Tower Grove Neighborhoods:
A Case Study of the Consolidation of Three Community Development Corporations

By
Karl Guenther,
Community Development Specialist

Todd Swanstrom, Ph.D.,
E. Des Lee Professor of Community Collaboration and Public Policy Administration,

and **Rachel Hanks**,
Creating Whole Communities Graduate Research Assistant

Creating Whole Communities
University of Missouri-St. Louis

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Executive Summary

This report examines the causes and effects of the merger of three community development corporations (CDCs) in St. Louis. The case study supports previous research on the environmental and organizational factors associated with CDC mergers. In the St. Louis case, the three CDCs faced many environmental challenges, including cuts in available funding and changes by the City of St. Louis in the way it handed out federal funds. These environmental stresses interacted with organizational factors, including low staff capacity and overreliance on shrinking federal funds, to pressure the CDCs to consider a merger.

Despite pressures to combine, the effort would never have succeeded without the presence of key local factors. One key element was the support of the two alderpersons from the area. In addition, with the help of a network of community-based nonprofits, the three organizations began a formal process of collaboration long before considering consolidation. As a result, they developed a deep understanding of each other's strengths and weaknesses, which were in many ways complementary. Finally, the executive directors and the boards of the three organizations gradually developed trust and an understanding of how consolidation could help them survive and thrive.

One interesting aspect of this case is that the organizations decided to consolidate under one organization instead of forming a new entity. This had a number of advantages, including freeing the new consolidated CDC from taking on legal obligations from the existing organizations. The consolidation into the Tower Grove Neighborhoods Community Development Corporation (TGNCDC) has resulted in greater efficiencies and impacts on the neighborhood. TGNCDC has been able to complete a 20-year community vision and development framework and a 5-year

strategic plan. As it has been able to compete more successfully for grants, its organizational stability, at least in the near-term, appears solid. The consolidation does not appear to have weakened the ability of the new organization to stay closely connected to the neighborhood.

Better Block Project

Introduction

This report examines the issue of mergers of community development corporations (CDCs). After reviewing key lessons from consolidation and merger research, a recent consolidation of three CDCs in St. Louis, Missouri is examined. Tower Grove Neighborhoods Community Development Corporation (TGNCDC) was formed through the consolidation of three community development corporations covering three contiguous neighborhoods in South St. Louis City. This case study focuses on the local context, history and process of the consolidation, resulting outcomes of the consolidated organization, and how the case study aligns with or differs from prior research on CDC mergers.

Literature Review: The Causes and Consequences of CDC Mergers

The merger of CDCs is an important topic to study because mergers can positively impact the stability and impact of community-based nonprofits. One of the few scholarly studies of CDC mergers points out that for organizations under stress the alternative to merger is often downsizing or failure (going out of business entirely).[1] CDCs perform important functions for neighborhoods, including housing development and preservation, economic development, social service delivery, and political advocacy. Unlike in the private sector, where many businesses compete to provide the same products or services, if a nonprofit dissolves, it is unlikely that another nonprofit will step in and provide those same services. If CDCs fail, neighborhoods can be harmed. Larger organizations with a greater diversity of projects, neighborhoods, and income types are less vulnerable to sudden shifts in markets or funding. By joining together, CDCs can protect themselves from the risk of dissolving.

Mergers also have the potential to improve the efficiency and impact of CDCs. Larger CDCs have been shown to be more effective and efficient.[2] Mergers can facilitate the preservation, expansion, or improvement of services. Consolidated organizations can achieve economies of scale by, for example, saving money on bulk purchases. Larger organizations can also take advantage of a finer division of labor that enables them to hire staff with specialized skills, such as in housing rehabilitation or fundraising, increasing their ability to impact the community. Larger organizations may be able to compete more successfully for grants, partly because they have the capacity to implement more complex projects.

