons for their inability to raise the remainder of the funds for the projects. Many of the reasons were specific to single organizations. For example, one NDO had anticipated receiving funds from HUD's Section 202 program, only to have its application rejected by HUD. Similarly, the new construction component of another NDO's project has been indefinitely delayed because local banks were unwilling to provide construction financing without pre-sale of the units.

Despite the idiosyncratic nature of many of the reasons offered, a few common problems emerged from the interviews. Delays in the start of fundraising, delays experienced in implementing the projects, cost overruns and HUD disallowance of part of the local contributions were the most commonly cited reasons for the existence of a funding gap.

Assessment of the performance of NDOs in raising project funds must recognize the context within which NDOs operate. Although 71.0 percent of the NDOs increased their budgets between 1983 and 1985, 57.0 percent of all Demonstration participants indicated that fundraising was becoming more difficult. Furthermore, as discussed in Chapter Two, a shift in the types of funding sources drawn upon by NDOs has occurred within the last five years, with many NDOs experiencing declines in Federal and local grants (including CDBG funds), housing subsidies, and program contracts. The loss of these types of resources poses the most serious problems for organizations involved in housing development (e.g., new construction and substantial rehabilitation), since long-term subsidies or large capital write-downs usually are necessary to produce housing affordable to low-income persons.

The withdrawal of most of the Federal programs in this area has made it more difficult for many housing developers, but especially neighborhood-based organizations, to acquire funds to undertake housing production for low-income persons. More will be said about this issue in the next major section of the chapter.

A comparison of these results with those reported in Mayer's analysis of the Neighborhood Self-Help Development Program

(NSHD), the forerunner to the NDD, reveals that the NDD participants performed at least as well as the NSHD participants. Nearly 59.0 percent of the NSHD recipients raised 95.0 percent or more of the project budget within two years of receiving the NSHD grant, compared to approximately 66.0 percent of the NDD participants.⁴ The success rates are almost identical if just the NDD participants with projects most resembling the NSHD projects—primarily housing and economic development—are included in the comparison.

In conclusion, the record of the 38 NDOs in obtaining all of the funds needed to complete their projects is a credible one. These organizations operate in a turbulent environment, dealing with difficult conditions that have existed for many years while trying to cling to a funding base that is shifting under them. Within this context, a finding that 25 of 38 NDOs had raised all of the project funding, while four others were within 15.0 percent of obtaining the needed funds, should be viewed as an acceptable performance.

Completion of Project Tasks on Schedule and within Budget

Although NDD award recipients were required to raise the local contributions within one year of signing their grant agreements with HUD, the implementation of the projects could proceed over a longer time frame. As shown in Table 4.6, 15 NDOs (39.5 percent) undertook projects that were scheduled for completion after the first anniversary date of the grant agreements or set final goals for the NDD Demonstration that actually were mid-project goals for a large project. A number of groups, for example, targeted "loan closing" or "start of construction" as the NDD goals for their development projects. Consequently, measurement of the timely completion of project tasks must take into account both the tasks completed and those scheduled to be finished at the time of the final interview (November/December 1986).

Measurement of performance in this area is complicated even further because many NDOs initiated projects that were comprised of multiple, distinct components or sets of activities. Fourteen (36.8 percent) of the NDD-funded projects consisted of two components, while 11 (28.9 percent) projects contained three or more components. These components were frequently inextricably interrelated, such as combining housing renovation or construction with job-training in construction skills. However, some NDOs used the NDD funds in projects that consisted of totally unrelated activities. For example, one NDO's project involved constructing

⁴ Mayer, *op. cit.*, p. 79.

a ramp to increase building access, conducting tours of the neighborhood for business people, and offering ceramics and pottery classes. The complexity of these situations had to be considered in estimating whether NDOs were progressing according to plan in implementing their activities.

Estimation of timely progress in implementation was accomplished through a four-step process. First, a set of generic activities was developed for three different types of projects: housing development, business development, neighborhood improvement/service delivery. Second, NDO project directors were asked to identify the status of each activity in each component. Third, the status of each component was then compared to the schedule of activities prepared by the NDO in the project workplan submitted to HUD or in the grant agreement. Finally, the number of activities completed at the time of the interview was divided by the number of activities scheduled to be completed by that date to estimate the percentage of the workplan complete for each component. Where projects consisted of more than one component, the percentages complete for all components were averaged to estimate the total number of scheduled project activities completed.

The results of this analysis are presented in Table 4.7. Sixteen NDOs reported that they had totally finished work on the NDD-funded projects. Of these, 15 completed the scope of work contained in the project grant agreement. The other NDO considered the project complete, although it had not finished, and did not plan to finish, the third component of the project. The component, to purchase and renovate five properties, was dropped because increasing neighborhood property values drove the price of available properties beyond the reach of the NDO.

The remaining 22 NDOs indicated that they were continuing to work on their projects. Of these, four had completed all of the tasks scheduled to be finished by the date of the interview. The remaining 18 projects were behind schedule, with eight (21.0 percent of all projects) having completed less than 75.0 percent of all scheduled activities and ten (26.3 percent) others reporting between 75.0 percent and 99.0 percent of the planned activities accomplished.

By their own estimate, many of the NDOs were substantially late in carrying out project activities, as is indicated by Table 4.8. Nine of the 22 unfinished projects were more than 50.0 percent behind

schedule, while six others deviated somewhat less markedly from plans.⁵

The inability of many Demonstration participants to complete project activities in a timely fashion is slightly greater than that of the NSHD grant recipients. Twelve of the 49 (24.5 percent) NSHD participants still working on their projects at the time of the study had adhered to the project schedule, compared to 19.1 percent of the NDD awardees.

In addition to falling behind schedule, many NDOs have experienced, or expect to incur, cost overruns in completing their projects. (See Table 4.9.) Four of the 15 completed projects for which data are available ran over budget, while seven of the 21 projects in progress for which data are available have incurred, or expect to incur, cost overruns before the projects are finished. If these estimates do not change, 29.7 percent of the 37 NDOs for which data are available would have experienced cost overruns in carrying out their projects.

The record of the NDD participants in completing the projects as planned is mixed. At first glance, it appears that their ability to finish the projects on schedule is rather poor. Examination of the predicted project completion dates, however, suggests that the problem may lie more in the NDOs' abilities to predict project milestones realistically than in their ability to perform the work competently. Development projects, even for experienced developers, are difficult to complete within 18-24 months even when funding commitments are in place. Nonprofit developers face even greater obstacles, since it frequently takes them a year or more to obtain commitments for the total funding package. Consequently, failure to complete projects within shorter periods of time, as proposed by many of the NDOs, is neither surprising nor a sign of particularly poor project management. Rather, it most likely reflects an overly optimistic judgment regarding the project activities that can be accomplished in the time frame specified. A similar conclusion that NDOs had not performed poorly in implementing projects, but rather had overestimated what they could accomplish within a specific time period—was reached in the evaluation of the Neighborhood Self-Help Development Program.⁶

⁵ The total number of projects behind schedule is probably underestimated, because no attempt was made to determine whether the 16 projects for which work has ended adhered to their workplans in implementing the project.

⁶ Mayer, *op. cit.*, p. 67

The NDOs appear to have performed satisfactorily in the area of cost containment, assuming that the number of NDOs with projects in progress that experience cost overruns does not increase. This conclusion is based on the fact that cost increases are not unusual among development projects, even those undertaken by the private sector, and that NDOs work in low-income neighborhoods under conditions that are less favorable to development. However, the fact that nearly three in ten projects experienced cost overruns is worrisome, because it is often very difficult for NDOs to come up with the additional funds to complete the projects.

NDO Achievement of Expected Project Outputs

The most important indicator of the success of the Demonstration is the impact of the NDD-funded projects on the neighborhood conditions the projects were designed to address. Analysis of this indicator of success cannot be performed, however for two reasons.

First, most of the NDD projects had not been completed by the time of the final data collection component of the study. More importantly, whatever impacts are produced by the projects probably will not be noticeable until one to three years after the completion of the projects, depending upon the type of project output. Obviously, too few projects have been completed to measure the impact of the Demonstration on the neighborhoods. In addition, insufficient time has elapsed since the completion of these 16 finished NDO projects to estimate their impact.

Short of the actual impact on neighborhood conditions, the next most important indicator of project success probably is whether the projects produce the expected level of outputs—jobs created, dwelling units renovated or built, loans issued, vacant lots improved, etc. NDOs that promise more than they produce will have a smaller impact on neighborhood conditions than anticipated. The project goals identified by the NDOs in the grant agreements signed with HUD are listed in Table 4.10.

Unfortunately, identifying whether the expected objectives have been, or will be, achieved proved to be the most difficult aspect of project success to measure and evaluate, for three reasons. First, many of the NDD recipients committed themselves to complete activities by the end of the Demonstration that, in themselves, do not constitute self-contained projects likely to have demonstrable impact on the neighborhoods without additional activities beyond the Demonstration. The most common examples of this are projects with the objective of completing a specified number of pre-development tasks or of beginning construction by the end of

the NDD. Because no concrete product can be observed, it is difficult to assess whether the desired output has been achieved.

A second measurement issue is that many NDOs did not identify quantifiable objectives or outputs. This is quite clearly indicated in Table 4.10, since the total goals for many of the categories of goals are either not estimated or are underestimated for this reason. Examples of this lack of quantifiable goals are those NDOs that were funded to prepare neighborhood plans, hold public meetings, organize merchants, offer various types of classes, give business tours, etc. In these situations, discrete levels of performance between 0 percent and 100.0 percent are impossible to ascertain.

Finally, it was sometimes difficult to determine whether even NDOs engaged in projects with discrete, measurable outputs had achieved the promised results, due to poor reporting to HUD by the NDOs.

Despite these difficulties, an attempt was made to ascertain whether the 16 completed projects achieved the planned level of output.⁷ (See Table 4.11.) In aggregate terms, where output could be measured, the 16 NDOs accomplished what they set out to do, with the exception of three categories of goals—housing renovation, housing management, and vacant lot cleanup. In two of these areas, approximately 95.0 percent of the goals were achieved. A project-level analysis indicates that 75.0 percent of the completed projects reached their objectives, while four fell short. (See Table 4.12.) Two of the four projects produced 80.0 percent or more of their output, while the remaining two accomplished approximately 67.0 percent of their objectives.

Analysis of these latter four projects reveals that each NDO's failure to achieve its objectives was due to factors beyond its control. Two NDOs fell short of their goals because of their inability to acquire site control—one constructed four of five infill units, while the other managed 37 fewer units than planned. The third NDO was unable to purchase and renovate five existing dwelling units due to a rapid inflation in neighborhood property values. Finally, the fourth NDO leased renovated commercial space to small businesses that hired four fewer employees than anticipated.

An attempt also was made to estimate whether projects that have not yet been completed will achieve their objectives. Conclusions based on work in progress are largely speculative, since the work

⁷ This group of projects includes one for which work has ended but where the approved scope of work was not finished.

may not be completed as planned, or at all. Nevertheless, if the projects do not encounter major adverse changes, it appears that 19 of the remaining 22 projects will produce the planned level of output. When combined with the completed projects, it appears that nearly 82.0 percent of the projects will hit their mark, with only one NDO producing less than 50.0 percent of the level of production promised in the grant agreement.

Few standards exist to judge the results of programs such as the NDD. Comparable project success rates measured in terms of planned goals actually attained were achieved by the NDOs participating in the Neighborhood Self-Help Development Program. Furthermore, although desirable, it is unreasonable to expect 100.0 percent success in any program focusing on the problems of low-income communities because of the deep-rooted, longstanding nature of the problems indigenous to these areas. In addition, NDOs operate in an environment where they control few of the resources—property, access to capital, political influence—necessary to bring ideas to fruition. Consequently, when the context of the NDOs' environments is taken into account, both the actual and projected levels of accomplishment can be viewed as positive outcomes of the Demonstration.

FACTORS RESPONSIBLE FOR PROJECT SUCCESS

Many of the same characteristics expected to influence success in local fundraising in Chapter Three also are hypothesized to influence the indicators of project success discussed above. Three sets of characteristics are anticipated to affect success—NDO characteristics, project characteristics and fundraising goals. Neighborhood characteristics are not expected to affect success in project implementation. The relationship between each of these sets of factors and three of the four major indicators of success—completion of the overall project funding package, avoidance of project cost overruns, and completion of project tasks on schedule—is discussed below. Attainment of project goals is not analyzed because only 16 projects were complete.

Success In Raising Total Project Budget

As Table 4.13 indicates, the NDOs' successes in raising all of the funds needed to finish their projects is affected by a number of factors. Only one NDO characteristic—total 1983 budget—appears to have influenced NDO success in raising the total project budget. The negative correlation indicates that the larger the 1983 budget, the less likely the NDO was to attain all of its needed funds. This

association most likely is a spurious one, actually reflecting the relationship between size of the NDO, the type of project implemented by the NDO, and total fundraising success. These relationships are discussed below.

Two characteristics of the projects undertaken by the NDOs were hypothesized to affect the NDOs' abilities to complete the projects successfully—the type of product produced and the type of activity. The nature of the final product offered by the project—development, service provision, or some combination of the two—was expected to influence the NDOs' abilities to obtain the funds needed for the project. It was expected that development projects, especially those involving housing, would be the most attractive to potential funders because of the concrete results provided by the activities.

The type of activity comprising the project—housing, economic development, social service, neighborhood improvement or a combination of some or all of the above—was expected to influence fundraising success in a similar manner. Housing projects should have the least trouble securing funding because of the established history of such projects.

Inspection of Table 4.13 indicates that these two project characteristics and two others—whether the NDO has prior experience with the type of project involved and the total size of the project budget—appear to have important effects on the NDOs' abilities to complete the project funding packages. Interestingly, the results run counter to the hypotheses stated above. NDOs engaged in new types of projects, development projects, housing, or economic development projects or projects with large budgets were less successful in acquiring all of the funds needed for the projects than other types of projects. (See Tables 4.14 through 4.16.)

NDOs undertaking new types of projects for their organizations probably are less familiar with the organizations or institutions that fund that type of project. Even more importantly, they probably have not established a track record of performance in successfully completing these types of projects, a factor of vital importance to potential funders.

The lower success rate in completing project budgets among NDOs sponsoring development projects and/or housing and economic development projects reflects two factors. First, these types of projects are more costly than service and improvement projects and probably are harder to fund, if for no other reason than that they require more money. Second, as was discussed earlier, many NDOs have experienced decreases in financial support from Federal grants and housing subsidies, the funding sources that frequently have been relied upon in the past to underwrite

housing projects. It is difficult for the NDOs to substitute private-sector loans for the public sector funds, for two reasons. First, conventional lending sources frequently are reluctant to lend to NDOs due to concerns over NDOs' track records and net worth, and the economics of the projects. Second, substitution of private-sector loans for public subsidies usually drives up project costs and may threaten the ability of the NDOs to serve their intended target population.

Another important factor that is at least partly responsible for the NDOs' failure to raise the total project budget is the occurrence of cost overruns. Projects that have experienced cost overruns are significantly more likely than other projects to have funding gaps. (See Table 4.17.) This finding may be spurious, since the occurrence of cost overruns is itself correlated with activity type and type of product. The inability to perform a multivariate analysis because of the small number of cases prevents disentangling these intercorrelations.

Success in Cost Containment

It was hypothesized that variables indicating NDO and staff prior experiences with the types of projects funded, NDO prior project management experience, and the type of project activities and products would affect NDOs' abilities to complete their projects within the initial budget. These relationships are summarized in Table 4.18. Contrary to the previous analysis, the hypotheses are supported by the findings.

NDOs with previous experience with similar projects are substantially less likely than inexperienced groups to incur cost overruns. (See Table 4.19.) Thus, only 12.5 percent of the experienced NDOs exceeded the project budget, while 40.9 percent of the groups lacking a track record with similar projects exceeded their project budgets.

The previous experiences of key staff people also are important, but they appear to have a slightly more circumscribed effect than the records of the NDOs themselves. Thus, the prior experience of both the executive director (Table 4.20) and the project director (Table 4.21) affect the probability that project costs will exceed the budgets. For example, only 17.4 percent of the NDOs with a very experienced executive director had a cost overrun, compared to 71.4 percent of the NDOs headed by a person who had no familiarity with the type of project undertaken by the NDO. The influence of the executive director appears to be somewhat more important than that of project director, but this conclusion should be viewed as tentative.

In addition, the availability of at least one staff person with prior project management experience also appears to be an important factor in reducing the probability of cost overruns. See Table 4.22.) Thus, only 23.5 percent of the NDOs with staff experienced in management incurred cost overruns, compared to 75.0 percent of the NDOs lacking staff with a management background.

Finally, NDOs pursuing development projects are significantly more likely than NDOs implementing service or neighborhood improvement projects to exceed their budgets. (See Table 4.23.) This certainly is not a surprising finding, since the complexity of development projects leaves them especially prone to cost overruns. In fact, according to the executive directors, most cost overruns occurred because of problems that frequently occur during the development process, such as higher than expected acquisition costs and interest rates, contractor problems, and hidden costs in renovation.

Success In Implementation of Project Tasks on Schedule

The same factors that affected NDOs' abilities to keep project costs within the original budget also are expected to affect the NDOs' timely completion of project activities. As Table 4.24 indicates, this expectation is partially supported by the results of this analysis. The expected relationship between type of project output and timely performance of project tasks is indicated in Table 4.25. Development projects are significantly more difficult than other projects to complete in a timely fashion. Only 30.0 percent of the development projects were finished on time, while 80.0 percent of the non-development projects were implemented on schedule. It is not surprising that development projects are more difficult than other types of projects to implement successfully. Interviews with project directors documented many of the problems—difficulties in obtaining site control, construction delays, contractor problems—that frequently arise during the development phase of a project.

A similar relationship exists between type of project activity and timely completion of activities. Housing and economic development projects were significantly more likely to be behind schedule than service or neighborhood improvement projects. (See Table 4.26.) Nearly 61.0 percent of the housing/economic development projects were delayed, compared to only 20.0 percent of the latter type of project. The poor track record of NDOs in completing housing or economic development activities on schedule most likely is due to the greater complexity of these projects and the wide range of project activities over which the NDOs have little or no control.

Table 4.24 also reveals that timely completion of project activities is significantly influenced by two aspects of the NDOs' success in project fundraising. Interestingly, NDOs with no prior experience in neighborhood-based fundraising were more likely than experienced neighborhood fundraisers to fall behind in completing project activities. (See Table 4.27.) Similarly, the smaller the proportion of the NDOs' budgets that previously was raised within their neighborhoods, the more likely the NDOs were to fall behind schedule. One explanation for this relationship is that NDOs inexperienced in neighborhood-based fundraising may have focused much of their activities on fundraising to compensate for their lack of experience in this area and, as a result, were not able to complete some of the other more substantive project activities on schedule.

Finally, the NDOs' inability to perform project activities on schedule is affected by the NDOs' lack of success in raising the total project budget. (See Table 4.28.) Nearly 77.0 percent of the NDOs with funding gaps were behind schedule in implementing project activities, compared to only 36.0 percent of the NDOs that had secured all of the needed funds. Obviously, the problems encountered in fundraising have ramifications for the rest of the project.

In conclusion, selected characteristics of the NDOs and their projects have exerted significant impact on the ability of the NDOs to complete the overall funding package and finish project tasks on time and within budget. The NDOs' previous track record with the type of project funded by the Demonstration, the nature of the project activity and outputs, and the occurrence of cost overruns are important determinants of the NDOs' abilities to raise the funds needed to finish their projects. The NDOs' prior experience in neighborhood fundraising, the type of activities comprising the NDD-funded enterprises, the type of project output, and success in raising the total project budget influence whether the NDOs are able to carry out project activities within the originally specified timetables. And, finally, the NDOs' track record with the type of project undertaken in the NDD, NDO key staff management experience and extent of previous involvement with the type of project funded by the Demonstration, and the type of project output are significant determinants of the NDOs' performances in keeping project costs within the original budgets.

