

Case 33

Bedford-Stuyvesant and the Rise of the Community Development Corporation

Ford Foundation, 1966

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Background. By the early 1950s, it was readily apparent to anyone paying attention that American inner cities were descending into a state of crisis. Upper- and middle-class families were rapidly fleeing urban centers for the burgeoning suburbs, and masses of uneducated blacks fleeing the rural South for big cities were finding that America's traditional proving grounds for social advancement—its cities—were becoming havens of chronic poverty marked by declining social services and a rising tide of violence.

In 1950, the Ford Foundation became the largest private foundation anywhere in the world. Eager to take on projects of magnitude befitting its tremendous resources, the Foundation soon turned its attention to urban decay. Between 1964 and 1966, Ford committed millions of dollars to the “Gray Areas” program in an attempt to coordinate a strategy for reversing the spread of urban decay. This controversial program had mixed results. Under the leadership of Mitchell Sviridoff, its New Haven demonstration project was widely praised, and became the model on which the Johnson administration based its War on Poverty (although that federal program quickly ballooned into something largely unrecognizable).⁵¹⁰ But Gray Areas did not, as it turned out, show the way forward. Rather, it was the first major attempt, as Robert F. Kennedy used to say, to “grab the web [of urban poverty] whole.” Because of the intense popular and media attention it attracted, “Gray Areas helped make poverty *visible* to America.”⁵¹¹ And it had a profound impact on the field of philanthropy. As Sviridoff recounts:

In the period prior to Gray Areas, rarely did a major foundation venture forth in the wilderness of the inner-city ghetto with experimental and demonstration programs. Nor did many foundations recognize the overriding significance of the urban crisis, never mind the ticking time bomb of race. Gray Areas literally electrified these staid institutions and, for better or worse, life for this community has never been the same. Gray Areas broke the mold.⁵¹²

A critical learning experience, Gray Areas set up directly the next leap forward in the fight against urban poverty. That leap would be made soon after, and its principal movers would be Senator Robert Kennedy, Franklin Thomas, and the Ford Foundation.

Kennedy, the junior Senator from New York and former Attorney General, had first worked to shore up failing urban communities in the early 1960s, when he served as Attorney General and chairman of the President's Committee on Juvenile Delinquency. In February 1966, Senator Kennedy was invited by community leaders from Brooklyn's run-down Bedford-Stuyvesant district to tour the neighborhood and discuss community development. Moved by the community's problems, Kennedy saw, in Bedford-Stuyvesant, an ideal place to attempt a major intervention bringing together the public and private sectors in support of the efforts of the community to improve its lot. At the time, the median income in Bedford-Stuyvesant was \$1,500 below the city average;⁵¹³ it was the most overcrowded neighborhood in the entire United States; and more than half of the neighborhood's employed men held unskilled, low-wage jobs. Bedford-Stuyvesant's population was 80 percent black and 15 percent Hispanic, and was without any effective political support in the city or national government.⁵¹⁴

Strategy. Kennedy hoped to emulate the best parts of the Gray Areas Program,⁵¹⁵ while learning from its mistakes and drawing in such broad support that true urban renewal—that elusive outcome Gray Areas had failed to produce—would be achieved, first in Bedford-Stuyvesant, then nationwide. In August 1966, testifying before the Subcommittee on Executive Reorganization of the Senate Committee on Government Operations (of which he was a member), Kennedy suggested, “the creation of Community Development Corporations, which would carry out the work of construction, the hiring and training of workers, the provision of services and encouragement of associated enterprises.”⁵¹⁶

The first such community development corporation (CDC) would operate in Kennedy’s Brooklyn test site. In a single day, Kennedy secured the support of several major for-profit companies, including IBM, CBS, First National City Bank, and Equitable Life. He also convinced Mayor John Lindsay, Governor Nelson Rockefeller, and New York’s senior senator, Jacob Javits, to support his plan. For philanthropic support, Kennedy approached the Ford Foundation. Many Ford officials were skeptical of Kennedy’s “grab the web whole” approach, and, chastened by the difficulties encountered by Gray Areas, argued against supporting the new Bedford-Stuyvesant project. Paul Ylvisaker and McGeorge Bundy, however, the Foundation’s vice president and president, respectively, were impressed. According to Eli Jacobs, who helped plan and run the project, Bundy (who had been national security advisor to the senator’s brother) liked the inclusive, nonpartisan style of the program, and was willing to appropriate the requested funds “just to teach Robert Kennedy that businessmen didn’t have horns.”⁵¹⁷ Although they had hoped to raise more than the \$750,000 initially granted, Jacobs and the rest of Kennedy’s team “were grateful that [they] had [the Ford money]; there were no other sources of funding.”⁵¹⁸

