

Case 52

Local Initiatives Support Corporation (LISC)

Ford Foundation, 1979

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Background. As long as there have been cities, there have been slums. High crime rates, unsanitary conditions, and inadequate housing have been characteristics shared for centuries by underprivileged communities around the world. In the United States, urban decay became particularly acute in the years following the end of World War II, as upper- and middle-class whites fled the inner cities in favor of burgeoning suburbs. In dozens of cities, urban neighborhoods were left with predominantly black populations. Often marked by poverty, many such neighborhoods were beset by gang violence and a pervasive lack of opportunity. As early as the late 1940s, government officials at every level had come to recognize deteriorating communities as a major problem.

Efforts to improve conditions have, however, been disappointing. Too often, in the '50s, '60s, and '70s, many politicians' idea of community revitalization was to uproot working class communities to make way for glittering development projects that did more to enrich real estate interests than the urban poor. And as programs like Model Cities and the War on Poverty foundered, it became apparent that "Three decades of federal programs had done little to rescue the slum."⁷³

In the 1960s, two projects, in particular, helped the Ford Foundation develop a reputation for involvement in the community development movement. The first was the foundation's Gray Area program, which contributed directly to the evolution of the community development corporation (CDC), which, in turn, would become one of the primary vehicles of community renewal in the ensuing decades.⁷⁴ The second was the Bedford-Stuyvesant Restoration project, which was led by Ford and Robert Kennedy, and aimed to revitalize a six-square-mile area of Brooklyn.

It was not until 1980, however, that the Ford Foundation would make its most significant contribution to-date to the fight against community decay. As it became apparent that the incoming Reagan administration planned to "drastically cut back the amount of money the federal government provided for social services and urban programs,"⁷⁵ Ford, as well as other institutions active in community development efforts, became worried about the fate of that often-frustrated movement. Alexander Von Hoffman, of Harvard's Joint Center for Housing Studies, argues, in his book *House by House, Block by Block: The Rebirth of America's Urban Neighborhoods*, that churches, foundations, and even civic minded for-profit corporations, were "spurred to some extent by Reagan's budget cutbacks" to find new ways to support embattled community development groups.

Strategy. The idea for the Local Initiatives Support Corporation (LISC) was born in 1979, when a group of Ford Foundation trustees and officials visited community development projects in Baltimore. On their way back to New York, James Ellis, a Foundation trustee, "asked [Foundation vice president] Mitchell Sviridoff what he would do if he had \$25 million to spend on helping declining cities." Sviridoff responded with an idea that Franklin Thomas, another of the Foundation's trustees, had recently suggested: identify competent leaders in 50 to 100 communities around the nation and give them as much money and support as possible.⁷⁶

In a way, it was an unremarkable idea. After all, giving money and support to worthy grantees is a large part of what foundations have always done. But Sviridoff and Thomas understood that in the case of community development, there were a host of people, residents of deteriorating neighborhoods, who were already passionate about turning things around. At the same time, there was an enormous amount of money available, from organizations cutting across all sectors of American society, for the same purpose. What needed to be done was to connect the two, and, in so doing, to enable the most innovative and capable community leaders to more effectively pursue their

goals. For years, private financial institutions had refused to fund community development activities. The reason they gave for this unwillingness was that they could not reliably ascertain the credit-worthiness of borrowers in the field. Sviridoff perceived that the Ford Foundation could fill a critical niche by determining which would-be borrowers for community development could be relied upon to repay their loans.

The Ford Foundation understood that the for-profit sector could be a major resource in community development efforts. So, the following year, it joined with six corporations to found the Local Initiatives Support Corporation.⁷⁹⁷ LISC was to be an intermediate organization, “[helping] community organizations attract new private and public support for their work...”⁷⁹⁸ Ford’s initial contribution to LISC was \$4.75 million to match the combined donations of its six partners. In addition, Mitchell Sviridoff left the Foundation to serve as LISC’s first president. LISC was a completely new and autonomous organization. It had its own governing board, staff, and headquarters in New York. It has continued to receive support from the Ford Foundation, but today it is also supported by a multitude of other foundations, for-profit companies, and public agencies at all levels of government.

Active in both rural and urban areas, the Local Initiatives Support Corporation employs a three part strategy. First, LISC uses its own resources to provide CDCs with access to capital. It does this by offering grants and low-interest loans. Second, LISC acts as a go-between for the various stakeholders in local communities. This means collaborating with concerned community leaders, CDCs, local government, foundations, and businesses. LISC gives community organizations access to the pools of funding available through the latter three institutions. Third, LISC works to create a climate in government that is favorable to the community development industry. It lobbies Congress, for example, on behalf of legislation that supports rural and urban renewal.⁷⁹⁹

LISC does not try to solve the problems of every community in which it is involved. Rather, it marshals resources on behalf of those who would uplift their own communities, allowing local leaders and groups to test out their ideas. As Mitchell Sviridoff explained in 1984, LISC is “a finder for good social investments.”⁸⁰⁰ This is a nimble, case-specific approach. It keeps LISC from over-generalizing the problems faced by communities, and it leaves autonomy in the hands of leaders on the front lines. LISC itself is a national organization, but each of its projects is coordinated by a Local Advisory Committee (LAC), composed of volunteers from local foundations corporations, and government. According to Robert Rubin and Michael Rubinger, the current board chairman and president of LISC, respectively, the LACs “bring local perspective, insight, and direction to a national model.”⁸⁰¹ This structure also enables LISC to be active nationwide, while limiting its administrative costs to less than 14 percent of its total budget.