CHAPTER 4 TABLES

**TABLE 4.1A
RELATIONSHIP OF NDD GRANT AND
LOCAL CONTRIBUTION TO TOTAL PROJECT COSTS**

**PERCENTAGE OF TOTAL PROJECT COST
FUNDED BY NDD GRANT AND LOCAL CONTRIBUTIONS**

Percentage	Number of NDOs	Percent of NDOs
1 to 24%	12	33.3%
25 to 49%	9	25.0
50 to 74%	1	2.8
75 to 99%	8	22.2
100 to 108%	6	16.7
Total	36	100.0
Missing Data	2	

**TABLE 4.1B
RELATIONSHIP OF NDD GRANT AND LOCAL
CONTRIBUTION TO TOTAL PROJECT COSTS**

**PROJECT BUDGET REMAINING TO BE RAISED IN
ADDITION TO NDD GRANT AND LOCAL CONTRIBUTIONS**

Budget Gap	Number of NDOs	Percent of NDOs
\$0	6	16.7%
\$499 -49,999	9	25.0
\$50,000 -99,999	4	11.1
\$100,000-199,999	5	13.9
\$200,000-499,999	5	13.9
\$500,000 - 4,431,349	7	19.4
Total	36	100.0
Missing Data	2	

TABLE 4.2
NDO SUCCESS IN ACQUIRING PROJECT FUNDING

Percent of Project Budget Raised	Number of NDOS	Percent of NDOS
0 - 49%	2	5.3%
50 - 74	4	10.5
75 - 99	4	10.5
100% +	25	65.8
Less than 100% raised; amount unknown due to changes in project scope	3	7.9
Total	38	100.0

Note: The time period within which these funds have been raised ranges from 17 months to more than two years. The six NDOs requiring no additional funds for the project beyond the local contributions and Federal match are included in the 25 NDOs shown as raising 100.0 percent or more of their budgets.

TABLE 4.3
SOURCES OF FUNDING FOR NEW PROJECTS

Source	Number of NDOs Expecting	Number of NDOs Receiving	Percent Receiving of Those Expecting	Median Amount Received
Federal gov't grant		2		\$355,000
Federal housing program contract		0		0
Total Federal	4		50.0%	
State gov't general support grant		3		40,000
State gov't program contract		4		198,500
Total State	2		350.0	
Local gov't general support grant		7		25,000
Local gov't program contract		8		82,500
Total Local Government	9		188.8	
Private foundation general support		6		42,500
Private foundation grant for a special project		5		22,500
Total Foundation	3		366.0	
Private sector general support grant		3		40,000
Private sector loan		13		65,000
Total Private Sector	16		100.0	
Profits from a housing development		2		4,456
Profits from business development	3	2	166.0	24,500
Profits from service provision		1		25,000

Continued on Following Page

TABLE 4.3 Continued
SOURCES OF FUNDING FOR NEW PROJECTS

Source	Number of NDOs Expecting	Number of NDOs Receiving	Percent Receiv- ing of Those Expecting	Median Amount Received
Religious organizations	2	3	150.0%	\$4,500
NDOs' own money	5	4	80.0	13,288
Nonprofit institution		3		30,000
Other		9		80,000
Total Nonprofit and Other		6	200.0	

Note: NDO expectations of funding sources likely to be received are from applications submitted by the NDOs. Funding sources received are those received by the NDOs as of December 1986.

TABLE 4.4
LEVERAGING RATIO FOR NDD FUNDS

Ratio of Funds Raised To NDD Grant	Number of NDOS	Percent of NDOS
0- 99	1	2.9%
1.0-1.99	11	32.4
2.0-4.99	12	35.3
5.0 +	10	29.4
Total	34	100.0
Missing Data	4	

TABLE 4.5
RELATIONSHIP OF TOTAL PROJECT BUDGET
TO SUCCESS IN ACQUIRING PROJECT FUNDING

Size of Total Project Budget	NDOs Raising Total Budget	NDOs Not Raising Total	Total NDOs
\$7,325-49,999	2 (100.0%)	0 (0.0%)	2 (100.0%)
\$50,000-99,999	10 (100.0%)	0 (0.0 %)	10 (100.0%)
\$100,000-199,999	7 (63.6%)	4 (36.4%)	11 (100.0%)
\$200,000-499,999	2 (40.0%)	3 (60.0%)	5 (100.0%)
\$500,000-999,999	1 (33.3%)	2 (66.6%)	3 (100.0%)
\$1,000,000-4,500,000	3 (42.9%)	4 (57.1%)	7 (100.0%)
Total NDOs	25	13	38

Note: The Pearson correlation coefficient between these variables measured on an interval scale is -.540, statistically significant at the .05 level.

TABLE 4.6
EXPECTED COMPLETION DATE OF THE
PROJECT BY TYPE OF PROJECT ACTIVITY

Expected Completion Date	Type of Project Activity			Total
	Develop- ment	Non- Development	Both	
Within NDD Contract Year	11	10	2	23
After NDD Contract Year	12	2	1	15
Total	23	12	3	38

Note: In a number of instances, the project funded by the NDD is a component part of a larger project. The expected date of completion shown here, based on the NDD program agreements, is for the overall project.

TABLE 4.7
STATUS OF PROJECT TASKS

Status of Project Tasks	Number of NDOs	Percent of NDOs
Projects on which Work has Ended		
Approved scope of work complete	5	39.5%
Approved scope of work incomplete	1	2.6
Sub-total	16	42.1
Projects Still in Progress		
Percent of workplan timetable completed by NDO		
0 - 75%	8	21.1
76 - 99	10	26.3
100	4	10.5
Sub-total	22	57.9
Total	38	100.0

Note: The percentage of tasks completed is computed by dividing the number of tasks finished by the NDO at the time of the interview by the number of tasks scheduled to be completed by that date.

TABLE 4.8A
TIMELINESS OF NDO PROJECT
WORK FOR PROJECTS STILL IN PROGRESS
MONTHS BEHIND SCHEDULE

Number of Months	Number NDOs	Percent of NDOs
0 months	5	22.7%
1-6 months	6	27.3
7-12 months	6	27.3
13+ months	3	13.6
Number of months unknown	2	9.1
Total projects in progress	22	100.0

TABLE 4.8B
TIMELINESS OF NDO PROJECT
WORK FOR PROJECTS STILL IN PROGRESS

MONTHS BEHIND SCHEDULE AS A PROPORTION OF TIMETABLE

Number of Months	Number of NDOs	Percent of NDOs
0	5	22.7%
1 - 25%	4	18.2
26 - 50%	2	9.1
51 - 99%	5	22.7
100%	4	18.2
Number of months unknown	2	9.1
Total projects in progress	22	100.0

Note: Information on whether any of the 16 completed projects were finished on schedule is not available.

TABLE 4.9
NDO PERFORMANCE IN
COMPLETING PROJECTS WITHIN BUDGET

NDO Performance by Status of Project Tasks	Number of NDOs	Percent of all NDOs
Projects on Which Work Has Ended :		
Completed within budget	11	30.6%
Cost overrun	4	11.1
Total	15	
Missing data	1	
Projects In Progress:		
Expect to complete within budget	14	38.9
Expect to incur cost overrun	7	19.4
Total	21	
Missing data	1	
Total Projects	36	100.0
Total Missing Data	2	
Total Projects with Cost Overruns	11	30.6

**TABLE 4.10
NDD-FUNDED PROJECT GOALS**

Type of Activity	Goals	Number of NDOs
Housing		
Units repaired or rehabilitated	258 units	15
Units new construction	164 units	7
Units managed	57 units*	2
Units receiving loans	67 units	3
Units assisted (services)	NA*	10
Economic Development		
Stores improved or rehabilitated	4 stores	2
Businesses assisted	53 businesses*	6
Businesses receiving loans	NA*	1
Other sites rehabilitated/ constructed	5 sites	4
Permanent jobs created	12 jobs*	2
People receiving job training	158 trainees	5
Businesses created	2 businesses	2
Social Service		
Clients receiving social services	20 clients*	4
Facilities improved/constructed	4 facilities	4
Neighborhood Improvements		
Vacant lots/buildings improved	105 sites	2

Note: The total number of NDOs exceeds 38 because many projects had multiple goals.

NA: Not available.

*Goals are either not estimated or are severely underestimated because either none or less than 50.0 percent of the respondents expressed goals in numerical terms.

TABLE 4.11
GOALS AND ACCOMPLISHMENTS
FOR COMPLETED NDD PROJECTS

Type of Activity	Goals	Accomplish- ments	Number of NDOs
Housing			
Units repaired or rehabilitated	99 units	94 units	7
Units new construction	39 units	55 units	3
Units managed	57 units	20 units	1
Units receiving loans	50 units	NA*	1
Units assisted (services)	NA*	NA*	5
Economic Development			
Stores improved or rehabilitated	3 stores	3 stores	1
Businesses assisted	3 stores*	3 stores*	2
Businesses receiving loans	NA*	NA*	1
Other sites rehabilitated/constructed	1 site	1 site	1
Permanent jobs created	12 jobs*	13 jobs*	2
People receiving job training	30 trainees	50 trainees	1
Businesses created	-	-	0
Social Service			
Clients receiving social services	NA*	NA*	1
Facilities improved/constructed	1 site	1 site	1
Neighborhood Improvements			
Vacant lots/buildings improved	95 sites	90 sites	2

Note: Table is based on the accomplishments of the 16 NDOs that completed their projects. The total number of NDOs exceeds 16 since many projects produced more than one type of output.

NA: Not available.

*Goals are either not estimated or are severely underestimated because either none or less than 50.0 percent of the respondents expressed goals in numerical terms.

**TABLE 4.12
SUCCESS OF COMPLETED
PROJECTS IN REACHING PLANNED OUTPUTS**

Status of Completed Projects	Number of NDOS	Percent of NDOS
Planned Outputs Achieved	2	75.0%
Planned Outputs Not Achieved	4	25.0%
Total Completed Projects	16	100.0%

Note: "Total Completed Projects" includes one project for which work has ended but where the approved scope of work was not finished.

TABLE 4.13
FACTORS AFFECTING NDO SUCCESS
IN RAISING THE TOTAL PROJECT BUDGET

Independent Variables	Dependent Variables	
	Whether Total Budget Raised	Percent Total Budget Raised
Neighborhood Characteristics:		
Population size	-	-
Percent minority residents	-	-
Economic distress	-	-
NDO Characteristics:		
Primary focus	4.29	-
Years in existence	-	-.066
Total budget, 1983	-	-.354**
Total staff, 1983	-	-.193
Previous NDO experience in:		
conceptualizing project	.97	-
assessing market potential/need	1.69	-
assessing financial feasibility	.08	-
assembling financial package	.001	-
project management	.168	-
Overall trend in NDO budget, 1983-85	-	-.009
Prior NDO experience in neighborhood fundraising:		
any experience	.09	-
percent of budget raised	-	.009
amount of fund raised	-	.026
NDD Project Characteristics:		
Primary type of activity	3.53*	-
Type of product	4.79**	-
NDO prior experience with type of project	2.93*	-
Staff experience with type of project:		
executive director	.537	-
project director	.79	-
Project budget	-	-.540**
Project fundraising began		
before NDD start date	1.11	-
Percent of project budget raised prior to start date	-	-.008
Project activities began before NDD start date	.55	-

Continued on Following Page

TABLE 4.13 Continued
FACTORS AFFECTING NDO SUCCESS IN RAISING
THE TOTAL PROJECT BUDGET

Independent Variables	Dependent Variables	
	Whether Total Budget Raised	Percent Total Budget Raised
NDD Fundraising Goals		
NDD local fundraising goal	-	-.389**
Comparison of fundraising goal with prior neighborhood fundraising experience:		
absolute difference	-	-.062
percent difference	-	-.343**
Experience cost overrun	2.84*	-

Note: The data presented in the column for "Whether Total Budget Raised" are Chi-square statistics, while the statistics presented in the "Percent Total Budget Raised" column is the Pearson correlation coefficient.

*Indicates that the relationship is statistically significant at the .01 level of probability.

** Indicates that the relationship is significant at the .05 probability level. Pearson correlation coefficients were run only for variables measured on an interval scale.

TABLE 4.14
SUCCESS IN RAISING TOTAL PROJECT
FUNDS, BY PREVIOUS EXPERIENCE WITH PROJECT TYPE

Success In Raising Total Project Funds	Previous Experience With Project Type	
	Not a New Project Type	New Project Type
Unsuccessful	3 (18.8%)	10 (45.5%)
Successful	13 (81.3%)	12 (54.5%)
Total	16 (100.0%)	22 (100.0%)

Note: Chi-Square test significance level = .087
n = 38

TABLE 4.15
SUCCESS IN RAISING TOTAL PROJECT
FUNDS, BY TYPE OF PROJECT PRODUCT

Success In Raising Total Project Funds	Type Of Project Activity	
	Development	Non-develop't/mixed
Unsuccessful	11 (47.8%)	2 (13.3%)
Successful	12 (52.2%)	13 (86.7%)
Total	23 (100.0%)	15 (100.0%)

Note: Chi-Square test significance level = .028
n = 38

TABLE 4.16
SUCCESS IN RAISING TOTAL PROJECT
FUNDS, BY TYPE OF PROJECT ACTIVITY

Success In Raising Total Project Funds	Type Of Project Activity	
	Housing & Econ. Dev't	Services & Neigh. Impvt.
Unsuccessful	12 (42.9%)	1 (10.0%)
Successful	16 (57.1%)	9 (90.0%)
Total	28 (100.0%)	10 (100.0%)

Note: Chi-Square test significance level = .06
n = 38

TABLE 4.17
SUCCESS IN RAISING TOTAL PROJECT
FUNDS, BY OCCURRENCE OF COST OVERRUNS

Success in Raising Total Project Funds	Occurrence of Cost Overrun	
	No	Yes
Unsuccessful	7 (25.9%)	6 (54.5%)
Successful	20 (74.1%)	5 (45.5%)
Total	27 (100.0%)	11 (100.0%)

Note: Chi-Square test significance level = .09
n = 38

TABLE 4.18
FACTORS AFFECTING NDO
SUCCESS IN COST CONTAINMENT

Independent Variables	Dependent Variables	
	Experience Cost Overruns	Percent Over Budget
Neighborhood Characteristics		
Population size	-	-
Percent minority residents	-	-
Economic distress	-	-
NDO Characteristics		
Primary focus	3.71	-
Years in existence	-	.092
Total budget, 1983	-	.363**
Total staff, 1983	-	-.152
Previous NDO experience in:		
conceptualizing project	.06	-
assessing market potential/need	6.26**	-
assessing financial feasibility	.02	-
assembling financial package	.04	-
project management	4.61**	-
Overall trend in NDO budget, 1983-85	-	-.120
Prior NDO experience in neighborhood fundraising:		
any experience	.83	-
percent of budget raised	-	-.202
amount of fund raised	-	-.132
NDD Project Characteristics		
Primary type of activity	.007	-
Type of product	2.93*	-
NDO prior experience with type of project	3.63*	-
Staff experience with type of project:		
executive director	7.69**	-
project director	4.94*	-
Project budget	-	.571**
Project fundraising began before NDD start date	1.39	-
Percent of project budget raised prior to start date	-	-.148
Project activities began before NDD start date	.26	-

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**TABLE 4.18 Continued
FACTORS AFFECTING NDO
SUCCESS IN COST CONTAINMENT**

Independent Variables	Dependent Variables	
	Experience Cost Overruns	Percent Over Budget
NDD Fundraising Goals		
NDD local fundraising goal	-	.182
Comparison of fundraising goal with prior neighborhood fundraising experience		
absolute difference	-	.153
percent difference	-	.464**

Note: The data presented in the column for "Experience Cost Overruns" are Chi-square statistics, while the statistics presented in the "Percent Over Budget" column is the Pearson correlation coefficient.

*Indicates that the relationship is statistically significant at the .01 level of probability.

**Indicates that the relationship is significant at the .05 probability level. Pearson correlation coefficients were run only for variables measured on an interval scale.

**TABLE 4.19
NDO PROJECT COST OVERRUNS, BY NDO
PREVIOUS EXPERIENCE WITH PROJECT TYPE**

NDO Project Cost Overruns	NDO Previous Experience With Project Type	
	Not a New Project Type	New Project Type
No	14 (87.5%)	13 (59.1%)
Yes	2 (12.5%)	9 (40.9%)
Total	16 (100.0%)	22 (100.0%)

Note: Chi-Square test significance level = .057
n = 38

TABLE 4.20
NDO PROJECT COST OVERRUNS,
BY LEVEL OF EXECUTIVE DIRECTOR
EXPERIENCE WITH TYPE OF PROJECT FUNDED BY NDD

NDO Project Cost Overrun	Executive Director Previous Experience with Type of Project Funded by NDD		
	None	Some	Substantial
No	2 (28.6%)	6 (75.0%)	19 (82.6%)
Yes	5 (71.4%)	2 (25.0%)	4 (17.4%)
Total	7 (100.0%)	8 (100.0%)	23 (100.0%)

Note: Chi-Square test significance level = .012
n = 38

TABLE 4.21
NDO PROJECT COST OVERRUNS,
BY LEVEL OF PROJECT DIRECTOR
EXPERIENCE WITH TYPE OF PROJECT FUNDED BY NDD

NDO Project Cost Overruns	Project Director Previous Experience with Type of Project Funded by NDD		
	None	Some	Substantial
No	2 (33.3%)	10 (76.9%)	15 (8.9%)
Yes	4 (66.7%)	3 (23.1%)	4 (21.1%)
Total	6 (100.0%)	13 (100.0%)	19 (100.0%)

Note: Chi-Square test significance level = .084
n = 38

TABLE 4.22
NDO PROJECT COST OVERRUNS, BY NDO
PREVIOUS EXPERIENCE IN PROJECT MANAGEMENT

NDO Project Cost Overruns	NDO Previous Experience in Project Management	
	None	Some/Substantial
No	1 (25.0%)	26 (76.5%)
Yes	3 (75.0%)	8 (23.5%)
Total	4 (100.0%)	34 (100.0%)

Note: Chi-Square test significance level = .032
n = 38

TABLE 4.23
NDO PROJECT COST OVERRUNS, BY NDO
PREVIOUS EXPERIENCE WITH DEVELOPMENT PROJECTS

NDO Project Cost Overruns	Type of Project Product	
	Development	Non-develop't/Mixed
No	14 (60.9%)	13 (86.7%)
Yes	9 (39.1%)	2 (13.3%)
Total	23 (100.0%)	15 (100.0%)

Note: Chi-Square test significance level = .086
n = 38

TABLE 4.24
FACTORS AFFECTING NDO SUCCESS IN
COMPLETION OF PROJECT TASKS ON SCHEDULE

Independent Variables	Independent Variables	
	All Project Tasks Completed on Schedule	Percent Project Tasks Completed on Schedule
Neighborhood Characteristics		
Population size	-	-.150
Percent minority residents	-	-.217
Economic distress	-	-.047
NDO Characteristics		
Primary focus	.23	-
Years in existence	-	-.142
Total budget, 1983	-	-.195
Total staff, 1983	-	.187
Previous NDO experience in:		
conceptualizing project	.00	-
assessing market potential/need	1.32	-
assessing financial feasibility	.17	-
assembling financial package	.43	-
project management	.00	-
Overall trend in NDO budget, 1983-85	-	.075
Prior NDO experience in neighborhood fundraising:		
any experience	4.15**	-
percent of budget raised	-	.365**
amount of fund raised	-	.036
NDD Project Characteristics		
Primary type of activity	4.88**	-
Type of product	8.92**	-
NDO prior experience with type of project	1.72	-
Staff experience with type of project:		
executive director	.186	-
project director	3.23	-
Project budget	-	-.444**
Project fundraising		
began before NDD start date	.43	-
Percent of project		
budget raised prior to start date	-	.154
Project activities began before NDD start date	.14	-

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TABLE 4.24 Continued
FACTORS AFFECTING NDO SUCCESS IN
COMPLETION OF PROJECT TASKS ON SCHEDULE

Independent Variables	Dependent Variables	
	All Project Tasks Completed on Schedule	Percent Project Tasks Completed on Schedule
NDD Fundraising Goals		
NDD local fundraising goal	-	-.012
Comparison of fundraising goal with prior neighborhood fundraising experience:		
absolute difference	-	-.029
percent difference	-	-.282*
Project budget complete	5.72**	-

Note: The data presented in the column for "All Project Tasks Completed on Schedule" are Chi-square statistics, while statistics presented in the "Percent of Project Tasks Completed on Schedule" column is the Pearson correlation coefficient.