The project would, in fact, be carried out by two newly created independent nonprofits. The Bedford-Stuyvesant Restoration Corporation⁵¹⁹ set the agenda and managed the various programs pursued in the neighborhood. The Bedford-Stuyvesant Development and Services Corporation (D & S), composed of a small staff and a board of powerful Manhattan business leaders, would advise the Restoration Corporation, and offer it technical assistance and a wealth of connections in the for-profit sector. D & S would also control the funds received and disbursed under the initiative, though the two organizations would apply for funding as partners. Franklin Thomas, deputy commissioner of the New York police department, an attorney and former strategic air command navigator, and himself a Bed-Stuy native, was recruited to direct the Restoration Corporation.

Like Gray Areas, the Bedford-Stuyvesant project “held itself out as a new, more effective delivery system for the best efforts of government, foundations, and corporate philanthropy.”⁵²⁰ While Robert Kennedy had supplied the vision and the early initiative, Franklin Thomas was the mastermind of the Restoration Corporation’s strategy on the ground. Thomas believed in an incremental, block-by-block approach that rejected sweeping, macro solutions in favor of concrete improvements that neighborhood residents could take part in and see clearly in the short term. Thomas recognized that, despite its rampant poverty and crime, Bedford-Stuyvesant did have one advantage, compared to other poor neighborhoods in New York—its rates of home ownership were actually significantly higher, an indicator that residents might in fact be willing to commit strongly to the long-term improvement of the area.

To that end, Thomas pioneered the Community Home Improvement Program, which taught residents basic maintenance and repair skills, then funded external property improvements in exchange for a promise from each participant to fund, out of pocket, an equal amount of internal improvements to homes, offices, and retail space. The Program also took such visible measures as donating garbage cans (brightly marked with an “R” for “Restoration”), so that residents’ trash did not spill out onto the streets while they waited for garbage pickup, which was notoriously unreliable in Brooklyn. These measures were sometimes criticized as being insubstantial band-aids, but for Bed-Stuy residents, they were concrete improvements in the quality of life, and investments in the

neighborhood's ability to take care of itself.

The two Corporations worked to attract investment in the community, and helped residents start up their own businesses. Recognizing that big money would have to come from the public sector, they also lobbied the federal government for financial support. After Franklin Thomas joined the Restoration effort, the Ford Foundation began to feel that “[t]his was going to be something altogether new, something that had absorbed and profited from the lessons of the past—and would not, apparently, be doomed to repeat them.” This enthusiasm was heightened in late 1966, when Mitchell Sviridoff, the former head of the New Haven Gray Areas project, left his post as commissioner of New York City’s Human Resources Administration to join the Ford Foundation as vice president for national affairs. Ford approved another \$1 million, and would continue to support and expand the Restoration.

Outcomes. Even after the assassination of Senator Kennedy in 1968, the Bedford-Stuyvesant Restoration Corporation achieved tremendous success in helping the residents of one of the nation’s most blighted ghettos lift up their community. In late 1966, Senators Javits and Kennedy had spearheaded the passage of an amendment to the Economic Opportunity Act of 1964. That amendment enabled federal funding for community development projects aimed at reducing urban poverty, and was ultimately responsible for the disbursement of some \$106 million for community development corporations nationwide in the 1960s and ’70s. Thanks to its strong connections, Bedford-Stuyvesant received fully one third of these funds.³²¹ The incremental approach gave residents an almost immediate sense that progress was being made. This led more and more Bed-Stuy residents to buy into the program, and so a cadre of community leaders gradually emerged. IBM opened a plant in Bedford-Stuyvesant, and, by 1968, residents had started up over twenty new businesses, all providing gainful employment in the neighborhood.³²² Both government and foundations continued to contribute. By the end of 1968, the Department of Labor had given \$7.5 million, and philanthropies, mainly the Ford, Rockefeller, and Astor Foundations, had given an additional \$3.7 million.³²³ And, under Franklin Thomas’ leadership, the Restoration Corporation “convinced 85 banks to establish a mortgage pool of \$100 million” for the residents of Bedford-Stuyvesant.³²⁴