We make no assumption here, however, that mergers are always good. Clearly, there is a trade-off with size: larger organizations with a more advanced technical division of labor may lose touch with local communities and operate according to their own imperatives. Larger, more effective organizations are not desirable if they are doing the wrong things. Randy Stoecker argues that some CDCs focus too much on development and distract attention from the need for community organizing.[3] CDCs that are corrupt, ignore the wishes of the community, or implement projects that are harmful to the neighborhood probably deserve to go out of existence rather than being kept alive by a merger. In short, CDC mergers are not magic bullets; whether they are beneficial

or harmful depends on the local context. However, in contexts where CDCs are doing work that benefits local communities, mergers can be a way to increase their efficiency and impact, as well as preserve CDCs that otherwise would go out of existence.

What factors influence community-based nonprofits to merge? What sequence of events must occur for a merger to succeed? Research on the causes and effects of CDC mergers is scarce. We draw heavily from research by William Rohe, Rachel Bratt, and Protip Biswas examining six case studies of CDCs under stress: two that failed, two that downsized, and two that merged.[4] This study found that a mix of contextual and organizational factors influenced whether community development corporations failed, downsized or merged. Figure 1 summarizes the ten contextual and organizational factors associated with mergers.

Figure 1: Factors Affecting Community Development Corporation Mergers[5]

Contextual Factors	Organizational Factors
Increased competition for limited resources	Narrow mission
Changes in local city policies	Internal management issues
Pressure from intermediaries and local funders	Overreliance on a single funding source
Trust among key stakeholders	Low levels of staff or board capacity
Market forces	Communication problems

Many of the environmental and organizational factors that drive CDC mergers show up in studies of nonprofit mergers more generally.[6] Competition for resources, pressure from funders to work more closely across organizations, trust between merging organizations and commitment from staff, executive, and board leadership are all factors that are associated with nonprofit mergers. Contextual and organizational factors also interact.   CDCs with a narrow mission focused on housing production are vulnerable to changes in local city policies, such as a decrease in funding for housing or a sudden decline in market strength in their neighborhood.[7] Organizations with trust between leaders can entertain and sustain consolidation conversations if their positions and boards are stable and they see their ability to compete for resources increasing after a merger.

Research has also identified patterns in the merger process and post-merger outcomes. Mergers typically arise from situations where the participants are familiar with one another, where existing alliances and collaborations create space to explore merger, where leadership transitions make merger easier, and where executives begin exploring merger with other executives first.[8] Other factors during the pre-merger phase that affect success are participating organizations with enough financial stability to meaningfully participate in the merger, awareness of the time and financial costs to negotiate and implement a merger, external conditions that support or urge consolidation, compatibility of missions and organizational structures, and positive pre-merger relationships between executive leadership.[9]

When organizations decide to pursue merger, the process is strengthened by involvement of an executive champion, board, key staff-leadership, and other stakeholders (funders, clients, consumers, etc.). Board involvement throughout the entire process is associated with completing mergers.[10] Leadership of consolidating

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organizations must not only consider the integration of operating structures but also the integration of organizational culture. Clear timelines and decision-making processes build trust by allowing parties to see the steps that need to be taken and the benefits and drawbacks of merging. Organizations tend to use outside technical assistance or consultants for transactional aspects of merging, such as legal assistance, due diligence, or meeting facilitation.[11]

After mergers are complete, an organization is faced with funding the new entity. Research shows mixed results on whether or not mergers improve financial sustainability. When financial stability is reached, it generally involves some organizational cost savings, e.g., office space, staff reduction, insurance, and increased competitiveness in attracting funders due to an ability to afford professional management and services. However, sometimes funders end up cutting their investment in the merged organization making it harder to deliver on organizational goals.[12] Another factor affecting the financial success of mergers is whether the consolidation improves the reputation and image of the organization leading to more financial support. Merged organizations also face issues related to ensuring staff and stakeholders remain committed to and identify with the newly formed entity.[13]

The Local Context

Most CDCs in St. Louis are relatively small and have limited staff capacity. St. Louis does not have a large foundation that supports CDCs, such as Cleveland, Pittsburgh, or Baltimore. National funding intermediaries, such as Enterprise Community Partners and the Local Initiatives Support Corporation (LISC), are not active in St. Louis. A 2011 survey of 34 CDCs in the St. Louis region found that 41% had two or fewer staff and 62% had four or fewer staff.[14] The survey also found that the CDCs relied on government for half of their total income.[15]

The heavy reliance on government funding has put increasing stress on CDCs. Most community development activity in St. Louis is supported by with federal grant dollars (e.g. Community Development Block Grant (CDBG) and HOME funds) and federal and state tax credits (e.g., Low Income Housing Tax Credits and Historic Housing Tax Credits).[16] These sources of funds have shrunk significantly over the years.