*Indicates that the relationship is statistically significant at the .01 level of probability.

**Indicates that the relationship is significant at the .05 probability level. Pearson correlation coefficients were run only for variables measured on an interval scale.

TABLE 4.25
NDO COMPLETION OF PLANNED ACTIVITIES
ACCORDING TO SCHEDULE, BY TYPE OF PROJECT PRODUCT

NDO Completion Of Planned Activities According To Schedule	Type Of Project Product	
	Development	Non-develop't
No	16 (69.6%)	3 (20.0%)
Yes	7 (30.4%)	12 (80.0%)
Total	28 (100.0%)	10 (100.0%)

Note: Chi-Square test significance level = .003
n = 38

TABLE 4.26
NDO COMPLETION OF PLANNED ACTIVITIES
ACCORDING TO SCHEDULE, BY TYPE OF PROJECT ACTIVITY

NDO Completion of Planned Activities According to Schedule	Type of Project Activity	
	Housing/ Econ. Dev't	Services/ Neigh. Impvt
No	17 (60.7%)	2 (20.0%)
Yes	11 (39.3%)	8 (80.0%)
Total	28 (100.0%)	10(100.0%)

Note: Chi-Square test significance level = .027
n = 38

TABLE 4.27
NDO COMPLETION OF PLANNED ACTIVITIES
ACCORDING TO SCHEDULE, BY NDO PREVIOUS
EXPERIENCE WITH NEIGHBORHOOD-BASED FUNDRAISING

NDO Completion of Planned Activities According to Schedule	NDO Previous Experience with Neighborhood-based Fundraising	
	None	Some
No	9 (69.2%)	7 (33.3%)
Yes	4 (30.8%)	14 (66.7%)
Total	13 (100.0%)	21 (100.0%)

Missing Data: 4

**Note: Chi-Square test significance level = .04
n = 34**

TABLE 4.28
NDO COMPLETION OF PLANNED
ACTIVITIES ACCORDING TO SCHEDULE,
BY SUCCESS IN RAISING NDD PROJECT BUDGET

NDO Completion of Planned Activities According to Schedule	Success in Raising NDD Project Budget	
	No	Yes
No	10 (76.9%)	9 (36.0%)
Yes	3 (23.1%)	16 (64.0%)
Total	13 (100.0%)	25 (100.0%)

Note: Chi-Square test significance level = .016
n = 38

5. PROGRESS TOWARD SELF-SUFFICIENCY

INTRODUCTION

In this chapter of the NDD evaluation, the analysis will focus on the degree to which the program has assisted in moving the participating neighborhood development organizations (NDOs) toward a greater degree of "self-sufficiency." This is one of the principal research questions identified by the contractor in designing this evaluation. It is closely related to a number of the six research questions (and subquestions) posed in the evaluation RFP released by HUD in August 1985, to wit:

- To what degree can new voluntary funding be generated at the neighborhood level in response to an incentive grant?

What are the major sources (individuals, businesses, foundations), and will they be continuing sources of funding or are they just for the Demonstration?

- What are the impacts of the Demonstration on the participating NDOs and their neighborhoods?

Did the Demonstration enable the NDO to expand its horizons in terms of scope of project types or size of projects?

Did the NDO use the Demonstration to develop income-producing activities?

Was there a significant change in the participation of governing board members because of the Demonstration activities?

Was there any move to change the neighborhood boundaries as a result of the Demonstration?

- What was the effect of the Demonstration grant on partnership building?

How did the Demonstration alter the NDO's long-term relations with local private funding sources and local governments?

Do there appear to be new relationships?

What roles, financial and participatory, were assumed by local governments and private organizations in the Demonstration?

Do these (roles) appear to be sustainable?

- What is the long-term impact of the Demonstration?

Has the Demonstration increased private-sector support for neighborhood development?

What is the likely ability of the NDOs to sustain or increase their development activities in the future?

In what ways has the Demonstration contributed to their long-term self-sufficiency and acceptance by other local organizations, local governments and extra-local groups?

Are local resources sufficient as a long-term resource base?

In the process of designing this evaluation, these questions were subsumed within the more succinct formulation:

- Did the process through which NDOs pursued local matching funds materially assist them in moving toward self-sufficiency by increasing staff fundraising skills, enhancing relationships with new funding sources, or building local support bases?

Regardless of the exact formulation of the questions, the essence of the inquiry is progress toward self-sufficiency for the NDOs. In order to draw any valid conclusions on the program's impact on self-sufficiency, however, the term itself must be clearly defined and consistently applied to the data and findings developed during the evaluation.

Unfortunately, neither Section 123 of the Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181), which authorized the NDD program, nor the Notice of Funding Availability of August 23, 1984, which invited applications from NDOs for the

matching grant program, contains a specific definition of self-sufficiency. In fact, the term is never used in the Act. It is clear from language used in both, however, that securing new and increased "private sector support" for ongoing NDO activities is a primary objective of the NDD program. What is equally clear, however, is that achievement of literal self-sufficiency, i.e., the ability to function without any external support whatsoever (other than that derived from the neighborhood itself), was not contemplated by the program's authors. Nor is it a realistic objective for NDOs to achieve solely through participation in the NDD program.

Further support for a less than literal interpretation of self-sufficiency is found in HUD's solicitation of proposals from contractors interested in conducting this evaluation. The statement of work emphasized that "The decline in direct Federal assistance for community development programs in the face of large budget deficits is likely to continue. It is imperative, therefore, that NDOs increase their efforts to broaden support within their neighborhoods...." This suggests that any steps that NDOs take to decrease their dependence specifically upon Federal funding sources (including shifting their demands to local government sources) are to be viewed as enhancing their prospects for future self-sufficiency. Given this somewhat pragmatic perspective, the NDD program was described as "another step in the evolution of NDOs toward local self-sufficiency."

The solicitation went on to cite the legislative intent in creating the NDD program "to encourage the evolution of neighborhood development organizations toward long-term self-sufficiency and to achieve tangible improvements in neighborhoods through public-private partnerships." Moreover, the list of questions to be investigated during the evaluation included the assessment of how the long-term impacts of the NDD program might enhance the participating NDOs' prospects for achieving self-sufficiency by increasing private sector (including local individuals, businesses and institutions) and local government support.

Thus, for the purpose of this evaluation, a strict literal interpretation of self-sufficiency, as requiring NDOs to become fiscally independent entities with no ongoing need for external support, is not appropriate. Rather, it appears that a more modest objective, such as "progress toward self-sufficiency," as demonstrated through increasing local private-sector support for the NDOs' new and/or ongoing activities, is both realistic and within the stated objectives of the Act. In this report, therefore, references to NDOs attaining "self-sufficiency" will be intended only in the most general sense, as a long-term, and perhaps unattainable, goal.

Likewise, the use of the term "partnership" as in "what was the effect of the Demonstration grant on partnership building" (one of the research questions posed in the RFP) can not be taken too

literally. Although in the recent past, formal partnership agreements with private-sector entities had been entered into by a majority of the participating NDOs (e.g., limited partnerships formed for equity syndication of lower income housing projects) it was the exception rather than the rule among the NDD-funded projects, and there is little evidence that the Demonstration had any particular impact in this regard. However, "partnership" can be defined more broadly as any cooperative or supportive relationship between the NDO and private sector and/or local government entities structured around issues or projects of mutual interest. To the extent that these new partnerships were manifest during the Demonstration by direct financial support from the private sector, they are analyzed in Chapter Three. This chapter will focus more on the impact that the Demonstration may have had on the NDOs' relationships with local government and the likelihood of future cooperation and support from this sector.

In summary then, the clearly defined objective of "increasing local private-sector support" will be used to measure the Demonstration's impact on the NDOs' self-sufficiency. Furthermore, as an indicator of the program's impact on partnership building, the extent to which local government support is projected to continue and/or increase in the future will also be analyzed.

These two measures are relatively easy to quantify with data available from official sources integral to the NDD program. In addition, however, there are less easily quantified, and to some extent more subjective, measures of internal changes within a given NDO that may directly or indirectly contribute to increased self-sufficiency in the long run. These changes could include enhancing the capabilities of board or staff, or involving them to a greater extent in various aspects of the NDO's fundraising operation. Such changes have the potential to increase an NDO's ability to raise revenue and to undertake new and/or larger projects with income-generating potential. Unfortunately, quantifying such changes is a less than exact science and relies heavily on the perceptions and self-perceptions of principal actors who work for or interact with the NDOs. Nevertheless, to the extent that patterns can be identified in these perceptions, they will provide at least indirect indicators of whether or not NDOs have adapted their modus operandi in ways that will enhance their prospects for self-sufficiency in the future.

NEW AND ENHANCED SOURCES OF PRIVATE SECTOR CONTRIBUTIONS

One of the principal objectives of the Demonstration was to encourage the participant NDOs to identify and gain access to new sources of private-sector support. In this context, "private sector" can include both profit and nonprofit entities and even religious institutions whose mission embraces neighborhood development social service delivery, etc. It is clear from the discussion in Chapter Three regarding fundraising that NDOs were successful in identifying and soliciting funds from this sector during the program 12-month fundraising cycle. It is also clear that a substantial portion of this support was derived from new contributors. NDO directors noted that, in the aggregate, donations totalling \$411,742 (some 45.0 percent of the local funds raised during the Demonstration) were given by new contributors. Furthermore, among this substantial influx of new contributions, the majority (51.7 percent) was contributed by local businesses. Private-sector businesses constituted by far the largest single source of new contributions (as indeed they did of all contributions). (See Table 3.9.)

From the NDOs' point of view then, private-sector business contributions are an extremely important part of their local fundraising strategies. Sixteen NDO directors (43.2 percent of those responding) identified soliciting local businesses as the single most important fundraising approach they used during the Demonstration. (See Table 3.10.) As will be detailed later in this chapter, three out of four NDOs intend to make this a permanent part of their annual fundraising campaigns, based upon its success during the Demonstration.

Whether the short-term fundraising successes achieved during the Demonstration will ultimately be transformed into an ongoing support network of private sector contributors, only the passage of time will tell. Some of the data gathered from the NDOs themselves and their contributors, however, suggest that, in some cases at least, the groundwork has been laid.

A word of caution must be inserted here, before placing too much emphasis on data derived from the interviews conducted with the NDOs' contributors. As is explained in more detail in the methodology section of this report (Appendix), these contributor respondents may or may not be statistically representative of the entire universe of NDD contributors. Although care was taken to schedule interviews with contributors to as many of the NDOs as possible during the evaluation, the identity of all contributors was often not known, even to the NDOs themselves. Furthermore, in order to identify, locate, and interview the largest contributors in

each locale, the evaluators often required the cooperation and/or assistance of the NDO, thereby making it impossible to select a rigorously constructed random sample representative of all NDO contributors.

All that having been said, however, the 88 contributors interviewed do represent a substantial portion of the total funds raised by the participating NDOs. Some \$360,300, or 39.3 percent of the total for the Demonstration, was contributed by those interviewed. Furthermore, within this sample, the proportion of the funds given by new contributors (as opposed to previous givers) was 43.0 percent compared to 45.0 percent for the entire universe of NDD contributors as noted above. Likewise, the division of contributions according to source (individuals, businesses and institutions) although skewed somewhat toward businesses, is not otherwise dissimilar to that reported by the NDOs for all contributions. Therefore, the interview data, while not based on a rigorous scientifically selected sample, may be useful in providing some insights from the contributors' perspective on local fundraising which would otherwise be lacking in this evaluation.

New Contributors as Potential Future Contributors

Although less than two-thirds (64.4 percent) of all the contributors interviewed had given to the NDO before the Demonstration, an extraordinarily high 87.5 percent (77 of the 88 responding to this question) volunteered that they would contribute to the same NDO in the future, if asked. (See Table 5.1.) An additional 9.1 percent (8 more contributors) said that they might contribute again, depending upon such circumstances as the specific project for which funds were being raised by the NDO, their own financial situation at the time of the request, the competing requests for their limited funds, etc. Perhaps equally important, the majority (57.8 percent) of those expressing a willingness to contribute again said they would do so on at least an annual basis. This compares to the 35.2 percent of previous contributors who said they had been annual givers to the NDO. Clearly, some loyalty has been engendered in these contributors to their beneficiary NDOs. The degree of loyalty among contributors, however, may not be uniform. (See Table 5.2.)

When broken down by type of contributor, the respondents who were either local residents, merchants, or NDO board members were unanimous in their commitment to give to the NDO in the future. Those entities that might be described as other than "grassroots" supporters (banking, business and institutional representatives) were predictably less than absolutely loyal to the NDOs; i.e., some 86.7 percent of the nonprofits, 80.0 percent of the nonretail businesses and 70.6 percent of the bankers said that they would contribute again. The small cell sizes in the table, however,

make this conclusion and some of those to follow somewhat tentative. Nevertheless, the findings suggest trends that might be very important for NDOs and should be viewed as a strong hypothesis regarding the future potential for neighborhood-based fundraising.

Since there was a significant correlation between those non-grassroots contributors and the larger contributions to the NDOs, it should not be surprising that different degrees of commitment regarding future contributions were also found among the contributors on the basis of the amount contributed. (See Table 5.3.) Although the trend was far from uniform, in general, the larger the contribution to the NDO, the less certain was the prospect for future contributions. For example, among those who gave up to \$250 to the NDO, there was a unanimous expectation that they would contribute again in the future. By contrast, among those who gave \$10,000 or more, only 66.7 percent expressed the same commitment. Since an inordinate number of the first-time contributors were among the largest contributors (new contributors, on average, gave \$1,500 more than previous contributors), an NDO's ability to attract and keep such contributors has obvious fundraising advantages.

In looking to future self-sufficiency, therefore, many NDOs may have secured a loyal group of new contributors, especially among their grassroots supporters, but they have been somewhat less successful with some of their larger contributors, the more established institutional and corporate contributors. To say that they are not "loyal" to the NDOs, however, may not be quite fair to this latter group. In explaining their reluctance to make an open-ended commitment to support a given NDO in the future, most cited the competing demands for their support or other institutional constraints within which they had to make such decisions.

The Loyalty of Previous Contributors

Securing large contributions from first-time contributors to the NDO is one very obvious means of demonstrating fundraising success in the context of the NDD program. However, in terms of securing an ongoing fundraising base for the NDO, it may be equally important to cultivate the loyalty of previous givers, who, on average, gave \$3,768 to NDOs during the Demonstration. Impressive as the figures cited above are as indicators of future contributor loyalty, the figures for previous givers are even higher. (See Table 5.4.) Fully 96.4 percent of those who had contributed to a given NDO in the past, as well as during the Demonstration, said they would contribute again in the future. Given that this group of respondents has already demonstrated their ongoing support for the NDOs, this virtually unanimous response has to be given a great deal of credence.

Further indication of the potential value of these long-term supporters is the fact that their contribution during the Demonstration substantially exceeded the amount of their previous contributions (see Table 5.5), and this seemed to be true almost without regard to their previous contribution amount. Similarly (and even more propitiously for future fundraising purposes), all but one of these same contributors indicated that they will contribute as much, and more, to the NDO in the future as they had given prior to the Demonstration. (See Table 5.6.) Again, this was true across the range of contribution amounts.

The significance of these responses from previous givers is further enhanced by comparison with the responses garnered from the entire group of respondents who indicated willingness to contribute in the future. As shown above, not only is the larger group somewhat less loyal, but again, their loyalty tends to fall off as the amount they contributed during the Demonstration increases. (See Table 5.7.) In contrast, the anticipated contributions from those who had given to the NDO prior to the Demonstration do not fall off at the upper end of the contribution range. Thus, these loyal long-term supporters of the NDOs seem to defy the otherwise consistent tendency for the largest contributors to be less reliable and/or generous as future contributors to the NDOs. This is further supported by a comparison of amounts to be given in the future; i.e., because previous givers expect to give at a higher level after the Demonstration than before, they will be larger benefactors to the NDOs in the future than the new contributors who first gave during the Demonstration. Thus, the loyalty and generosity of previous givers may ultimately prove more valuable than the larger but less reliable new contributions solicited during the Demonstration.

The Importance of the Matching Grant

One possible explanation for this phenomenon is that the matching grant exerted a somewhat different appeal for previous contributors than it did for new contributors to the NDOs. The availability of the matching grant was usually not the primary motivating factor for previous givers in deciding to give to the NDO during the Demonstration. Nevertheless, as a group, the previous contributors who were influenced by the availability of the NDD matching grant gave substantially more (\$5,429 on the average) than previous givers not motivated by the availability of the matching grant (\$2,889 on average). (See Table 5.8.) Moreover, on an individual basis, they were found to have increased their gift amounts compared to prior years (and at a greater rate than other previous givers). Furthermore, in stating their future gift amounts, they seem to have increased their level of contribution on a more or less permanent basis.

First-time contributors, on the other hand, may have been less influenced by the availability of the match. Although they cited availability of matching funds no less frequently than did previous givers as the primary motivating factor in deciding to give to the NDO, it seems to have had no discernible impact on the amount of their contributions compared to other new contributors who were not motivated by the availability of the match. At the same time, these new contributors (although they gave more on average than the previous givers) were obviously not confirmed supporters of their NDOs prior to the Demonstration and HUD's matching funds, hence the fall-off noted above in projecting their contribution amounts in the future.

All of the above notwithstanding, however, a large majority (68.2 percent) of both previous givers and first-time contributors acknowledged, when prompted, that the matching grant influenced their decision to contribute during the Demonstration when NDOs could take advantage of the matching grant, even though this may not have been their primary reason for giving.

But, as indicated earlier, the real long-term significance of the matching grant's influence on contributors may reside in encouraging certain types of contributor—especially if they are previous financial supporters of the NDO—to give larger amounts. Loyalty to the NDO may motivate previous givers to contribute again in any case, but the added incentive of a matching grant may make the difference between a gift of the same size as previously given and one of substantially higher value.

While the above discussion has focused on the impact of the matching grant on contributors, another important role of the matching grant in this Demonstration may be in providing the extra incentive, not so much for contributors (although it does that too), but for the NDOs themselves to take the risk and invest the time and effort of their staff and board members in a new, untried approach to fundraising. As discussed in Chapter Three, many of the NDO directors interviewed considered the matching grant structure absolutely crucial to the success of their local fundraising efforts. But its actual impact on their contributors (at least those interviewed for this evaluation) is a much more subtle phenomenon that may not have been well understood by many of the participating NDOs. Fortunately, however, in terms of the NDOs' long-range fundraising and progress toward self-sufficiency, the need for an ongoing source of matching grants to provide an additional monetary incentive to their potential supporters may not be as critical as the NDOs seem to think. It is true that the availability of the matching grant during this Demonstration was a prime factor in motivating a dramatic increase in private-sector contributions. However, the absence of the matching grant in the future will not completely erase the substantial increases in gift amounts made by previous givers during the Demonstration.