The Ford Foundation did more than support the Brooklyn project. Recognizing a model of community development that could achieve similarly impressive results around the country, Ford helped set up and support the expansion of the strategy pioneered at Bedford-Stuyvesant. The Foundation made a series of grants—usually of several hundred thousand dollars each—to nascent community development organizations, modeled after Bedford-Stuyvesant, in cities around the country. During Mitchell Sviridoff’s thirteen-year tenure, the Foundation gave out over \$100 million in grants and program related investments (PRIs) to support the creation and growth of community development corporations.³²⁵ In order to demonstrate the broad applicability of the CDC approach, Ford made the grants and PRIs in a diverse range of communities—urban and rural, predominantly white, black, and Hispanic alternately. In addition, the Foundation sought to gather the support of policymakers and other foundations, regardless of political ideology.

Impact. And, indeed, CDCs have crossed political boundaries. Ford has collaborated with the conservative Scaife Foundation to set up a CDC in Pittsburgh, and the Bedford-Stuyvesant model, brought forth by Robert F. Kennedy, has received major support from Republican and Democratic presidents alike. Writing near the end of his life, Mitchell Sviridoff described the community development landscape:

Today, community development corporations blanket the American landscape. Various attempts to count or classify them have turned up different numbers, but estimates are in the thousands, and each year brings larger numbers than the year before. They have produced hundreds of thousands of affordable houses and apartments, millions of square feet of retail and other commercial space,

and drawn billions of dollars in private investment into neighborhoods once written off as lost.⁵²⁰

The Ford Foundation contributed, through its Gray Areas Program, to the evolution of the community development corporation. And it provided crucial early funding of Senator Kennedy's vision. Kennedy, his staff, and the political and business leaders they recruited, not only conceived the Bedford-Stuyvesant project, but also made sure it was equipped to succeed. And none of that would have mattered had the residents of Bedford-Stuyvesant not worked with the Restoration Corporation to transform their community. When the program was announced, there was a very high degree of "poverty program despair" that left many Bed-Stuy residents skeptical of new interventions. But as Franklin Thomas said, "we . . . figured out that development is really a process as much as a product." The importance of the process was that it showed that members of a depressed and crime-ridden community could, and would, reverse the trend of urban decline.

Thomas, himself, became Ford's president upon the retirement of McGeorge Bundy. He was there on a 1978 visit to a Ford-supported community development project in Baltimore when Mitchell Sviridoff came up with the idea of LISC: the next great step forward in the field of community development.

Notes

510. Mitchell Sviridoff, ed., *Inventing Community Renewal: The Trials and Errors that Shaped the Modern Community Development Corporation* (New York: Community Development Research Center: 2004).

511. Ibid.

512. Ibid.

513. Adjusted for inflation, \$1500 in 1966 is equivalent to over \$9000 in 2005. "Inflation Calculator" available at <http://www.bls.gov/>.

514. This meant, for example, that although Bedford-Stuyvesant was in many ways the poorest neighborhood in any city on the East Coast, it received virtually none of the \$380 million given to New York City under the National Housing Act of 1949.

515. In a nutshell, the Gray Areas program set up demonstration projects in five cities: Oakland, CA; New Haven, CT; Philadelphia, PA; Boston, MA; and Washington, D.C. In each city the Ford Foundation established an independent community agency that would develop a plan to revitalize the city, and then work to "[enlist and redirect] the efforts of city government, schools, social welfare agencies, and neighborhood leaders." The plan, and an allocation of seed money from the Foundation, would be used "to induce financial commitments from other agencies—public and private, local and national." Throughout the process, the poor themselves would be directly involved in setting up and carrying out the renewal of their communities. See Sviridoff, *Inventing Community Renewal*.

516. Ibid.

517. Ibid.

518. Ibid.

519. In fact, the Corporation's original name was the Bedford-Stuyvesant Restoration and Renewal Corporation, but it splintered after an early power struggle among its trustees, and the victorious faction—which was the progressive group—was known as the Bedford-Stuyvesant Restoration Corporation. Ibid.

520. Ibid.

521. Ibid.

522. Ibid.

523. Ibid.

524. Ibid.

525. Ibid.

526. Ibid.