Beginning in 1983, St. Louis City Aldermen were granted authority to allocate a portion of the CDBG funds to organizations in their ward. Much of this money was used for CDC operating support. Tight political control of CDCs by aldermen made it more difficult for CDCs to become independent voices for their communities. Wards in St. Louis are small (about 11,000 in population) and the boundaries often make it more difficult to use dollars strategically, as, for example, when ward boundaries bisected major thoroughfares or commercial districts. The decreasing level of funding paired with the history of federal funds being distributed among all wards in the city created many small CDCs with limited staff.

In 2013 the U.S. Department of Housing and Urban Development (HUD) told the City of St. Louis that it could no longer distribute federal funds by ward. Low levels of staffing for many organizations and scarce resources collided with this 2013 policy change at the City of St. Louis to run a competitive grant process for a portion of CDBG dollars.[17] Many CDCs relied heavily on CDBG funds to cover their operating costs. Small organizations supported mainly through government grants now had to compete for funding, which could no longer be used to cover operations but had to be justified by the delivery of specific goods or services. The increased competition from an open grant process came with an emphasis on capacity, making organizational strength an important asset in competing for grant dollars.

Case Study

Overview of Neighborhoods

The organizations at the center of this case study served three neighborhoods in South St. Louis City that border Tower Grove Park, a large and heavily used community asset, and the Missouri Botanical Garden (Figure 2). Across the three neighborhoods, the population was 38,373 in 2013 (12% of the City of St. Louis population) . In 2013, 55.1% of the neighborhoods residents were Caucasian, 38.9% African American, and 13.0% of a different racial background. The three neighborhoods weighted average median income was $40,723 in 2010 compared to the City of St. Louis at $36,316 (figures are adjusted to 2015 dollars). While these neighborhoods have higher median incomes than the City as a whole, they also have a wide range of incomes throughout the three communities, with 36.4% of households earning $35,000 or less (Figure 3).[18]