Many of them seem to have settled in at a new, higher level of contribution, initially motivated by the match. In addition, some of the contributors who gave for the first time during the Demonstration will be subject to the same psychological pressure to continue giving, although not necessarily the same amount as they gave during the Demonstration. Thus, if in future fundraising campaigns the NDOs consolidate some of the gains made during the Demonstration, some more or less permanent benefits may be realized from the matching grant long after its actual availability. (See Chapter Three for further discussion of the role of the matching grant.)

New Fundraising Methods to be Used in Future

One of the most dramatic intended impacts of participation in the Demonstration was the shift of many NDOs' fundraising approaches into areas previously untried by them. This aspect of the Demonstration has been discussed in terms of its short-range impact on NDO fundraising in Chapter Three. In terms of its longer range impact on the NDOs' potential self-sufficiency, it is necessary to look beyond the 12-month NDD fundraising cycle and evaluate the degree to which these new fundraising methods will become part of the NDOs' permanent fundraising arsenal.

As was noted in Chapter Three, soliciting contributions directly from local businesses was by far the most popular method of fundraising among the NDOs. (See Table 5.9.) It was also the method most frequently tried for the first time. Fully 21 of the 32 NDOs pursuing this method were doing so for the first time. Given the success that the NDOs enjoyed with it, perhaps it should not be surprising that this is also the method most frequently cited as likely to become a permanent part of the NDOs' future fundraising efforts. Some 87.5 percent of the groups (28 out of 32), including virtually all of those using this method for the first time during the Demonstration, intend to use it on a permanent basis.

This approach is a natural for many of the NDOs, particularly those whose "turf" includes a healthy commercial strip. Not only are these local merchants, in effect, a captive audience for the NDOs' appeals, but they share with them many of the same neighborhood improvement goals. Furthermore, direct solicitation of small businesses generally does not involve any formal written proposals, lengthy meetings or elaborate preparation and can be done by staff, board members, or volunteers, thereby diffusing the workload to some extent. Finally, if established on an annual basis, each subsequent solicitation should require less effort and persuasion, in effect increasing the long-term cost effectiveness of this approach for the NDOs. Solicitation of contributions from larger businesses is usually a more formal process, similar to that

described below regarding institutions and, likewise, usually results in larger donations compared to the door-to-door small business approach.

Although not as frequent a fundraising method during the Demonstration, the most popular method (in terms of the NDOs' stated preference for making the various methods permanent) was solicitation of contributions directly from institutions. During the Demonstration, 10 of the 17 NDOs using this method were doing so for the first time. Afterwards, 16 of these 17 (94.1 percent) said they intended to continue doing so.

Soliciting funds from local institutions has some of the same advantages cited above in regard to local small business solicitation. However, it generally requires a more formal presentation (perhaps including a written proposal) and may or may not involve a secondary review before a positive response can be obtained. Carrying out this kind of solicitation, therefore, may require the personal attention of the NDOs' director or one or more board members or officers. (See Chapter Three for further discussion of the importance of personal contact by NDO principals in soliciting grants.) The reward for all this, however, is usually a larger contribution per contributor than less formal approaches can achieve. One of the chief advantages of this approach is, of course, the frequent commonality of interest among nonprofit institutions and nonprofit NDOs in the same locality. Furthermore, the stability (both financial and geographic) of these local institutions often makes them prime candidates for ongoing supportive relationships with local NDOs.

Soliciting contributions from individuals may be the classic mode of neighborhood-level fundraising. Although notoriously low in cost effectiveness, its appeal is still sufficiently broad that 21 of the 38 NDOs used it—second only to soliciting business contributions. At least two of the 12 NDOs trying this approach for the first time, however, found it somewhat burdensome and too time-consuming and, as a result, will not use it as a permanent fundraising method. Overall, 17 (73.9 percent) of those using this method during the Demonstration plan to keep using it. Despite its relatively low yield per contribution compared to soliciting institutions or large businesses, appeals to individuals are considered to have some legitimate constituency-building effects that go beyond the financial exigencies of meeting a fundraising target. In the long run, however, it will be necessary for NDOs that continue to pursue this approach to become more efficient in order to increase the method's cost-effectiveness. Computerizing mass mailings, for instance, rather than using hours and days of clerical office staff time, is virtually mandatory in order to make a long-term success of individual fundraising.

Mounting special events, another standard fundraising approach used by 20 of the NDOs, is (along with individual fund-raising) extraordinarily difficult and time consuming, especially at first. For the 10 NDOs trying to make money on such an event for the first time, the inevitable logistical problems, combined with the uncertainty of success and the massive amounts of staff time invested in what is often a one-shot gamble on a big turnout and good weather, can be quite a challenge. As a result, two of these neophyte impresarios declined to commit to pursuing this approach in the future. Of all those who tried special events, however, including the previously uninitiated, 80.0 percent still felt it sufficiently worthwhile to adopt on a permanent basis.

Although relatively few of the NDOs tried to raise any part of their local match requirements by providing services for a fee, enhancing the NDOs' ability to generate earned income is a critical aspect of progress toward self-sufficiency. The seven groups that tried this approach included four newcomers to this activity. Typically this strategy involves the packaging of skills and/or information that already resides within the NDO's staff into services or products that local homeowners and/or tenants might value. Groups offered seminars on financial management, home maintenance, weatherization, etc. Oddly, only four of the seven using this approach during the Demonstration chose to continue with it in the future, and all four of these were the newcomers to fee-for-service provision. Given the very modest amounts of revenue generated by this somewhat staff-intensive approach, it may be that these NDOs simply viewed this as the equivalent of a start-up year for a new small business and are willing to persevere for some reasonable period of time (but obviously more than a year or two) to give the fee-for-service approach an opportunity to prove itself on economic grounds. In addition, there is a certain imputed public service in some of these service activities, and the local image of the NDO as provider of these services is undoubtedly enhanced.

Finally, a miscellaneous category of "other" approaches was created, for lack of a single descriptive variable that could capture the varied, and almost unique, local initiatives that 10 of these NDOs used during the Demonstration—five of them for the first time. From bargain property sales to direct board member contributions to excess income generated by the NDO itself (usually through previously completed projects), this approach was sufficiently successful that seven out of the 10 plan to make it a permanent fundraising strategy. Of the five trying one of these varied methods for the first time, only three planned to try to replicate it on a continuing basis. The almost unique opportunities that some of the examples represent for the typical NDO—for instance, bargain sales of valuable local real estate do not present themselves with any great frequency—may make their replication difficult, despite the optimistic projections of their future fundraising possibilities by the NDOs.

NEW AND ENHANCED SOURCES OF PROGRAM/PROJECT REVENUE

Responses to questions about the problems facing the NDOs (to be discussed in more detail below) indicate that the current fundraising climate is of paramount concern to the NDOs. Consequently, a transition from local and Federal grants to other sources of earned income and/or progress toward some semblance of self-sufficiency (one of the Demonstration's primary goals) is a crucial issue for NDOs.

Executive directors and board members from the same NDO may not always be in agreement. However, taken as a whole their responses evince a remarkable degree of unanimity on this complex question. Although interviewed separately, the distribution of responses from the 38 NDO executive directors and 98 board members was nearly identical. While it may not always be directly reflected in their current budgets, a clear majority of both the directors and the board members characterized the task of fundraising for their annual operating budgets as getting more difficult. (See Table 5.10.) Clearly, a widely shared perception among both staff and board members of these NDOs is that meeting their fundraising needs is, and will continue to be, a major problem.

Increases in Income-Earning Projects and Partnerships

In response, an increasing number of NDOs are looking toward project and/or program-generated revenue to pick up a part of this burden. Approximately 72.2 percent of the projects funded in whole or in part by the Demonstration are expected to be self-sustaining once completed, but this does not generally translate into greater self-sufficiency for the NDO itself. Only nine (25.0 percent) of the projects are expected to generate any substantial revenues for the NDO. (See Table 5.11 A and B.) This is consistent with the present state of affairs; only 22 of the NDOs could cite any development-generated revenue from their past projects. In 40.9 percent of the cases, these revenues represent a share of developer's fees or syndication proceeds from housing projects. (See Table 5.12.) Another 22.7 percent earn fees by managing housing projects, often sponsored or developed by the NDO itself. About 18.2 percent provide weatherization improvements on a fee-for-service basis. Commercial leases, again usually in projects previously developed by the NDO, provide some income to 9.1 percent of the NDOs reporting income-generating projects, and 27.3 percent cited a variety of "other business" ventures. As noted earlier, the NDOs indicate that most of these sources of revenue are increasing. While this is encouraging, only a small number of the 38 NDOs will benefit substantially from this type of income.

Nevertheless, there is reason for optimism based upon the participating NDOs' recent track records. Just over 92.1 percent (35 out of 38) of the participating NDOs have initiated new development projects (other than those funded by the NDD program) in the last five years. Of these, 68.6 percent are in housing and another 11.4 percent are mixed-use projects, which usually contain housing along with an ancillary commercial space. Of those reporting specific funding sources for these projects, the majority (16 out of 30, or 53.3 percent) cited projects funded in whole or in part by local government loans and/or grants. (See Table 5.13.) Another 13 (43.3 percent) were funded in whole or in part out of local CDBG budgets. State loans and/or grants were used for nine projects (30.0 percent), and Federal funds (such as HUD Section 8 and Self-Help grants) were utilized in another 11 (36.7 percent) of the development projects cited.

In another indication of movement toward self-sufficiency, just over one-half (55.2 percent) of the participant NDOs said they had entered into formal partnerships with private-sector businesses or developers in the past five years. For the most part, these partnerships were created for a specific housing or commercial real estate development project. The NDOs provide a wide variety of technical talents and services, not to mention site control and/or access to below-market-interest-rate loans or development capital for these undertakings. In addition, their knowledge of local political dynamics, as well as credibility with the range of actors in and out of local government, are often intangible but indispensable aids in facilitating the local development approval process. Although only four (19.0 percent) of these NDOs credited the NDDP with helping them to initiate these partnerships, the NDOs' movement toward self-sufficiency can be viewed as encompassing both the partnership approach and participation in the NDD.

Improved Relationships with Local Governments

Another indicator of potential progress toward self-sufficiency (or at least a greater ability to do without direct Federal support) is the degree to which NDOs have cultivated their relationships with their local governments. By and large, this is an area in which the participating NDOs seem strong, although it must be noted that a threshold requirement for applying to the NDDP was a letter of support from the local chief elected official. Presumably, NDOs that were not on sufficiently good terms with the local government to obtain such a letter never made it into the pool of NDD applicants, let alone the more select group of 38 funded NDD participants under discussion. The participating NDOs' perceptions of their relationship with their local government add another dimension to the analysis of this issue. While 68.4 percent of the directors characterized relations with local officials as good to excellent, 15.8 percent thought them only fair, and another 15.8 percent described them as poor. The latter two rating categories

may belie the sincerity of the letters of approval originally submitted on their behalf by the local executive, but they may also simply reflect the local political context, in which an aggressive NDO is not always looked upon favorably by city hall. Equally important, though, in terms of evaluating the role of the Demonstration, is the fact that some 21.1 percent of the participating NDO directors credited the NDD program with helping to improve their relationships with their local governments. Only one director cited some deterioration in the existing relationship due to friction caused by their having been selected to receive direct Federal funding for their NDDP-funded project without these monies passing through the local government.

Consistent with these generally positive perceptions of local government support, is the tangible assistance that many of the NDOs received from their localities in implementing their NDD-funded projects. Over half (20) of the NDOs reported one form or another of direct local assistance. (See Table 5.14.) The assistance ranged from additional funding (in nine cases) to technical assistance and formal letters of support (each cited by six NDOs) to land write-downs (five NDOs) and other administrative or political support. This is quite consistent with the increasing use of local government grants, loans, and other forms of assistance cited by the NDOs in describing their recent development project funding (see previous section of this chapter).

For their part, the local officials interviewed were highly complimentary to the participating NDOs. Over 90 percent of the local officials credited the NDOs with dealing with the most important problems in their neighborhoods. Further, some 42.9 percent of those responding (15 out of 35) credited the NDD-funded project with helping to improve relations between local government and the NDOs.

Perhaps more important than these general expressions of approbation were the specific indications that tangible local government assistance to these NDOs will be forthcoming in the future. The officials were virtually unanimous (35 out of 36 respondents) in projecting future working relationships between local government and the NDOs. Specifically, these officials cited the prospect of local municipal financial assistance for a variety of NDO needs—overhead and administrative costs on future development projects, direct underwriting of all or part of future NDO housing projects, and, more generally, a favorable reception for future NDO project and program proposals.

From both the NDOs' and the local officials' points of view, the experience of working together on the NDDP-funded projects (30 out of 38 projects involved some form of direct or indirect local government participation) has helped to improve relations. The Demonstration has helped lay the groundwork for continued

cooperative working relationships with local governments and tangible financial and logistical support for the NDOs in carrying out future activities, especially development projects.

INTERNAL NDO CHANGES RELATED TO SELF-SUFFICIENCY

Many of the issues discussed in this chapter on self-sufficiency have clearly quantifiable parameters and are direct indicators of future support for the participating NDOs that may not have been forthcoming in the absence of the NDD program's incentives. In the long run, however, some equally important but somewhat more subtle internal factors may have a major impact on the NDOs' ability to move toward self-sufficiency. Many of the participating NDOs made changes in their internal operations for the express purpose of meeting the NDD local fundraising targets. Whether any of these changes will be made a permanent part of the NDOs' normal operations after the NDD fundraising cycle is long past may ultimately determine whether the changes have lasting validity and value for the NDOs or were adopted only temporarily as the most expedient means of meeting a short-term fundraising objective.

Increased NDO Capacity

Based upon interviews with 38 executive directors (and/or project managers), there is substantial evidence that a number of important changes in NDOs have been induced by their participation in the Demonstration and that these changes will likely become a permanent part of the NDOs' operating structure. Most of the NDO directors (63.2 percent) cited the enhanced staff capacity resulting from having to conceive, design, and implement both the NDD project and fundraising work plans as a direct benefit of the NDO's participation in the Demonstration. (See Table 5.15.) Barring a complete staff turnover, this is a lasting benefit to the NDOs that should enhance virtually all areas of their operations, including their ability to pursue future fundraising initiatives.

Similarly, many directors (47.4 percent) cited an increase in the NDOs' ability to take on a wider array of projects in the future. Presumably, this would enable the NDO to pursue more program/project opportunities with revenue generating potential, and/or address other NDO priorities.

Finally, 21.2 percent of the directors credited the Demonstration with having enabled the NDOs to increase their staff size. While there may not be a direct one-to-one relationship between increased number of staff and NDO future prosperity, larger, more

diversified organizations can generally support themselves and weather temporary financial adversity better than smaller, more narrowly focused NDOs.

Increased Board Involvement

Another important internal change with long-term implications was the level of involvement of board members. A total of 18 directors (47.4 percent of those responding) cited the increased involvement of the NDOs' boards of directors in fundraising as a major benefit of participation in the NDD program.

Given the relatively small staff size of these neighborhood-based organizations and the NDD residency requirement for NDO board members, it should not be surprising that board members were recruited for the NDD-mandated neighborhood fundraising drives. Given these same dynamics, however, it is very likely that this increased level of involvement will become a more or less permanent and significant change in the NDOs' internal structure.

It is nevertheless true that by some measures the increased participation of board members in NDO fundraising did not meet with immediate, unqualified success compared to their more experienced counterparts. Despite the highly positive assessment of board members and executive directors regarding the new activism of board members in fundraising, there was little statistical evidence to confirm the efficacy of their efforts to meet the required NDD match. To a great extent, these disappointing results can be chalked up to the lack of experience in fundraising among these newly active board members. The passage of time and the cultivation of personal contacts (an important factor in fundraising success) may make these board members a valuable addition to the NDOs' local support network.

In addition to these highly positive, long-term changes in many participating NDOs, a more immediate and more tangible impact of the NDD has been to induce more board members to make contributions directly to the NDOs during the NDD fundraising cycle. In addition (although the number of cases is too small to constitute a statistically significant correlation), the availability of the matching grant seems to have influenced board members who had previously given to the NDO to give more. Further, as discussed elsewhere in this chapter, board member contributors tend to be extremely loyal to the NDO and continue to give equal or greater amounts to the NDO each year.

Finally, although it may more appropriately be discussed later in this chapter, note should be taken here of the somewhat subtle impact that success, and even participation, in this Demonstration seems to have on the participating NDOs' self image. There is a certain "Hawthorne effect" that stems from the very fact of having

been selected from a nationwide competitive pool of NDOs to participate in the NDD program; i.e., many of the staff and board members of the NDOs seem keenly aware of their select status and are justifiably proud of it. It may not be a quantifiable impact, but it must surely have some positive effect on their performance, both during and after the Demonstration. In this, as in other contexts, there may be something to the old cliché that "success breeds success."

Changes in NDOs' Organizational Practices

As previously discussed, the participating NDOs were encouraged as part of this Demonstration to adopt new fundraising methods to enable them to meet their local fundraising targets. At the same time, however, they were also encouraged to adapt their organizations' structures as needed to achieve this same end. The extent to which these organizational adaptations will become a permanent part of the NDO's ongoing operating structure is another measure of the impact of the Demonstration on its participants and their future self-sufficiency.

Greater board involvement in fundraising (described in the previous section) was the most frequently cited organizational change slated to be made a permanent part of the NDOs' future structure. Some 86.3 percent, 19 out of the 22 NDOs that cited increased board involvement, said it would become a permanent alteration in those NDOs. (See Table 5.16.) It would be somewhat surprising if this were otherwise, given the nature of most NDOs where board/staff relations are close and involvement by board members is generally fairly high, both in fundraising and other aspects of day-to-day operations.

New fundraising strategies used during the Demonstration were even more likely to become institutionalized within the NDOs. Over 90.0 percent (19 of 21 NDOs adopting new fundraising strategies during the Demonstration) said they would continue to pursue these new strategies after the Demonstration. This indicates a high degree of confidence in these strategies, but it may also reflect a pragmatic judgment on the part of the NDOs that once the start-up effort is expended in initiating a new fund raising strategy (even if not entirely successful in its first year), it may still be cost-effective if it can be gradually cultivated into a reliable new revenue source over the course of several years.

Using influential local contacts (in addition to board and staff members) as part of their fundraising campaign, was cited as a new approach by 10 of the NDOs, seven of which intend to continue the practice. Although long a standard practice for established national nonprofit and/or public interest campaigns, this is a relatively new development for most NDOs. As such, it may

reflect a growing sophistication about the public relations end of the neighborhood movement, which bodes well for future NDO fundraising.

More widespread use of volunteers in fundraising was cited by seven NDOs, each of whom plans to continue to call on this loyal constituency. Involvement of volunteers often has the compound benefit of relieving some of the more tedious aspects of fundraising (mass mailings, staffing booths at special events, coordinating dinner and concert arrangements, etc.), but it also helps to build a small, dependable adjunct group of NDO supporters who can be mobilized for a variety of other purposes, such as legislative hearings, block clean-ups, public assemblies, etc.

The most dramatic exception to the otherwise positive assessment of NDD-induced changes in the NDO modus operandi was the reassignment of NDO program and support staff to fundraising duties. Only one of the 14 NDOs that tried this somewhat obvious strategy indicated that it would become a permanent fixture in the organization. This may be due partly to the nature of the work (alluded to briefly above), partly to staff resistance to being taken away from their primary professional interests, and perhaps more importantly to the cost-ineffectiveness inherent in using trained professional and support staff to do fundraising work for which they might be overqualified.