From the outset, the Ford Foundation saw the big picture. No one group or sector would, by itself, be able to make a significant dent in the spread of community deterioration. What was needed was a multi-sector collaboration, and so Ford set up LISC to remove barriers to collective action. As its predictions of credit-worthiness were borne out, LISC developed credibility among private lenders and government agencies. With their primary objection to investment in community development removed, financial institutions and, most importantly, the federal government, have become more and more willing to fund such efforts. And as an operating nonprofit, LISC is also able to do something the Ford Foundation could not. Ford, a private foundation, is precluded, by the Internal Revenue Code, from engaging in the sort of public advocacy and lobbying that is one of LISC’s three primary tactics.

Outcomes. Within a year of its founding, LISC was engaged in forty ventures in eighteen cities. It was already working with twenty-five major corporate funders, with another twenty-five, in Sviridoff’s words, “waiting on the back burner.”⁸⁰² Three years after that, LISC had received more than \$60 million in corporation and foundation support, over \$16 million of it from the Ford Foundation.⁸⁰³ And, by 1986, LISC had made 700 grants or loans to over 400 community

organizations, totaling \$43 million. And once LISC had turned the spigot, private and public funds poured in. So the real impact of this money was that it had served as the leverage that allowed these receiving organizations, with LISC's assistance, to attract more than \$360 million from other funders. This was "more than four times what it had expected to achieve by 1986."⁷⁹³ It was enough that LISC was "already the country's largest nonprofit community development organization."⁷⁹⁴ Even though it had been joined by many partners, the Ford Foundation continued vigorously to support its brain child. In 1986, for example, the foundation committed \$7.1 million to enable LISC to continue taking its model to scale. LISC has continued to grow rapidly, as any visitor to its website will readily perceive:

Since 1980, LISC has marshaled more than \$5.7 billion from 3,100 investors, lenders, and donors. In over 300 urban and rural communities nationwide, LISC has helped 2,400 CDCs build or rehabilitate more than 147,000 affordable homes and almost 22 million square feet of retail, community, and educational space totaling almost \$13 billion in development. As a result, hundreds of thousands of people have better lives and brighter futures.⁷⁹⁵

Impact. These claims are not mere hype. The measurable impacts, directly attributable to the Local Initiatives Support Corporation, total many billions of dollars. As for the latter part of LISC's self-assessment, its full impact is impossible to quantify. Officials on the front lines of the battle to rebuild decaying communities around the country have praised LISC for its role in the fight. In 1986, Harold Washington, who was then the mayor of Chicago, described LISC as "a shot of adrenalin."⁷⁹⁶ On the same day, Mayor Wilson Goode of Philadelphia expanded on this, declaring, "What LISC has done has brought forth new resources, created hundreds of jobs and made real impact. . . ." And in the eighteen years since then, LISC has only expanded its reach and deepened its involvement.

It has not been alone in the effort. Nor could it function if it were. The entire objective of LISC is to enable others more effectively to pursue their visions of community development. It has collaborated with similar organizations, such as the Enterprise Foundation, often to great effect. And LISC has, from the start, been animated by an understanding that its role is to harness the resources and expertise of America's multi-sector society in the service of local inspiration.

It is now clear, however, that LISC has been, and continues to be, a major participant in the revitalization and development of literally thousands of urban and rural communities across the country. As Von Hoffman writes, "[i]n the waning years of the twentieth century, [many] developments—the nonprofit community groups, the new wave of immigration, and gentrification—had converged. And lo and behold, the neighborhoods of the inner cities at last began to show visible improvements—in crime statistics, employment rolls, and physical appearance."⁷⁹⁷ Regardless of its many other contributions to this renewal, the Ford Foundation deserves credit for imagining, nurturing, and bringing to fruition an organization that has amplified the voices of progressive leaders, enabling hundreds, if not thousands, of them to realize their dreams.

Notes

793. Alexander Von Hoffman, *House by House, Block by Block: The Rebirth of America's Urban Neighborhoods* (New York: Oxford, 2003).

794. Harry Edward Berndt, *New Rulers in the Ghetto: The Community Development Corporation and Urban Poverty* (Westport: Greenwood, 1977).

795. Von Hoffman, *House by House, Block by Block*.

796. Kathleen Teltsch, "Funds Are Packaged To Aid Communities," *New York Times*, 6/7/1981.

797. Ford's partners in founding LISC were Aetna Life & Casualty Foundation, Atlantic Richfield Foundation, Continental Illinois National Bank and Trust Company of Chicago, International Harvester Company, Levi Strauss & Co., and the Prudential Insurance Company of America.

798. Ford Foundation, *Annual Report*, 1980.
799. This three part strategy is described in greater detail on LISC's website: <http://www.lisc.org>.
800. Alan S. Oser, "Nonprofit Realty Groups Getting More Private Help," *New York Times*, 3/18/1984.
801. Local Initiatives Support Corporation, *Annual Report*, 2002, available from <http://www.lisc.org>.
802. Oser, "Nonprofit Realty Groups Getting More Private Help."
803. Ibid.
804. Kathleen Teltsch, "Foundation Helps Renew City Areas," *New York Times*, 12/7/1986.
805. Ibid.
806. *Local Initiatives Support Corporation Site*, available from <http://www.lisc.org>.
807. Teltsch, "Foundation Helps Renew City Areas."
808. Von Hoffman, *House by House, Block by Block*.