Figure 2: Regional View of Location of Neighborhoods

Figure 3: Household Income Distribution in Focus Neighborhoods
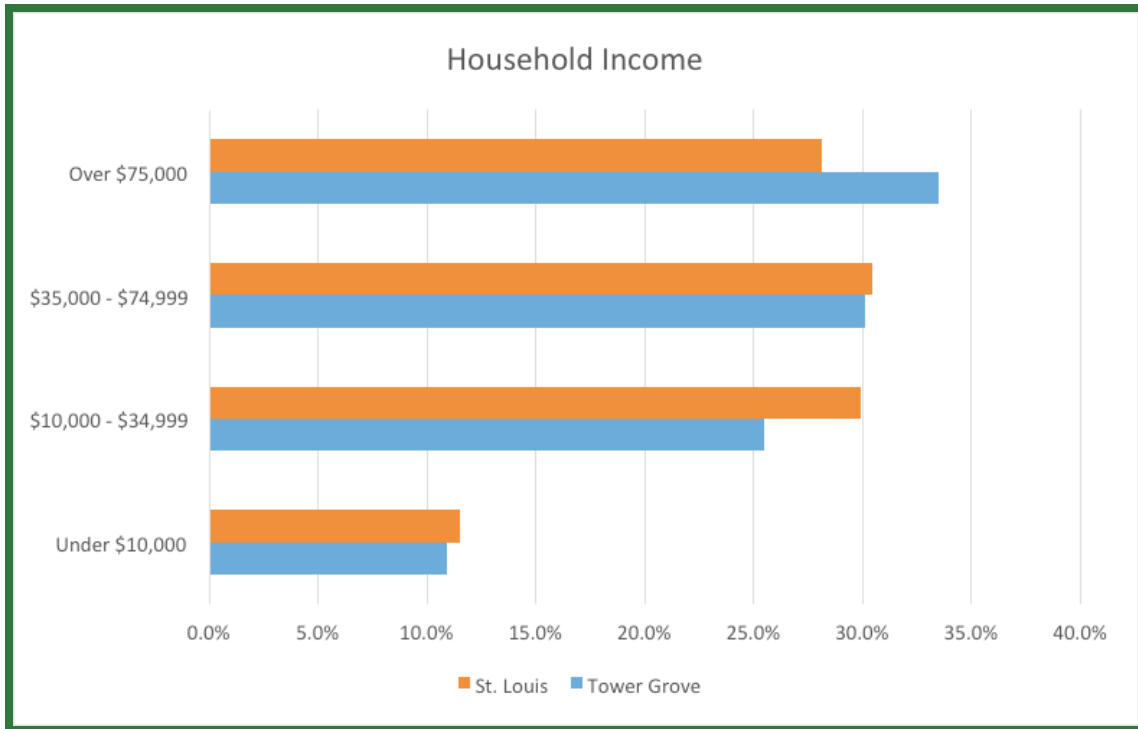
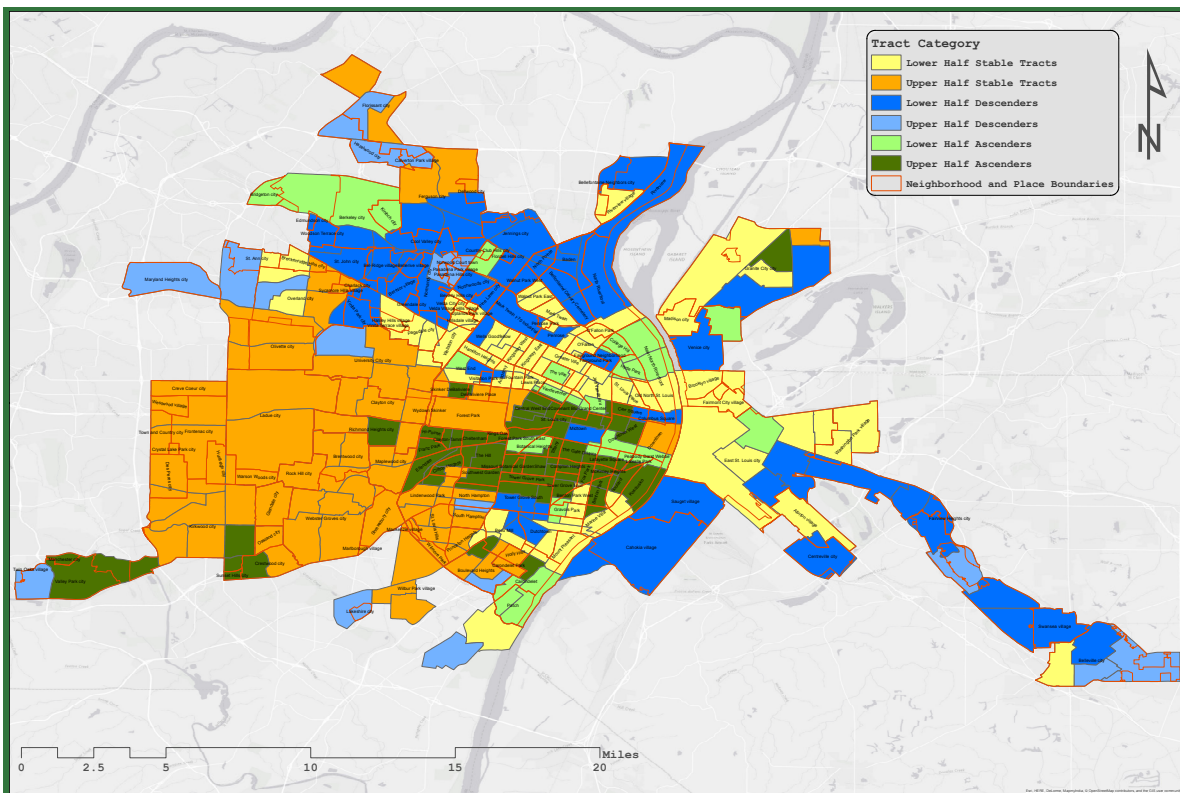The Shaw, Southwest Garden and Tower Grove South neighborhoods benefit from their location just south of the Central Corridor.[19] The Central Corridor includes almost all of the region's major cultural assets and urban amenities, including Forest Park, one of the great urban parks in the nation, as well as Washington University and Saint Louis University. The region's light rail system runs through the heart of the Central Corridor. A vibrant commercial corridor on South Grand Avenue extends south from the Central Corridor along the east side of the Tower Grove South Neighborhood. Figure 4 shows a map of neighborhood trajectories in older urban neighborhoods in the St. Louis region. The dark green neighborhoods are "rebound neighborhoods," that is, areas that came up at least 10 percentile points in neighborhood rankings since 1970 on an index of economic vitality (per capita income, median home value, and median rent costs).[20] At the same time, the southern part of the Tower Grove area has many troubled neighborhoods. Half of Tower rove South is composed of census tracts that is in the bottom half of the distribution and declined at least 10 percentile points on an economic vitality index (Figure 5).