Budgeting for Increased Local Fundraising in Future

The success of various fundraising approaches used by the participating NDOs during the Demonstration has been previously discussed from both the contributors' and solicitors' points of view. In evaluating their own experience with the fundraising approaches they used, the NDOs' executive directors were asked whether they would use the same techniques in the future. The vast majority (86.8 percent) said yes. This indicates a high degree of confidence in their effectiveness and efficiency.

This confidence is reflected in NDOs' projections of their continued ability to meet at least part of their annual operating budgets through local fundraising initiatives in the future. The inclusion of a sizeable local fundraising component as part of the NDOs' annual financial planning is a significant step toward the institutionalization of neighborhood-based fundraising as a permanent part of the NDOs' operating structure.

One indication of whether progress toward self-sufficiency is being made in this respect is provided by a comparison of the proportion of the NDOs' budgets actually raised within the neighborhoods prior to and during the Demonstration. A further, though more speculative, comparison can also be made between

the share of their budgets that they raised within the neighborhood prior to and during the Demonstration versus that which they predict they will raise subsequent to the Demonstration. Each of these comparisons yields positive results; i.e., the participating NDOs are consistently increasing the proportion of their budgets raised within their neighborhoods over time.

Analysis of any increase in the NDOs' local fundraising capacity during the Demonstration requires, of course, that some basis for comparison exists in their experience prior to the Demonstration. Slightly over one-third (13 of 38) of the NDOs participating in the NDD indicated that they had not tried to raise funds from within their neighborhood before participating in the NDD. Thus, for these organizations, participation in the NDD involved them in a new, often intensive effort to generate support from neighborhood residents and institutions and to solicit funds from entities they had not contacted before.

Of those NDOs that had tried to raise funds from within their neighborhoods prior to participating in the NDD, very few had raised a significant proportion of their prior year (FY'83) budget from within the neighborhood. (See Table 5.17a.) In fact, 61.9 percent of these organizations had raised less than 10.0 percent of their organization's overall budget from within the neighborhood, while only 9.5 percent of these had raised 50.0 percent or more of their budget from local sources. The median proportion of the NDO budgets raised locally was 5.0 percent prior to the Demonstration.

During the Demonstration these groups, along with their uninitiated NDO counterparts (who were presumably starting from effectively a zero level of local fundraising), collectively increased the share of their prior year (FY'85) budgets raised from local sources up to a median level of 6.3 percent. (See Table 5.17b.) This is a substantial relative increase of some 26.0 percent, although obviously calculated on a very low base figure.

Furthermore, since these figures include the 13 NDOs that were starting from zero, it understates the increases in local fundraising achieved by the more experienced NDOs whose median as a group had risen to 7.5 percent of their budgets, a 50.0 percent increase. Despite this improvement, however, some 63.8 percent of the NDOs were still raising less than 10.0 percent of their annual budgets locally.

To capture the lasting fundraising impact of the Demonstration on the participating NDOs, an examination of the percentage of their budgets that the NDOs expect to raise in the future may also be instructive. A clear pattern of progress continues. (See Table 5.17.c.) Based on the projections of the 38 NDOs (all of whom are now experienced in local fundraising), the median level of local

fundraising is expected to rise to approximately 10.0 percent of the NDOs' annual budgets from the 6.3 percent achieved during the Demonstration. This represents an additional 58.7 percent increase in local fundraising compared to the group's performance during the Demonstration. Furthermore, the proportion of NDOs expecting to raise less than 10.0 percent of their budgets locally is down to 37.1 percent. And those who project raising more than 50.0 percent of their budgets locally increased from three NDOs to five NDOs, or 17.1 percent of the respondents.

It is interesting to note, however, that while this 10.0 percent benchmark doesn't appear to represent, in any real sense, an upper limit on the NDOs' local fundraising capacity, it may reflect some "levelling off" in the fundraising goals that many NDOs set for themselves. In analyzing future fundraising projections, no difference was found between the median expected to be achieved by the more experienced sub-group of the participating NDOs versus their newly initiated counterparts. In fact, the distributions among the two sub-groups are remarkably similar, indicating that, for this group of NDOs and at this particular time, further dramatic increases in local fundraising achievements may be the exception rather than the rule. This is particularly true of the more experienced subgroup of NDOs. Their future expectation of a 10.0 percent budget share to be raised locally represents a more modest 33.3 percent increase compared to the 71.0 percent increase achieved during the Demonstration. This is consistent with the previous discussion in this chapter on contributors' responses regarding their intended level of contribution after the Demonstration. Although many intend to keep on giving, the overall level of their future contributions will not approach that of their contributions during the Demonstration. In fact, in the absence of the matching grant, the average contribution may well decline by one-third or more after the Demonstration (See Table 5.7.) This post-Demonstration "letdown" is something that the NDOs may be anticipating in projecting their somewhat modest increases in future fundraising, as noted above.

Nevertheless, it should be kept in mind that for this group of NDOs to move from a median of 5.0 percent to 10.0 percent in the future would represent a 100.0 percent increase in their local fundraising capacity as a result of their participation in this Demonstration. Looked at in the context of these relative values then, this must be seen as a highly positive outcome of the NDD program.

Finally, in order to further explore this issue and take a more NDO-specific look at this same variable, the individual NDOs' pre-, during, and post-Demonstration local fundraising levels were compared. (See Table 5.18a, b, and c.) For each NDO, the increase (or decrease) in the percentage of their annual budget attributable to local fundraising is itself expressed as a percentage

representing a rate of change, rather than as an absolute number. This allows individual changes within NDOs that do not conform to the overall trends noted above to be more easily identified, and also gives at least an order-of-magnitude estimate as to the Demonstration's impact on increasing the individual NDO's local fundraising capacity.

Examining first how individual NDOs fared in local fundraising during—as compared to before—the Demonstration, a surprisingly high 33.3 percent indicated a decrease from their previous fundraising levels. Since previous fundraising was undertaken outside the context of a program like the Demonstration, i.e., without the relatively strict constraints on types of funds, geographic location of donors, etc., at least some of the reductions can be attributed to these formal factors. In addition, some NDOs may have deliberately chosen relatively modest goals for their fundraising under the Demonstration in order to be more assured of success. Indeed, the rate of success in raising the required NDD local matching funds was not significantly different for these groups (despite this reported downturn compared to their prior fundraising experience) than for the remainder of the NDOs. While one additional NDO reported no change in amount of local fundraising during the Demonstration, each of the remaining 13 NDOs reported increases ranging from 31.0 percent to over 700.0 percent, with the median increase reported at 71.0 percent.

Turning to the comparison between fundraising performance during the Demonstration and future expectations, the findings are consistent with those described above. A total of 14 NDOs reported a relative decrease in the proportion of their budgets they expect to raise locally in the future versus the proportion they raised during the Demonstration. Again, however, this expected downturn in local fundraising is not strongly associated with failure to raise the required local matching funds during the Demonstration. The 14 NDOs in this group succeeded very nearly as often as the remaining NDOs by that measure. Rather, there seem to be a number of other factors at work here. Five of the 14 cited the importance of the HUD matching grant during the Demonstration. Its absence in future local fundraising campaigns would obviously depress expectations of meeting or exceeding the amounts raised during the Demonstration. Five others cited the "one-shot" nature of some of their largest contributions or the unique nature of their NDD-funded project, again undermining confidence in the NDO's ability to match its fundraising performance during the Demonstration in the future. Other factors cited were the strength of local competition for funds and the poverty of the neighborhoods where the NDOs are located.

Aside from the one NDO that projected no net change in local fundraising as a proportion of its budget, of the remaining NDOs, over one-half of those responding indicated continued improve-

ment in their ability to raise funds within the neighborhood. It is important to note, however, that their optimism seems somewhat tempered by reality. While more than one quarter of the NDOs project additional increases in local fundraising of over 200.0 percent, the median increase expected by these now-seasoned fundraisers is a much more modest 28.0 percent.

One obvious explanation for the rather widely discrepant expectations among the participating NDOs is suggested by once more examining the differences between those NDOs with local fundraising experience prior to the Demonstration and those NDOs with no such prior experience. (See Table 5.18c.) It may seem that the raw enthusiasm of the neophyte NDOs is at least partly responsible for the fact that, as a group, they are disproportionately represented at the upper end of the range, while the more experienced NDOs are skewed toward the lower end. However, the more salient factor may be the "levelling off" phenomenon referred to earlier.

Having pursued neighborhood-level fundraising both before and during the Demonstration, the more experienced NDOs may be realistically conservative in not projecting the same rate of increase in the future as they have achieved during the Demonstration. By the same token, the less-experienced NDOs are projecting roughly the same ultimate goals for their future fundraising efforts as their more experienced counterparts. (This was noted earlier in the discussion of Table 5.17c.) This is logical insofar as the less-experienced NDOs must, perforce, project somewhat greater rates of increase in fundraising in the future in order to bring them up to the same overall goal as the more experienced NDOs. It is precisely because they are less experienced and are starting from a lower base percentage that their projections of future increases must be higher than the other NDOs.

One final measure of change in the NDOs' fundraising capacities was again based upon analysis of those NDOs with prior fundraising experience. Expressed in terms of the percentage change in the proportion of its own budget that an NDO had raised prior to the Demonstration versus that which it expected to raise after the Demonstration, the median increase was approximately 67.0 percent. Furthermore, three NDOs (representing 14.3 percent of the participant NDOs with prior fundraising experience) indicated that they would achieve a 100.0 to 200.0 percent increase and another six (or 28.6 percent) project increases of over 200.0 percent. Surprisingly, seven of the NDOs, or 33.3 percent, indicated no significant change, and three others projected a slight decrease. Of these three, however, two had already raised substantial amounts of their annual budgets (40.0 to 80.0 percent) but expressed some uncertainty as to whether they could continue this level of fundraising in years following the Demonstration, when

they might not have access to the HUD matching grant (to which they attribute much of their success).

With these few exceptions then, the statistics show an impressive ratio of growth in local fundraising capacity. It is important to keep in mind, however, that most of the NDOs obtained a very small portion of their budgets from neighborhood sources prior to the Demonstration. As indicated in Table 5.17a, only eight (38.1 percent) of the NDOs with previous neighborhood fundraising experience raised 10.0 percent or more of their budget within the neighborhood before the NDD, with the median being 5.0 percent of the budget. The median share of the budget anticipated to come from the neighborhood in the future is 10.0 percent, with 22 NDOs (62.9 percent) expecting to raise 10.0 percent or more of their budget from neighborhood sources. (See Table 5.17c)

Although some of the expected increase in the neighborhood-based funding described above might have occurred in the absence of the NDD, in the context of a real or perceived decline in other sources of funding, a substantial share of the increase undoubtedly can be viewed as an outcome of the NDD program. This is certainly an encouraging conclusion. Nevertheless, a sense of perspective is necessary here. Although the NDOs' ability to attract financial support from their neighborhoods is growing, the relatively small proportion of their budget that most NDOs actually derive from their neighborhoods indicates that, for the present and in the foreseeable future, they cannot rely on their neighborhoods to provide a major share of their budgets.

CHAPTER 5 TABLES

**TABLE 5.1
PREVIOUS AND FUTURE CONTRIBUTORS**

	Percent of Contributors Responding	Number of Contributors
Gave to the NDO prior to the Demonstration	64.456	
Will give to the NDO in the future	87.577	
Might give to the NDO in the future	9.18	

Note: Total exceeds number of contributors interviewed (88) since multiple answers were available to respondent.

TABLE 5.2
WILLINGNESS TO CONTRIBUTE TO NDO
IN FUTURE, BY TYPE OF CONTRIBUTOR

Willing- ness to give	Resident	Board Member	Retail Merchant	Nonprofit	Small Business	Large Business	Banks, Savings &Loans
No	-	-	-	-	2 (20.0%)	-	1 (5.9%)
Yes	18 (100.0%)	7 (100.0%)	11 (100.0%)	13 (86.7%)	8 (80.0%)	8 (80.8%)	12 (70.6%)
Maybe	-	-	-	2 (13.3%)	-	2 (20.0%)	4 (23.5%)
Total	18 (100.0%)	7 (100.0%)	11 (100.0%)	15 (100.0%)	10 (100.0%)	10 (100.0%)	17 (100.0%)

Note: Chi-Square test not appropriate due to small cell sizes

Mean contribution given by "grassroots" contributors (local residents, board members, retail merchants): \$3,043

Mean contribution given by business/professional entities (institutions, banks, businesses, etc.): \$4,848

n=88

TABLE 5.3
WILLINGNESS TO CONTRIBUTE TO NDO IN FUTURE, BY
AMOUNT CONTRIBUTED DURING DEMONSTRATION

Willingness to contribute in future	Contribution During Demonstration				
	\$10- \$250	\$251- \$1,000	\$1,001- \$5,000	\$5,001- \$10,000	\$10,000- \$50,000
No	— —	— —	— —	— —	2 (33.3%)
Yes	19 (100.0%)	14 (77.8%)	26 (89.7%)	9 (90.0%)	4 (66.7%)
Maybe	— —	4 (22.2%)	3 (10.3%)	1 (10.0%)	— —
Total	19 (100.0%)	18 (100.0%)	29 (100.0%)	10 (100.0%)	6 (100.0%)

Note: Chi-Square test not appropriate due to small cell sizes

Mean contribution during Demonstration (All contributors interviewed): \$4,289

Mean contribution during Demonstration (Those willing to give in the future): \$3,147

n=82

TABLE 5.4
WILLINGNESS TO CONTRIBUTE TO NDO
IN FUTURE, BY CONTRIBUTOR PRIOR TO DEMONSTRATION

Willingness to Contribute in Future	First-time Contributor	Prior Contributor
No	3 (9.7%)	-- --
Yes	23 (74.2%)	54 (36.4%)
Maybe	5 (16.1%)	2 (3.6%)
Total	31 (100.0%)	56 (100.0%)

Note: Chi-Square test not appropriate due to small cell sizes

n = 87

TABLE 5.5
CONTRIBUTION TO NDO DURING
DEMONSTRATION, BY PRIOR CONTRIBUTION

Contribution During Demonstration	Contribution Prior to Demonstration				
	\$1- \$250	\$251- \$1,000	\$1001- \$5,000	\$5001- \$10,000	\$10,000- \$20,001
\$10 - 250	8 (80.0%)	1 (8.3%)	—	—	—
\$251 - 1,000	1 (10.0%)	4 (33.3%)	1 (8.3%)	—	—
\$1,001 - 5,000	1 (10.0%)	6 (50.0%)	8 (66.7%)	—	1 (50.0%)
\$5,001 - 10,000	—	1 (8.3%)	3 (25.0%)	2 (100%)	—
\$10,000 - 50,000	—	—	—	—	1 (50.0%)
Total	10 (100.0%)	12 (100.0%)	12 (100.0%)	2 (100.0%)	2 (100.0%)

Note: Chi-Square test not appropriate due to small cell sizes

Mean contribution prior to Demonstration (Those who gave prior to the Demonstration): \$1,962

Mean contribution during Demonstration (Those who gave prior to the Demonstration): \$3,768

Mean contribution during Demonstration (New Contributors): \$5,269

n=38

TABLE 5.6
FUTURE CONTRIBUTION TO NDO,
BY CONTRIBUTION PRIOR TO DEMONSTRATION

Future Contribution	Contribution Prior to Demonstration				
	\$1-\$250	\$251-\$1,000	\$1,001-\$5,000	\$5,001-\$10,000	\$10,000-\$20,001
\$1 - 250	8 (88.9%)	1 (10.0%)	--	--	--
\$251 - 1,000	--	3 (30.0%)	--	--	--
\$1,001 - 5,000	1 (11.1%)	5 (50.0%)	7 (63.6%)	--	--
\$5,001 - 10,000	--	1 (100%)	4 (36.4%)	1 (100%)	--
\$10,000 - 19,999	--	--	--	--	2 (100%)
Total	9 (100%)	10 (100%)	11 (100%)	1 (100%)	2 (100%)

Note: Chi-Square test not appropriate due to small cell sizes

Mean contribution prior to the Demonstration (Those willing to give in future): \$1,999

Mean contribution to be given in future (Those who gave prior to the Demonstration): \$2,486

Mean contribution to be given in future (New contributors willing to given in future): \$1,046

n=33

TABLE 5.7
AMOUNT OF FUTURE CONTRIBUTION TO NDO, BY
AMOUNT CONTRIBUTED DURING DEMONSTRATION

Future Contribution	Contribution During Demonstration				
	\$10-\$250	\$251-\$1,000	\$1,001-\$5,000	\$5,001-\$10,000	\$10,000-\$50,000
\$1 - 250	10 (90.9%)	—	1 (4.5%)	—	—
\$251 - 1,000	1 (9.1%)	7 (58.3%)	1 (4.5%)	—	—
\$1,001 - 5,000	—	4 (33.3%)	17 (77.3%)	3 (42.9%)	—
\$5,001 - 10,000	—	1 (8.3%)	2 (9.1%)	4 (57.1%)	1 (50.0%)
\$10,000 - 19,999	—	—	1 (4.5%)	—	1 (50.0%)
Total	11 (100%)	12 (100%)	22 (100%)	7 (100%)	2 (100%)

Note: Chi-Square test not appropriate due to small cell sizes

Mean contribution during Demonstration (Those willing to give in the future): \$3,147

Mean contribution to be given in future (Those willing to give in future): \$1,987

n=54

TABLE 5.8
AMOUNTS CONTRIBUTED DURING DEMONSTRATION BY
PREVIOUS GIVERS RESPONDING TO AVAILABILITY OF "MATCH"

Amount Contributed	Previous Giver Responding To "Match"	
	No	Yes
\$10 - 250	10 (30.3%)	—
\$251 - 1,000	7 (21.2%)	2 (11.1%)
\$1,001 - 5,000	10 (30.3%)	11 (61.1%)
\$5,001 - 10,000	5 (15.2%)	3 (16.7%)
\$10,000 - 50,000	1 (3.0%)	2 (11.1%)
Total	33 (100.0%)	18 (100.0%)

Note: Chi-Square test not appropriate due to small cell sizes

Mean contribution during Demonstration (Previous givers responding to "match"): \$5,429

Mean contribution during Demonstration (Previous givers not responding to "match"): \$2,889

n=51

TABLE 5.9
FUNDRAISING METHODS
TO BE ADOPTED PERMANENTLY BY NDOs

Fundraising Methods	No. NDOs Using for First Time	Total No. NDOs Using Method	No. NDOs Adopting Permanently	Percent All NDOs Using Method
Solicitation of Businesses	21	32	28	87.5%
Solicitation of Institutions	10	17	16	94.1
Solicitation of Individuals	12	21	17	81.0
Special Events	10	20	16	80.0
Fee-for-Service	4	7	4	57.1
Other Methods	5	10	7	70.0

Note: Totals exceed 38, since many NDOs used more than one fundraising approach.

**TABLE 5.10
CHANGES IN DIFFICULTY IN NDO FUNDRAISING**

Changes In Fundraising	Executive Directors	Board Members
Getting Easier	8 (21.1%)	18 (18.4%)
Staying the Same	7 (18.4%)	15 (15.3%)
Getting Harder	22 (57.8%)	56 (57.1%)
Both Easier and Harder	1 (2.6%)	3 (3.1%)
No Opinion	--	6
Total	38	98

**TABLE 5.11A
INCOME-PRODUCING POTENTIAL OF NDD PROJECTS**

AMOUNT OF GROSS INCOME TO BE GENERATED FOR THE NDO

Income	Number of NDOs	Percent of NDOs
None	19	52.8%
Less than \$1,000/year	1	2.8
\$1,000-\$10,000/year	7	19.4
Over \$10,000/year	9	25.0
Total	36	100.0%
Missing Data	2	

**TABLE 5.11B
INCOME-PRODUCING POTENTIAL OF NDD PROJECTS**

PROJECT EXPECTED TO BE SELF-SUSTAINING

Self-sustaining	Number of NDOs	Percent of NDOs
No	10	27.8%
Yes	26	72.2
Total	36	100.0%
Missing Data	2	

**TABLE 5.12
RECENT REVENUE-PRODUCING ACTIVITIES
UNDERTAKEN BY NDOs (NON-NDD-FUNDED)**

Activity	Number of NDOs	Percent of NDOs With Revenue Activities
Development Project	9	40.9%
Management Services	5	22.7
Weatherization Services	4	18.2
Commercial Space Leases	2	9.1
Other Businesses and Services	6	27.3

Note: Total of column may equal more than 100%, as some NDOs cited more than one activity. A total of 22 NDOs reported undertaking revenue activities.

TABLE 5.13
MAJOR SOURCES OF FINANCIAL SUPPORT
FOR NDOs' RECENT DEVELOPMENT PROJECTS
(INCLUDING NON-REVENUE-PRODUCING PROJECTS)

Source of Support	Number of NDOs	Percent of NDOs With Recent Project Sources
Federal Loans/Grant	11	36.7%
State Loans/Grants	9	30.0
CDBG Funds	13	43.3
Local Government Loans/Grants	16	53.3
Private Sources	10	33.3
Foundations and Other Sources	4	13.3

Note: A total of 35 NDOs cited recent development projects within the past five years for which 30 actually listed funding sources. Some NDOs cited more than one source.

TABLE 5.14
LOCAL GOVERNMENT ASSISTANCE TO NDD PROJECTS

Type of Assistance	Number of NDOs	Percent of NDOs With Local Assistance
Additional Funding	9	45.0%
Technical Assistance	6	30.0
Letters of Support	6	30.0
Land Write-Down	5	25.0
Expedited Project Approval	2	10.0
Assistance with Lenders	1	5.0

Note: A total of 20 NDOs cited some sort of direct government assistance in implementing the NDD projects; some NDOs cited more than one type of assistance.

TABLE 5.15
INTERNAL CHANGES IN THE NDOs
CREDITED TO THE DEMONSTRATION

	Executive Directors	Percent
Enhanced staff capacity	24	63.2%
Increased ability to take on wider array of projects	18	47.4
Increased ability to take on larger projects	14	36.8
Increased board involvement in NDO fundraising	18	47.4
Increased staff size	8	21.2

Note: Totals exceed number of actual respondents (38 NDO directors) since multiple choices were available to individual respondents.

TABLE 5.16
CHANGES IN NDOs' ORGANIZATIONAL PRACTICES

Changes in NDO	Number of NDOs During NDD	Number of NDOs Permanently
Greater board involvement in fundraising	22 (52.6%)	19 (50.0%)
Adopted new fundraising strategies	21 (55.3%)	19 (50.0%)
Used influential volunteer contacts	10 (26.3%)	7 (18.4%)
More widespread use of volunteers	7 (18.4%)	7 (18.4%)
Reassigned staff to fundraising	14 (36.8%)	1 (2.6%)

Note: Total exceeds 38 because some NDOs cited more than one organizational change.

TABLE 5.17A
PROPORTION OF NDOs' FY '83 BUDGET RAISED WITHIN
THE NEIGHBORHOOD PRIOR TO THE DEMONSTRATION

Percentage of Budget	Number Of NDOs
1 to 9%	13 (61.9%)
10 to 19%	3 (14.3%)
20 to 49%	3 (14.3%)
50%+	2 (9.5%)
Total	21
Missing Data	4
Median proportion of budget raised locally	(5.0%)

Note: Thirteen of the 38 NDOs had never attempted to raise funds within the neighborhood prior to the Demonstration.

TABLE 5.17B
PROPORTION OF NDOs' FY '85 BUDGET RAISED
DURING THE DEMONSTRATION

Percentage of Budget	NUMBER OF NDOs	
	All NDD Participants	NDOs with Prior Experience
1 to 9%	23 (63.9%)	13 (61.9%)
10 to 19%	6 (16.7%)	5 (23.8%)
20 to 49%	4 (11.1%)	1 (4.8%)
50 to 96%	3 (8.3%)	2 (9.5%)
Total	36	21
Missing Data	2	4
Median proportion of budget raised locally	6.3%	7.5%

TABLE 5.17C
PROPORTION OF NDOs' FY 85 BUDGET EXPECTED TO BE
RAISED WITHIN THE NEIGHBORHOOD IN THE FUTURE

NUMBER OF NDOs

Percentage of Budget	All NDD Participants	NDOs With Prior Experience
1 to 9%	13 (37.1%)	8 (38.1%)
10 to 19%	10 (28.6%)	6 (28.6%)
20 to 49%	7 (20.0%)	5 (23.8%)
50 to 82%	5 (14.3%)	2 (9.5%)
Total	35	21
Missing Data	3	4
Median proportion of budget to be raised locally	10.0%	10.0%

TABLE 5.18A
CHANGE IN PERCENTAGE OF BUDGET
RAISED WITHIN THE NEIGHBORHOOD

PREVIOUS AMOUNT VERSUS DEMONSTRATION AMOUNT

Size Of Change	Number of NDOs	Percent of NDOs
Decrease	7	33.3%
No Change	1	4.8
1 to 100%	5	23.8
101 to 200%	2	9.5
201 to 770%	6	28.6
Total	21	100.0%
Missing Data	4	
Median Change	+71.0%	

TABLE 5.18B
CHANGE EXPECTED IN PERCENTAGE OF
BUDGET RAISED WITHIN THE NEIGHBORHOOD
PREVIOUS AMOUNT VERSUS FUTURE AMOUNT

Size of Change	Number of NDOs	Percent of NDOs
Decrease	3	14.3%
No Change	7	33.3
1 to 100%	2	9.5
101 to 200%	3	14.3
200 to 3900%	6	28.6
Total	21	100.0%
Missing Data	4	
Median Change	67.0%	

TABLE 5.18C
CHANGE EXPECTED IN PERCENTAGE OF BUDGET
RAISED WITHIN THE NEIGHBORHOOD

DURING DEMONSTRATION VERSUS FUTURE

NUMBER OF NDOs

Size Of Change	All NDO Participants	NDOs with Prior Experience
Decrease	14 (42.4%)	8 (38.1%)
No Change	1 (3.0%)	1 (4.8%)
1 to 100%	8 (24.2%)	8 (36.1%)
101 to 200%	1 (3.0%)	0 (0.0%)
200 to 4626%	9 (27.2%)	4 (19.0%)
Total	33	21
Missing Data	5	4
Median Change	+28.0%	+28.0%

6. INDIRECT IMPACTS OF THE DEMONSTRATION

INTRODUCTION

Each of the previous three chapters has dealt with the evaluation of the Demonstration vis-a-vis one or another of the major NDD Program objectives as defined in this evaluation; to wit, the participant NDOs' ability to achieve local fundraising targets, implement their neighborhood development projects and make progress toward self-sufficiency. Each of these three objectives, and variables created to measure them, has been used as the basis for extensive analysis of factors affecting the prospects for participant NDOs to succeed in this program.

In addition to this more or less straightforward analysis of NDOs' successes and/or failures with respect to these three preselected objectives, this evaluation has identified a number of other outcomes that can be attributed to the impact of the Demonstration either on the participant NDOs or on their neighborhoods.

Some of these findings were anticipated in the original list of research questions contained in the RFP for this evaluation. These include:

- What are the impacts of the Demonstration on the participating NDOs and their neighborhoods?

Was there any noticeable increase in resident and business support for the NDO of a non-monetary nature?

- What was the effect of the Demonstration grant on partnership building?

How did the Demonstration alter the NDOs' long-term relations with local private funding sources and local governments?

Do there appear to be new relationships?

- How did the community development projects carried out by the participating NDOs contribute to neighborhood development?

This chapter will discuss these impacts separately, according to whether they seem to relate more directly to the NDO itself or to the neighborhood in which the NDO is located.

NDO PROBLEMS AND IMPACTS

For purposes of this report, those Demonstration impacts that are deemed to directly affect the NDOs' performance against any one of the three principal objectives of the NDD Program have been evaluated as part of the chapter relating to that objective. The impacts discussed below are those that either relate only indirectly to one or more of the principal objectives or affect the NDOs in more general ways that may or may not have a bearing on the NDD Program objectives. It is necessary, nevertheless, to discuss these latter impacts even though they may have no bearing on the formal evaluation of the participant NDOs or the Demonstration, if only to ensure that any unintended side effects (positive or negative) of the NDD Program are understood by both the participants and the administrators of future demonstrations of this type.

NDO Problems

In order to provide some context for the evaluation of what impacts the Demonstration was perceived to have upon the NDOs, the board members of the participating NDOs were asked to enumerate the three most important problems facing the NDO in the next few years.

Predictably, given the context of the question, the respondents focused almost exclusively on the problematic fundraising outlook for the NDOs. (See Table 6.1.) The plurality (18.9 percent among this very scattered set of responses) cited the lack of a stable funding base for the NDO as one of its most important problems. A closely related response was given by the 12.6 percent who cited the NDO's need to improve in-house fundraising ability. Another 13.7 percent cited the decline in Federal support for neighborhood development organizations. On a slightly less parochial note, some 9.5 percent of the respondents cited the difficulty in raising the development capital required for projects the NDOs were planning.

Taken together, the consistently fiscal nature of the NDO problems cited above underline the timeliness and appropriate-

ness of the Demonstration as at least a partial response to some of the most pressing problems facing NDOs in the 80's. On the other hand, allowance must be made for the fact that this particular group of respondents (NDOs who had just recently completed an intensive local fundraising campaign under the auspices of the NDD) may be somewhat more single-mindedly focused on their finances, to the exclusion of some other equally valid, but perhaps less immediately pressing, problems.

Impacts on NDOs

The responses of the 38 executive directors and 98 board members interviewed shortly after the completion of their 12-month Demonstration fundraising period reveal that, in general, positive impacts on the NDOs easily outweigh negative impacts. This conclusion is based not only on the specific citations of positive and negative impacts discussed below, but on the simple fact that all but three (35 out of 38) of the NDOs' executive directors and every one of the board members indicated that they would want their organization to participate in such a demonstration again in the future.

The specific positive impact cited most frequently by all of the executive directors (100.0 percent) and by most board members (78.5 percent) was the "increased visibility in the community" that seemed to come with participation in the Demonstration. (See Table 6.2.) This was not only the most frequently cited positive impact out of a list of a dozen or more, but when the respondents were asked to identify the single most important of these benefits, "increased visibility" received the plurality of responses from both the executive directors (21 percent) and board members (19.4 percent), almost twice the frequency of any other response. To some extent, this may have been a self-induced impact. A number of the groups (with some justifiable pride) announced through local media and community newsletters that they had been selected, via a nationwide competition among NDOs, to participate in the new HUD Neighborhood Development Demonstration Program. This, as well as the fact that local city bureaucrats and elected officials are normally kept abreast of such Federal program awards within their jurisdictions, gave the NDOs a good deal of positive publicity at both the popular public and official levels. In addition, however, most of the NDOs undertook local fundraising campaigns that, by their very nature, involved intensive advertising and direct outreach to neighborhood residents, merchants, institutions, etc. More visibility in the community then, is both an artifact of the ways in which public information is disseminated at the local level, and an integral part of a Demonstration that requires extensive local fundraising efforts.

In any case, "increased visibility" is widely perceived to be a positive impact by the NDOs, creating as it does a certain level of name recognition for the NDO that inevitably helps improve at

least the initial response to any future funding solicitation, project proposal, policy position or administrative request emanating from the NDO. Inevitably, however, high visibility alone cannot substitute for substantive performance at the neighborhood level. The extent to which individual NDOs are able to capitalize upon this public relations "windfall," therefore, will largely depend upon what they have behind their public image.

A closely related impact, "improved reputation of organization among funders" was cited next most frequently (by some 71.1 percent of the executive directors and 69.9 percent of the board members). This particular type of increased popularity may be distinguished from the local publicity phenomenon cited above by the fact that it relies for the most part on the NDOs' trumpeting of their own success in the NDD program in their subsequent proposals to funders. This is a perfectly legitimate way for these NDOs to exploit their accomplishments, but it is not an inevitable outcome of the NDD program itself. Nevertheless, given the number of NDOs citing this particular beneficial impact of the Demonstration, it is clear that most NDD participants (and especially "successful" ones) will try to make the most of it.

Slightly fewer, but still a clear majority of the respondents (65.8 percent of the executive directors and 52.7 percent of the board members), cited "increased funding opportunities from private sector." In distinguishing this response from that discussed immediately above, one must be mindful that these respondents may have been focusing specifically on the profitmaking side of the private sector, as opposed to the nonprofit side. Given that solicitation of contributions from businesses was both the single most widely used fundraising approach and the one most frequently used by NDOs for the first time during the Demonstration, it should not be surprising that both the staff and board of most NDOs perceive an increase in the potential future funding opportunities from this sector.

An interesting, and perhaps only obliquely anticipated, impact of the Demonstration was a widely perceived "increased non-monetary support from residents." A slim majority of the NDOs cited this benefit, i.e., 52.6 percent of the executive directors and 49.5 percent of the board members. And it is possible that this response may simply be a somewhat diluted version of the "increased visibility" impact discussed earlier. However, the very fact that any additional non-monetary support within the neighborhood accrued to the participating NDOs must be seen as a positive and largely serendipitous benefit of the Demonstration, which had consistently stressed the monetary and tangible project development aspects of the program.

Finally, in enumerating the various positive impacts of their participation in the Demonstration, just under a third of the NDOs

(28.9 percent of the directors and 33.3 percent of the board members responding) cited the "increased use of volunteers" by the NDOs. This may be seen as a more concrete manifestation of the general perception of non-monetary support from local residents discussed above. Although the numbers citing this increased voluntarism are small relative to some of the other benefits noted above, the voluntarism phenomenon is more closely related to the basic community development purposes of the NDD program. Furthermore, as noted elsewhere in this evaluation, local fundraising campaigns are often extremely labor intensive compared to most other revenue-generating activities and may of necessity require NDOs to at least try to substitute some volunteer effort for paid NDO staff time in order to make grassroots fundraising campaigns as cost-effective as possible.

To the extent that participating NDOs offered specific citations of negative impacts of the Demonstration, they were, for the most part, reflective of problems occurring during the NDD Program fundraising cycle—e.g., delays in reimbursements, some excessive paperwork requirements, etc.—rather than substantive issues that might affect the long-term future of the NDO. (See Table 6.3.) Often these reflect either administrative or program design flaws. These and related issues are discussed in more detail in Chapter Three and in the appropriate section of Chapter Seven.

The single negative impact that is likely to affect the NDOs' future ability to pursue their community development missions is the inordinately time-consuming nature of neighborhood-level fundraising efforts. However, this was cited as a major problem by only 7.9 percent of the NDOs. Although this is a small number, it is a real problem. If NDOs are to reap the long-term benefits that are implied in the Demonstration, e.g., progress toward self-sufficiency via an expanded local financial support base, they will have to overcome this problem. This essentially means that they will have to become more efficient in the way they raise funds within their neighborhoods or risk defeating the entire purpose of the Demonstration. That is, the NDO may spend so much staff and board time and effort on raising funds from the neighborhood that its ability to deliver services and/or develop projects (the very things that make NDOs invaluable to their neighborhoods in the first place) will be undermined.

NEIGHBORHOOD PROBLEMS AND IMPACTS

Although measuring neighborhood impact was cited in HUD's RFP as one of six principal research questions, it was not a major focus of the Demonstration evaluation as designed and executed

by this contractor, for the reasons discussed in Chapter Four. Nevertheless, the results of the interviews with NDO directors provide some interesting insights into the NDO perspective on the impact of their projects. Of course, this data is based largely on the perceptions of the respondents as to the impacts of the Demonstration. However, given the unavailability of good objective data on this issue while so many NDO projects are either still in progress or just recently completed, this surrogate data may be the best available. (The problematic nature of this aspect of the evaluation was anticipated and noted in HUD's own preliminary report, *The Neighborhood Development Demonstration Program: An Analysis of Applications*, Office of Policy Development and Research, September 1985.) Accordingly, this section will rely upon the NDOs' perceptions of neighborhood problems, changes in neighborhood conditions during the Demonstration, and neighborhood benefits produced by the NDD Project.

Neighborhood Problems

When asked to name the three most important problems in the neighborhood at the time of the NDD application, housing once again dominated the discussion. Almost 90.0 percent of the directors mentioned it as one of the three most important neighborhood problems. (See Table 6.4.) The range of housing problems mentioned was broad and included every sort of housing-related issue, from physical deterioration to affordability, from abandonment to high vacancy rates. Discrimination, difficulty with obtaining homeowner loans, displacement due to gentrification and absentee ownership were also among the issues mentioned.

The more basic issues relating to economic under-development were the next-largest category of problems, mentioned by about three-quarters of the neighborhood groups. Since HUD selected these NDOs partly because of the level of economic distress in their communities, it is not surprising that high and chronic unemployment and poverty were among the most mentioned problems in this category. Some problems mentioned were quite local—a troubled shopping strip, threats of displacement affecting manufacturing business—while others, such as the state of the over-all economy, were more regional.

The third-most-frequently-mentioned cluster of problems may be characterized as "neighborhood deterioration." Almost one-third of the NDOs cited one or more of these problems, which included such physical problems as litter and trash, traffic and parking problems, and inadequate transportation, as well as issues related to lack of government services (trash collection, police protection, etc.).

The need for youth services, day care, quality health care and other social services was mentioned by about one-fifth of the

groups. Problems of drug and substance abuse also found their way into this category. Finally, a few NDOs mentioned problems termed here as "community involvement"—lack of neighborhood organization, difficulties among community organizations, and resident attitudes, etc.

Impacts on Neighborhood Conditions

Despite the somewhat daunting list of problems faced by the NDOs in their neighborhoods, many of the organizations cited forward movement in addressing those problems. Almost two-thirds of the NDOs cited improvements in neighborhood conditions since the NDD application, and only 13.5 percent identified worsening conditions. (See Table 6.5.) As might be expected in these economically distressed communities, public and non-profit efforts played a large part in these changes (at least in the perceptions of these NDO respondents), and were named as the causes by two-thirds of the NDOs; in six cases, the organization identified the NDD project in particular as the reason for the positive change. In contrast, economic and private investment forces were the primary causal factors cited by four out of the five NDOs that mentioned worsening conditions. (See Table 6.5.)

How much of a difference did the NDD projects make in their neighborhoods? The direct objective measures of these impacts have been discussed in Chapter Four—number of units repaired, number of businesses started, etc. The NDOs' perception of project benefits presumably includes not only these direct benefits, but also looks beyond them to the indirect effects the projects may have on the root causes of neighborhood problems. Although clearly subjective impressions, these perceptions shed some light on the way that NDOs see their role and their effect on the community. This information was primarily elicited through two interview questions: what neighborhood problem was addressed by the project? and, what were the neighborhood benefits from the project? Complementary patterns emerged in the answers to these questions.

The NDO evaluations of the neighborhood problems addressed by the project (see Table 6.6) closely resemble the characterization in Chapter Two of the type of project activities. (See Table 2.16.) Housing problems were the most frequently mentioned (by 63.0 percent of the NDOs), with economic development following closely behind, cited by almost half of the respondents. Neighborhood deterioration, the broad category described above, was next in frequency, while social services and community involvement were mentioned the least often.

Asked to identify the range of neighborhood benefits of the NDD project, organizational responses assumed a slightly different pattern. As in every such question, housing took the lead at 84.2 per-

cent of the organizations responding, but issues of community involvement were cited by the same number of NDOs citing economic development benefits (28, or 73.7 percent). (See Table 6.7.) Community involvement impacts included building neighborhood leadership, improving relationships between neighborhood businesses and residents, involving local residents in designing the project, strengthening the neighborhood organization, mobilizing neighborhood institutions and fostering internal neighborhood cohesiveness. Physical neighborhood improvements were also frequently cited as local benefits (by 68.4 percent of the NDOs), and social service improvements were mentioned by almost one-fifth of the organizations.

When asked to name the single most important benefit from the project, NDOs again ranked the issues somewhat differently. Housing still ranked highest, with over one-third of the total responses. (See Table 6.8.) However, economic development ranked last (5.3 percent) in the choices of most important benefit, though it was frequently cited as one among the range of project benefits. This may reflect the relatively few projects dedicated exclusively to creating jobs or neighborhood businesses. In contrast, physical improvements was the second highest choice of important neighborhood benefit. Other benefits cited here included providing increased pride in the neighborhood, creating an improved image of the neighborhood, and acting as a catalyst for future private investment. Finally, community involvement (organizing the community, strengthening the NDO support base) was a frequent selection (21.0 percent of the respondents) as the most important benefit. This is a significant indication of the importance that the NDOs place on this intangible aspect of the projects. The fact that, in the midst of implementing a variety of development projects, these NDOs would place such emphasis on "community involvement" is a reminder that, after all, these are not simply development organizations but rather, neighborhood organizations with a unique perspective on development.

CHAPTER 6

TABLES

TABLE 6.1
NDO BOARD MEMBERS' PERCEPTIONS
OF MOST IMPORTANT NDO PROBLEMS

	Board Members	
	Number	Percent
Lack of Stable Annual Funding Base	18	18.9
Declining Federal Monetary Support	13	13.7
Need to Improve General Support Fundraising	12	12.6
Difficulty in Securing Financing for NDO Development Projects (as opposed to general support)	9	9.5

Note: All other responses were cited by less than 5.0% of respondents and related to neighborhood (as opposed to NDO) problems. These problems are discussed in the next section.

TABLE 6.2
POSITIVE INDIRECT IMPACTS OF
THE DEMONSTRATION ON NDOs AS CITED
BY EXECUTIVE DIRECTORS AND BOARD MEMBERS

	Executive Directors	Board Members
Increased NDO Visibility in the Community	38 (100.0%)	73 (78.5%)
Improved NDO Reputation Among Funders	27 (71.1%)	66 (69.9%)
Increase Funding Opportunities from Business Sector	25 (65.8%)	49 (52.7%)
Increased Non-monetary Support from Neighborhood Residents	20 (52.6%)	46 (49.5%)
Increased Use of Volunteers	11 (28.9%)	31 (33.3%)

TABLE 6.3
NEGATIVE INDIRECT IMPACTS OF THE NDD MODEL ON
NDOs AS CITED BY NDO DIRECTORS AND BOARD MEMBERS

	Executive Directors	Board Members
HUD Paperwork Too Burdensome for NDO	5 (13.2%)	5 (5.3%)
Local Fundraising Too Time-consuming	3 (7.9%)	4 (4.2%)
Reimbursement From HUD Took Too Long	2 (5.3%)	– –
Fundraising Strategy Caused Friction Within NDO	1 (2.6%)	2 (1.3%)

Note: Only 12 executive directors and 14 board members cited any negative impacts. No other response was cited by more than one respondent among these groups.

TABLE 6.4
NDO PERCEPTION OF
MOST-IMPORTANT NEIGHBORHOOD PROBLEMS

Type Of Problem	Number of NDOs	Percent of NDOS
Housing	34	89.5
Neighborhood Deterioration	12	31.6
Economic Development	29	76.3
Social Services	8	21.1
Community Involvement	3	7.9

Note: The 38 NDOs were asked to name the three most important problems in the neighborhood as of the NDD application date. Most responses cited more than one problem.

TABLE 6.5
NDO PERCEPTION OF CHANGES IN
NEIGHBORHOOD CONDITIONS AND REASONS FOR CHANGE

Reasons Cited	NDOs Citing Neighborhood Change		
	Improved	Worsened	Unchanged
NDD Project	6	0	0
Other Public/ Nonprofit Action	9	0	0
Economic Forces	0	2	0
Private Investment	7	2	0
Other	1	1	0

TABLE 6.6
NDO EVALUATION OF THE
NEIGHBORHOOD PROBLEMS ADDRESSED BY THE PROJECT

Neighborhood Problem	Number of NDOs	Percent of NDOs
Housing	24	63.2
Neighborhood Deterioration	7	18.2
Economic Development	17	44.7
Social Service	4	10.5
Community Involvement	4	10.5

Note: Some of the 38 respondents named more than one problem.

TABLE 6.7
NDO PERCEPTION OF THE
NEIGHBORHOOD BENEFITS FROM THE PROJECT

Type of Benefit	Number of NDOs	Percent of NDOs
Housing	32	84.2
Neighborhood Improvement	26	68.4
Economic Development	28	73.7
Social Services	7	18.4
Community Involvement	28	73.7

Note: Some of the 38 responding NDOs cited more than one type of benefit. Therefore, total number of responses exceeds 38.

TABLE 6.8
NDO PERCEPTION OF THE MOST IMPORTANT
NEIGHBORHOOD BENEFIT FROM THE PROJECT

Type of Benefit	Number of NDOs	Percent of NDOs
Housing	14	36.8
Neighborhood Improvement	11	29.0
Economic Development	2	5.3
Social Services	3	7.9
Community Involvement	8	21.0
Total	38	100.0

7. CONCLUSIONS

INTRODUCTION

In order to absorb, in any sensible fashion, the conclusions drawn from the huge amount of data that has been collected on the Demonstration over the past year from a large number and variety of primary and secondary sources (see methodology section for further detail), the reader will need some assistance. A useful, if somewhat prosaic, approach is to begin with the most straightforward of the evaluation questions posed in the NDD NOFA and the Evaluation RFP and then proceed to some of the more complex issues either subsumed by or related to these principal questions.

OBJECTIVES OF THE DEMONSTRATION

The NOFA issued August 23, 1984 included four principal objectives of the Demonstration. The evaluators' conclusions follow a recapitulation of each of these four objectives:

- 1. To evaluate the degree to which new voluntary contributions and other private-sector support can be generated and new activities can be undertaken at the neighborhood level through Federal incentive funding.**

The impact of Federal incentive funding on neighborhood-based fundraising during this Demonstration was substantial and highly positive. The exact role played by the availability of the NDD matching grant funds is a complex one, as has been discussed in Chapters Three and Five. These complexities notwithstanding, it is clear that the participating NDOs succeeded in achieving the objective of raising new voluntary contributions and other private-sector support as well as local government support for their activities at the neighborhood level.

- A total of \$915,919 was raised by the 38 NDOs; in the aggregate, funds raised by the NDOs actually exceeded the sum of the goals required of each NDO by its NDD grant by three-quarters of one percent.
- On an individual NDO basis, although three NDOs dropped out, 28 (73.7 percent) of the remaining NDOs met or exceeded their NDD local fundraising requirement, while 10 (26.3 percent) failed to meet their goal.
- Of the total amount raised by the NDOs, approximately 45.0 percent was raised from previously untapped sources within the neighborhoods.
- Nearly one-third of the participating NDOs (13 out of 38) were attempting to raise funds within their neighborhoods for the first time.
- About 85 percent of the NDOs (32 out of 38) tried to raise at least part of their local match requirement from local businesses; 50 percent were trying this fundraising method for the first time.
- Local private-sector businesses represented over 51 percent of all the new contributions raised by NDOs.
- Over one-third (35.6 percent) of the contributors interviewed contributed to the NDO for the first time during the Demonstration. New contributors among those interviewed accounted for 43.0 percent of the total, while NDO directors reported that overall, new contributors accounted for 45.0 percent of all funds raised by the NDOs.
- Though the proportion of their annual budgets raised within the neighborhood remains small, those NDOs with previous local fundraising experience did increase the percentage they raised within their neighborhoods from a median of 5.0 percent of their overall budget prior to the Demonstration to a median of 7.5 percent during the NDD program year.
- Of the 38 groups that participated in the Demonstration, over half (22 NDOs) were undertaking new types of projects compared to their prior experiences; 23 of the 38 were classified as development projects and 15 were non-development human services, neighborhood improvements, etc.).
- Excluding the four NDOs for which complete NDD project budget information is not available, the remaining NDOs used their NDD grants to leverage approximately \$7.77 of

non-Federal monies for every HUD dollar. The NDD disbursements to these 34 NDOs, totalling \$1,478,924, were used to help leverage \$11,489,563 in total project costs.

2. To determine the correlation, if any, between the demographics of a neighborhood . . . and the neighborhood organization's abilities to raise funds within the neighborhood boundaries.

Based on an analysis of the demographic data provided for the participating NDOs' neighborhoods, no statistically significant correlation was found between the NDOs' ability to raise their required matching grant amount and demographic characteristics of their neighborhoods.

Although the relationships were not statistically significant, it should be noted that two of the three variables hypothesized to influence neighborhood-based fundraising (neighborhood size and economic distress) are related to success in fundraising, as expected. But a third variable (race) is related to fundraising success in the opposite direction from that hypothesized.

- NDOs in larger neighborhoods (greater than 50,000 population) raised the required amount of local funds 73.7 percent of the time, while those in NDOs in smaller neighborhoods (under 10,000 population) succeeded 64.3 percent of the time.
- NDOs serving neighborhoods with economic distress factors of 8.0 or less raised their required local contributions 76.2 percent of the time, while NDOs in areas with distress factors of 10.0 or more met their local requirement 70.6 percent of the time.
- NDOs based in minority neighborhoods (where minority ethnic and/or racial groups comprise more than 50.0 percent of the local population) raised their entire local fundraising requirement 75.0 percent of the time, compared to 71.4 percent of the NDOs in other than minority neighborhoods.

In addition, it should be noted that a potentially important source of data on neighborhood characteristics (i.e. consistent and detailed information on the mix of land uses within neighborhoods, an indicator of the possible presence of business and institutional resources) was not available during the evaluation.

3. To determine the correlation, if any, between the type of improvement activity undertaken and the success of fundraising efforts.

Based on analysis of descriptive project data for the 38 active NDD participants, no statistically significant correlation was found between success in local fundraising and the type of project activity undertaken by the NDOs. Again, however, some of the project variables hypothesized to influence local fundraising were related to success, but not necessarily in the expected directions and not at a statistically significant level.

- Some 90.0 percent of the NDOs with service projects raised their required local funds, but only 67.9 percent of those with development projects were able to do the same.
- NDOs undertaking relatively small projects (\$100,000 or less) raised their local contribution requirement 92.0 percent of the time, compared to only 57.1 percent of those pursuing projects with budgets over \$200,000.
- Project types with which NDO staff had previous experience were associated with local fundraising success 78.3 percent of the time, while only 69.1 percent of the NDOs trying new types of projects were able to raise their required local funds. (A similar relationship was evident in regard to NDO success in raising their entire projects budgets, i.e. new project types were associated with failure to raise all of the required funds.)

Finally, a significant relationship was found between the NDOs' ability to raise the entire NDD project budget and their undertaking development projects including, but not limited to, housing projects. That is, NDOs had more difficulty raising the entire budget for development projects than for service or neighborhood improvement projects.

4. To determine the correlation, if any, between the characteristics of the organization and the success of fundraising efforts.

Based upon analysis of the characteristics of the participating NDOs, in only two cases were statistically significant correlations found between the NDOs' success in raising the required local match and their organizational characteristics, and only one of these was in the direction hypothesized.

- NDOs with overall operating budgets greater than \$500,000 per year were successful in raising their local funds 83.3 percent of the time, while those with smaller budgets (less than \$100,000 per year) succeeded only 63.6 percent of the time.
- Surprisingly, prior experience in neighborhood-based fundraising was not associated with success in local fundraising during the Demonstration. Those NDOs with prior experience met their NDD goal only 61.9 percent of

the time, compared to a 92.3 percent success rate for those NDOs with no such prior experience.

However, the statistical analysis and interviews with executive directors suggest that relationships exist between success in local fundraising and certain characteristics of the NDOs' approaches to, and strategies for, attracting local contributions to match their NDD grants. These are listed below:

- Success in meeting the NDD local fundraising goal decreased significantly as the amount of the local goal increased.
- Most successful NDOs raised funds using several methods rather than concentrating all their efforts on one.
- Most (22) NDOs raised more than one-third of their local contribution through direct solicitation of contributions from businesses.
- Almost one-half (45.9 percent) of the NDOs found personal contact with the contributors to be the strategy most responsible for their fundraising success.
- In descending order, the approaches found to be most successful by NDOs were:
 - direct solicitation of local banks,
 - large-scale fundraising dinner special events,
 - direct solicitation of large corporations.
- The least successful method (of those used by at least five NDOs) was large-scale direct mailings to individuals.
- Those NDOs in which board members had already been involved in fundraising prior to the Demonstration were more successful in local fundraising than NDOs that involved their board members for the first time during the Demonstration.

RESEARCH QUESTIONS OF THE EVALUATION

The six major research questions posed in HUD's evaluation RFP are related to these four principal objectives of the Demonstration, but focus more closely on some specific aspects of the Demonstration not stressed in the more comprehensive language of the objec-

tives. The evaluators' conclusions follow a verbatim recapitulation of each of the six principal research questions.

1. To what degree can new voluntary funding be generated at the neighborhood level in response to an incentive grant?

It is obvious that the NDD generated a substantial amount of new voluntary funding for the 38 participating NDOs. And the availability of the matching grant played a major role in the NDD program's fundraising success. It is not clear, however, that the matching grant feature of the program, per se, is responsible for the new funds received. Based on an analysis of contributors' reasons for giving, the availability of the matching grant did not seem to be the major factor in convincing contributors, either previous supporters or new contributors, to give. Rather, the local reputation of the NDO seems to be the primary factor motivating contributors. However, the availability of the match does seem to influence positively the size of many contributor's contributions.

The availability of the HUD matching grant was apparently more important to the NDOs themselves than it was to many of their potential contributors. The NDOs may need the incentive of matching funds to encourage them to undertake the often daunting series of tasks necessary for effective neighborhood fundraising.

2. How did the Demonstration model affect project success? In particular, how did the local fundraising requirements affect NDO efforts?

Based on analysis of NDO representatives' responses, several aspects of the Demonstration model may have adversely affected NDO efforts at local fundraising.

- Thirty-one of the 37 NDOs responding (83 percent) felt that requiring the local matching funds to be generated from within the designated neighborhood boundaries rather than a broader area limited their ability to raise funds, because it excluded previous supporters and limited fundraising to areas without sufficient numbers of potential contributors.
- Over one-half of the 38 NDOs cited the exclusion of in-kind and volunteer resources from the local match as an impediment to their ability to raise their matching funds. They claimed that they could have generated more local support with the incentive of the Federal matching ratio, particularly from local businesses, contractors and vendors, if in-kind contributions were eligible for the local match.
- Eight of the groups that failed to raise the required local match identified the neighborhood fundraising restriction

and the definition of eligible funds as the primary reason for their failure to meet the local fundraising goals.

- Almost one-half (49 percent) of the NDOs perceived the reimbursement basis for providing the Federal match as a problem, ranging from inconvenience to more serious cash flow problems or delays in project implementation.

3. What are the impacts of the Demonstration on the participating NDOs and their neighborhoods?

Identification of the impact of the NDD-funded projects on the neighborhoods is premature at this time, since the program has existed only for one year. Nonetheless, surrogate indicators of project performance suggest that many of the NDOs have successfully implemented the NDD-funded projects.

- Twenty-five of the 38 NDOs have acquired all of the funds needed for the project, while four others have raised more than 85 percent of the total cost. This is a strong performance when viewed in the context of the cutbacks in Federal funds that have frequently supported NDO projects. Furthermore, 11 of the 13 projects that still need funds are development projects, for which funds are difficult to raise, even in the best of circumstances.
- The performance of the NDOs in completing project tasks on a timely basis is not as strong as their fundraising performance. Sixteen of the NDD projects were completed 19 months after the start of the Demonstration. Four of the 22 projects in progress are on schedule, while the remaining 18 projects are behind schedule. Many of these are development projects, which are difficult to complete on time.
- Based on NDO projections, it is estimated that approximately 29 percent of the NDOs will experience cost overruns, due in part to NDO and staff inexperience with the type of project being funded. This may, nevertheless, be an acceptable level of performance, since it is not unusual for projects, especially development projects, to incur cost overruns in either the nonprofit or the for-profit private sector.
- Twelve of the 16 completed projects achieved the objectives set by the NDOs. Analysis of the work in progress on the remaining 22 suggests that 19 of these 22 projects also will attain their objectives if no major adverse changes occur.

Consequently, nearly 82 percent of the NDOs will have accomplished the objectives specified in the grant agreement. This is a strong performance, since NDOs typically operate in turbulent en-

vironments in which they have little or no control over the resources—i.e., land—and access to capital needed for successful project implementation.

Evaluating the impacts on participating NDOs based on interviews with executive directors and board members, the following positive impacts were identified:

- The Demonstration increased the NDOs' visibility within their communities, improved their reputations among potential funders, increased funding opportunities from private-sector sources, increased non-monetary support from neighborhood residents and led to increased use of volunteers, especially in local fundraising.

In addition, several negative impacts were identified, although they affected far fewer of the NDOs:

- The paperwork required of Demonstration participants was perceived as overly burdensome; local fundraising was sometimes too time consuming to be cost effective; delays in reimbursement by HUD in response to NDOs' vouchers caused cash flow problems; and some internal friction was caused by the need for NDOs to decide on new fundraising strategies.

In terms of impacts on the NDOs' neighborhoods, only positive impacts were identified, and these tended to be highly correlated with the intended outputs of the projects, e.g., new housing units, job creation, physical improvements, social services.

4. What was the effect of the Demonstration grant on partnership building?

In some sense, the success of the entire local fundraising effort carried out by the participating NDOs in the course of the Demonstration can be attributed to a neighborhood level "partnership" between the NDOs and their private-sector supporters. However, no substantial impact upon the formation of more formal partnership building could be attributed to the Demonstration. Only four (10.5 percent) of the NDOs cited the Demonstration as encouraging them to pursue their NDD-funded projects with a private-sector partner. Aside from these few instances, the NDOs that had entered into formal partnerships with private-sector companies had done so prior to, and independent of, their participation in the Demonstration.

On the other hand, the Demonstration was credited with enhancing the relationships between NDOs and their local governments in 42.9 percent of the cases. Furthermore, 35 out of the 36 local government officials responding anticipated close working relationships with the NDOs in the future.

5. How did the project contribute to neighborhood development?

Given the relatively small size of the projects undertaken by the participant NDOs—the median budget is roughly \$150,000—and the magnitude of the neighborhood problems (physical, social and economic), the impact of the NDD-funded projects will not be dramatic. Nevertheless, once these projects are completed:

- 258 units of housing will be rehabilitated,
- 164 units of new housing will be constructed,
- Hundreds of entry-level workers will be trained,
- Over 50 businesses will be created or assisted,
- Dozens of vacant lots will be cleaned,
- Hundreds of households will receive day care and health care services in newly created neighborhood service facilities.

6. What is the long-term impact of the Demonstration?

The primary focus of the long-term impact analysis for this Demonstration is, of course, on progress toward self-sufficiency. Based upon data on contribution patterns and fundraising levels prior to and during the Demonstration, and projections of future trends, the following impacts can be attributed to the Demonstration:

- An increased number of NDOs with experience and successful track records in neighborhood-based fundraising. As a group, these NDOs raised 6.3 percent of their budgets within their neighborhoods during the Demonstration.
- An increased ability of the participating NDOs to raise larger proportions of their operating budgets after the Demonstration than before (10.0 percent versus 5.0 percent respectively). (It must be noted here, with reference to "progress toward self-sufficiency", that these percentages of the NDOs' budgets are quite modest, and are likely to remain so.)
- An increased NDO staff capacity for both fundraising and project/program implementation.
- An increased board involvement in NDO fundraising.

- A greater number of regular, repeat contributors committed to continue giving (often at a higher level than they did prior to the Demonstration) to the NDOs in the future.
- An increase in institutional, small business and corporate support for local NDOs.
- An increase in local government support for NDOs and especially for NDO development projects.

RECOMMENDATIONS BASED ON THE EVALUATION FINDINGS

Taken as a whole, the conclusions detailed in the analytic chapters of the report and summarized in the preceding pages comprise a positive evaluation of the Demonstration and of the participant NDOs. Although the amounts of money involved in the NDD grants are quite small relative to the needs that exist in the NDOs' service areas, and the performance of the NDOs was less than perfect, within the confines of what the Demonstration was designed to do and the goals the NDOs set out to achieve, the objective observer would have to call the program at least a modest success.

Nevertheless, there are areas in which the Demonstration program model could be improved. A threshold question, however, is what is to be the future of the NDD program? Is it to remain a relatively small-scale, controlled experimental program focused within the strict confines of the NDOs' neighborhoods as the laboratory for testing the impact of various project, neighborhood and NDO characteristics on local fundraising success? Or is it to pursue the broader legislative mandate of engendering the maximum attainable level of self-sufficiency in the participating NDOs? The answer to this question will determine how policymakers should respond to this evaluation and the recommendations that follow.

The first recommendation, in particular, depends almost entirely on what is deemed to be the appropriate future course for the NDD program and is, therefore, presented in an alternative format reflecting the two possible scenarios described above:

- 1.A. Expand the competitive review criteria for NDD applications to take into account intrinsic neighborhood land use characteristics such as presence or absence of viable commercial strips, large nonprofit institutions or other potential sources of substantial contributions to the NDO.

This recommendation assumes that the Demonstration will continue to focus primarily on the neighborhood, per se. It stems from the widely expressed frustration on the part of NDO directors who often stated that, given wider latitude in defining their own neighborhood boundaries, they would have raised a substantially greater amount from local contributors. Part of their frustration is based upon the fact that, in many instances, these neighborhood boundaries were originally based upon the concentrations of persons of lower income or other indicators of neighborhood need, and are therefore particularly unsuited for use as the target areas for a local fundraising drive.

By awarding or withholding competitive points in rating applications from NDOs located in markedly different local fundraising environments, an equitable accommodation to such local disparities can be achieved without doing violence to the concept of targeting the Demonstration to NDOs' neighborhood boundaries.

1.B. Alternatively: In order to maximize the amount of local support that could be generated by the NDOs, allow a broader operating definition of the NDO's fundraising territory, independent of its relation to the NDO's actual service area.

The exact definition of what the appropriate fundraising area might be for any given NDO will still require a great deal of thought, and in some cases it may be as broad as the local municipality or county. This approach, however, may be more appropriate for an ongoing program with a clearly defined goal of decreasing NDOs' reliance upon Federal support by encouraging a shift to "local" support (somewhat more broadly defined than the neighborhood, per se) as opposed to a Demonstration program designed to test the viability of the matching grant approach within a more limited "neighborhood" definition.

2. Allow restricted or partial credit for "in-kind," as opposed to cash, contributions raised by the NDOs within their local fundraising boundaries.

There are numerous instances in which potential supporters of the NDOs would have been more generous if there were more flexibility in the types of contributions that could be counted toward meeting the Federal match requirement of the Demonstration. Many NDOs cited contractors, suppliers and vendors who could have been solicited for contributions of goods and services had there been some mechanism for crediting these toward meeting the NDD match. Other unorthodox, but no less legitimate sources of revenue such as "bargain sales" of properties to the NDOs should also be made eligible. As long as some bona fide means of appraising the value of such gifts is specific (whether it be the applicable IRS regulations used in connection with non-cash charitable deductions or some other generally accepted accounting procedure), this category of local contribution can be a legitimate and highly positive means of forging local private sec-

tor partnerships in support of the NDOs. If it is nevertheless considered desirable to encourage NDOs to raise cash contributions *per se*, in preference to such in-kind support, a differential matching ratio can be applied to the two categories of contributions.

3. Require a minimum threshold level of fundraising for those NDOs with prior experience in neighborhood fundraising so as to assure that the amount raised within the neighborhood during the Demonstration exceeds the amount raised within the neighborhood in the year prior to their NDD application.

In order to guarantee that the maximum impact of the matching grant is reflected in the amount of support generated by the NDOs, those with a previous track record in local fundraising should be required to at least meet, if not exceed, the amount they had raised within the neighborhood without the benefit of the NDD matching grant. A companion recommendation to this one might be the establishment of a reserve fund within the program from which "bonus" matching grants could be made to NDOs that exceeded their local fundraising requirements. The availability of an additional 5 or 10 percent matching grant would help clarify whether or not the fundraising achieved during the Demonstration represents a maximum effort for the participating NDOs. The degree to which NDOs exceed their established local fundraising requirements in response to such a bonus grant would constitute a reliable quantitative indicator of what has thus far been a largely speculative attempt to gauge the NDOs' potential in regard to this kind of fundraising.

4. Provide professional and timely technical assistance in planning and executing large-scale local fundraising campaigns, especially for those NDOs undertaking neighborhood-level fundraising for the first time.

A large number of NDOs (but especially those NDOs that failed to meet their local fundraising requirements) cited the constraints inherent in fundraising at the neighborhood level. The fact that so many of the NDOs were ultimately able to raise their required funds within their neighborhoods suggests, however, that these obstacles, are after all, surmountable. The advice of a professional fundraising consultant at the outset of their fundraising campaigns would be invaluable to the NDOs, and would help distinguish between those impediments that are inherent in the concept of neighborhood-level fundraising from those that are more directly attributable to the NDOs' lack of experience and expertise in the art and science of fundraising.

5. Develop and consistently apply a clear standard for what type and form of contributions will be considered eligible for inclusion in the NDOs' local fundraising to be matched with NDD grant funds.

Initial ambiguity as to what standard would be applied to local non-cash contributions was at least a secondary factor in the withdrawal of one NDO and the failure of four others to meet

their local fundraising requirements. The experience gained during the first round of the Demonstration has helped to clarify some of these issues, and the revised description of eligibility standards contained in the second round NOFA should go a long way toward obviating this problem in the future. However, this has been accomplished at the cost of some flexibility in accommodating the varied and almost unique circumstances that NDOs find themselves in vis-a-vis their potential sources of local support. More, rather than less, flexibility is required in order to successfully administer a matching grant program whose focus is a group of entities as disparate as these NDOs and their neighborhoods.

APPENDIX : RESEARCH DESIGN AND METHODOLOGY

INTRODUCTION

This appendix discusses the research design and methodology employed in the evaluation. Specific topics discussed include the major components of the evaluation; the strategies employed in selecting the sample of NDOs for site visits and respondents for the various surveys; and the statistics employed in analysis of the data.

The major issue in the design of the evaluation involved whether inclusion of all NDD participants in the evaluation was necessary to answer the research questions. Due to the small size of the program and the great variety that exists among NDOs, their neighborhoods, and their projects, it was decided that an analysis of all 38 NDOs would yield more reliable results than an analysis of a sample of the NDD grantees. A sample of NDOs was chosen, however, for site visits to provide context for the analysis and to permit observation of the dynamic characteristics of the NDOs and their neighborhoods that are not captured by the other methods of data collection.

MAJOR COMPONENTS OF THE STUDY

The research questions identified for this evaluation include documenting three outcomes of the Demonstration—success in fundraising, progress toward self-sufficiency, and neighborhood impact—and identifying the factors responsible for the outcomes.

Some of the information needed to provide insights into these issues is available in the quarterly and final reports submitted by the NDOs to HUD during the Demonstration. However, these reports are not sufficient for answering the research questions, for

two reasons. First, the reports submitted by the NDOs vary substantially in their comprehensiveness. Many do not contain the information necessary to evaluate the success of the fundraising efforts. Second, and most important, even when the NDOs comply fully with HUD's reporting requirements, the reports are descriptive in nature, documenting the progress and outcome of the fundraising efforts. They do not provide the information needed to: 1) identify the factors responsible for the success or failure of the fundraising; 2) assess whether the Demonstration aided the NDOs in moving toward self-sufficiency; and 3) assess the projects' impacts on the neighborhoods.

Consequently, interviews with the staff of the NDOs and other participants in the projects were necessary to obtain all of the information needed to address the research questions. The study was organized into six components for purposes of data collection.

Analysis of NDO Applications And Progress Reports

The first component of the study involves collection of data from material submitted to HUD by the NDOs—the applications for the NDD, the quarterly reports submitted by the NDOs, and a close-out report at the end of the year-long fundraising period summarizing the NDOs' experiences in the Demonstration. These data sources yield: a description of the organizations participating in the Demonstration; the types of projects funded by the Demonstration; the objectives, workplan and time schedule of the projects; the identity of the neighborhood contributors and the amount given; the progress of the projects; and a description of problems encountered by the NDOs. The data collected during this phase of the project are used to construct many of the independent variables employed in the analysis of the factors associated with project success. In addition, the close-out reports provide the final tally of the total funds raised by the NDOs from neighborhood sources and the disaggregation of the local contributions into three sources: businesses, individuals, and institutions.

Initial Interview With NDO Executive Directors

The second component of the research is a telephone survey of the executive directors of the 38 neighborhood organizations receiving funding from the NDD. This survey, which builds on the information contained in the NDO applications and quarterly reports, is needed to obtain three types of data not included in NDO quarterly reports:

- Important background information on the neighborhood organization, its previous history of fundraising, and the

NDD-funded project that is missing from the application or quarterly reports;

- Information about the organization's experience in trying to raise the required matching funds, especially any problems that may have been caused by the requirements of the Demonstration; and
- Information needed to assess whether the NDD has contributed to the self-sufficiency of the organization.

These interviews with the executive directors provide a more detailed description of the all-important fundraising activities undertaken by the organizations during the NDD than is available from the quarterly reports. Much of the interview was devoted to questions about the fundraising methods employed during the Demonstration, the NDO's prior use of these fundraising methods, estimation of the amount of new contributions received from each of the fundraising methods, and the NDO's expectations regarding future reliance on neighborhood sources for funding.

The surveys were conducted in August and September 1986. By this time, all but one of the 38 NDOs had completed the one-year fundraising cycle of the NDD.

The results of this survey address two of the three major research questions of the evaluation—did the Demonstration affect the ability of NDOs to raise money within their neighborhoods, and did the Demonstration move the organizations closer to self-sufficiency?

Follow-up Interview With Executive Directors

The third component of the evaluation involves interviews with the NDO staff persons—often the executive directors—responsible for managing the NDD-funded projects. Twenty-two of the interviews were conducted over the telephone, while 16 were conducted in person during a site visit. This survey was conducted in November and December 1986, three to five months after the official end of the Demonstration for most of the NDOs.

These interviews were scheduled as long as possible after the end of the fundraising cycle to maximize the possibility of observing the effects of the NDD on the NDOs and their neighborhoods.

The survey focused on obtaining up-to-date information on: the types of funding sources obtained for the overall project budget, progress in project implementations (i.e., tasks completed, outputs produced), occurrence of cost overruns, impact of the NDD on the

NDO and neighborhood, and identification of each NDO's most successful fundraising technique. The information obtained from this interview provides the basis for the conclusions regarding NDO performance in project implementation and the impact of the NDD on the NDOs and their neighborhoods.

Interviews With Members of the Boards of Directors

Interviews were conducted in November and December 1986 with selected members of the boards of directors of the NDOs to obtain their perceptions concerning the involvement of the boards in the NDOs and the impact of the NDD on the organization.

The sample of board members was chosen on a purposive, not random, basis in order to interview those board members who were most knowledgeable about the NDOs' participation in the Demonstration. The NDO executive directors were asked to identify the board members most informed about the NDD project. A total of 98 board members from 37 NDOs were interviewed. Although the sample of board members interviewed is not representative, it does provide the insights of those members who can best describe the benefits accruing to the NDO as a result of participating in the NDD.

Interviews With City Officials

Interviews were conducted with a city official knowledgeable about the city's participation in the NDD project sponsored by the NDO(s) located in that city. NDO executive directors were asked to identify the city official most knowledgeable about the NDO's relationship with the city government and its participation in the Demonstration. The interview sought to collect information on the impact of the NDD projects on the surrounding neighborhood, the past relationship of the NDO and the city government, the city government's role in the NDD project, and the likely future relationship of the NDO and city hall.

Interviews With Contributors

One of the major objectives of the NDD is to encourage the NDOs to become more self-sufficient by raising new contributions from sources within their neighborhoods. Obviously, success in achieving this objective depends on recruitment of new contributors who are likely to continue their financial support of the NDO in the future. Although the perceptions of NDO executive directors are helpful in identifying whether the NDD attracted new contributors and whether they are likely to continue giving, interviews with contributors are a much more reliable source of information to use in answering these questions. Furthermore, only contributors can identify why they gave funds to the NDOs. Con-

sequently, obtaining reliable answers to some of the important research questions seemed possible only if contributors were interviewed.

Selection of the sample of contributors to be interviewed posed a number of problems. A randomly selected representative sample of all contributors to the NDOs would have been ideal, since the results of the interviews could then be generalized to all contributors. Such a sample was not possible because all of the contributors could not be identified by the NDOs. For example, approximately 23.0 percent of the local contributions came from special events, and the participants in many of these events were unknown.

Once it became apparent that a representative sample of contributors could not be selected, a decision was made to attempt to interview the largest contributors to each NDO in the belief that the large contributors will play a disproportionate role in the future in helping the NDOs establish a permanent funding base within their neighborhoods. Attempts were made to identify the largest contributors from the quarterly reports and close-out reports submitted by the NDOs. NDO executive directors were asked to identify the largest contributors if they were not listed in the reports submitted to HUD.

A total of 88 contributors to 35 NDOs were interviewed. Contributors to three NDOs were not interviewed, either because all of the funds were raised by special events or specific individuals could not be contacted. The 88 contributors interviewed account for \$360,300, or 39.3 percent of the total funds raised by NDOs within their neighborhoods.

Comparison of selected characteristics of the contributor sample with corresponding characteristics of all of the contributors provides mixed evidence regarding the representativeness of the contributor sample. The sample resembles the universe of contributors in one important respect—43.0 percent of the funds given by the sample are new resources, while 45.0 percent of the total contributions represent new sources of revenue for the NDOs. However, the sample differs from the overall group of contributors in that a greater proportion of the funds contributed by the sample were given by businesses (60.3 percent) than is true of the total contributions (46.6 percent). The share of the funds given by individuals in the sample (21.9 percent) is quite similar to the share of the total contributions (23.1 percent). Finally, nonprofit institutions provided a smaller share of the sample funds (17.7 percent) than of the total contributions (30.3 percent).

This over-sampling of businesses is not a serious flaw. Since NDOs identified solicitation of local businesses as the most important fundraising method, this over-representation of businesses

within the sample actually fulfills the purpose of the sample to select those contributors who might play a key role in establishing a solid funding base within the NDOs' neighborhoods.

SELECTION OF A SAMPLE OF NDOs FOR SITE VISITS

The original research design for the evaluation was premised on two assumptions. First, reliable answers to most of the research questions posed by HUD could be provided only by including all of the NDD participants in the study. Second, assessment of the impact of the NDD on NDO neighborhoods could be accomplished only through site visits made to a representative sample of NDD awardees. (Visits to all NDOs were not possible due to budget constraints.) Site visits made to a sample of projects yield another major benefit—they provide an important, hands-on "feel" for the neighborhoods and NDOs and provide additional insight into the dynamics of the Demonstration (e.g., why certain outcomes resulted).

A decision was made to select a stratified sample of 16 projects in order to control for one of the factors hypothesized to influence project success. A number of factors likely to affect NDO success in the Demonstration, derived from previous research and the contractor's years of experience in providing technical assistance to NDOs, were identified. The key factors were expected to include: type of project, internal capability of the NDO, neighborhood resources, and amount of funds already raised for the project.

Project type—the type of activity comprising the project—was selected as the best stratification variable for two reasons. First, funders often have a preference for "hard" versus "soft" projects. The type of project for which matching funds are sought is, therefore, predicted to elicit a strong positive or negative response from potential NDO supporters.

Second, projects whose objectives are to produce additional units of standard quality housing or to develop new businesses and/or jobs involve a greater risk than service provision or neighborhood improvement. Consequently, the nature of the project is likely to have a significant effect on the NDOs' ability to raise the matching funds and to complete the project successfully and on the ability of the project itself to improve neighborhood conditions.

The 38 NDOs were stratified into three categories based on the NDD-funded projects' activities: 1) housing production, 2) busi-

ness/job development, and 3) service provision/neighborhood improvement. These categories were selected because it is hypothesized that fundraising success, progress toward self-sufficiency and impact on the neighborhood may vary significantly for these three types of projects. The major type of project activity, assuming successful completion, was used to assign projects to the three categories. Thus, projects involving the renovation or construction of housing are classified as housing production, projects that include activities to create businesses, increase the volume of business, or create jobs, are put into the second category, and projects offering services of various types or cleaning up the neighborhood are put into the third category.

Based on the above logic, the 38 projects were classified as follows: housing production, 20 projects; business/job development, nine projects; service provision/neighborhood improvement, nine projects. A proportional stratified sample yielded the following results: eight housing, four business, and four service provision/neighborhood improvement.

Unfortunately, the major reason for selection of the sample was obviated because only 16 projects were completed, thus preventing meaningful analysis of the impact of the projects on neighborhood conditions. As a result, the site visits were undertaken primarily to obtain additional insight into the dynamics of the NDOs' participation in the Demonstration.

STATISTICAL ANALYSIS

The specific statistics to be employed depend upon the types of data available to measure the variables describing NDO, project, and neighborhood characteristics and project outcomes. Frequency distributions are reported for variables that can be measured as nominal or ordinal data; that is, as a set of categories. Means or medians are reported for concepts measured as interval or ratio scale variables; that is, as continuous numbers, percentages or proportions.

Bi-variate statistical analysis is employed exclusively to examine the relationship between neighborhood characteristics, NDO characteristics and project characteristics and the various measures of project success. Chi-square tests of statistical significance are employed to examine the relationship between the independent variables and project success when both variables are measured as nominal data. Difference of means tests are used when the independent variable is a nominal scale variable and the dependent variable is an interval or ratio scale variable. Finally, simple correlation analysis (relying on Pearson correlation coeffi-

cients) is performed when both variables are measured as interval or ratio scale data. Multivariate analyses were not performed, due to the small number of cases and the large number of independent variables.

A brief comment should be included concerning the use of tests of statistical significance in this study. These tests are not necessary in this study because the 38 NDOs represent the universe, not a sample of the NDD recipients. However, the tests are used to provide some assurance that a meaningful relationship actually exists between two variables. Tests of statistical significance typically do not indicate the strength of a relationship between two variables in studies involving a large number of cases. However, with small sample sizes—as is the case in this study—very large differences are required to obtain statistical significance. That is, differences that would be statistically significant in studies with a large number of cases may not be significant when fewer numbers of cases are analyzed. Thus, in this study, the tests of statistical significance are used as a sort of benchmark, to indicate whether a large difference would be statistically significant if the NDD participants were selected as a sample from a larger universe of NDOs. In this sense, then, the tests of statistical significance do indicate the strength and meaningfulness of the relationships examined in this study.