Figure 4: Map of Neighborhood Change in the St. Louis Region's Older Communities[21]
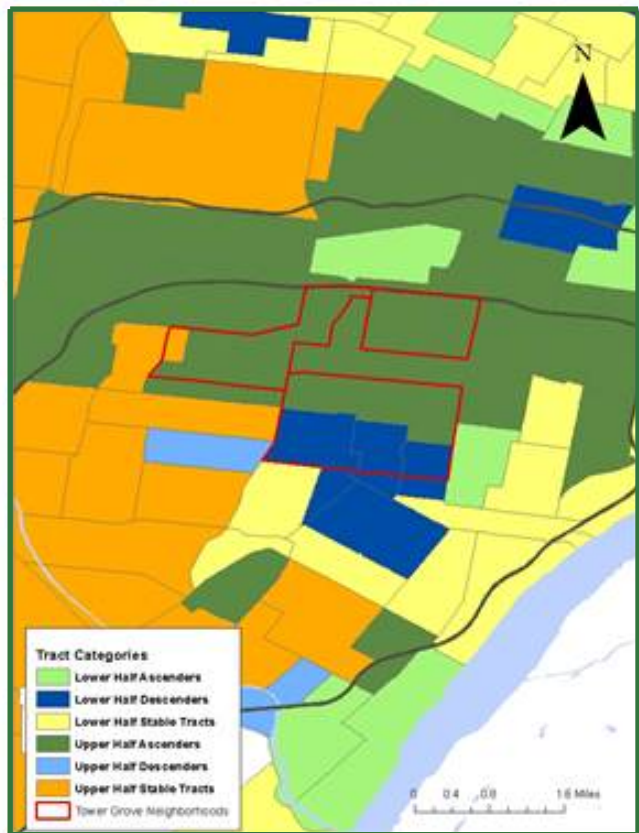
Figure 5. Close-Up of Tower Grove Neighborhoods

Why the Organizations Decided to Consolidate

Shaw Neighborhood Housing Corporation, Grand Oak Hill Community Corporation, and Southwest Garden Housing Corporation have been carrying out community development activity in the Shaw, Southwest Garden, and Tower Grove South neighborhoods of South Louis City for decades. All three CDCs had sustained their activity almost solely on Community Development Block Grant (CDBG) and HOME Investment Partnership Program funds. These three organizations had faced years of continuously declining funding. In 2012, with the help of the Community Builders Network of Metro St. Louis, a regional association of community development organizations, Shaw Neighborhood Housing Corporation (SNHC), Grand Oak Hill Community Corporation (GOHCC), Southwest Garden Housing Corporation (SGHC), DeSales Community Housing Corporation, and Park Central Development Corporation began meeting to develop collaborative initiatives to explore ways to achieve more in a world with fewer resources. These peer-to-peer conversations fostered relationships among the executive directors and a deeper understanding of each organization's activities, competencies, and challenges.

Throughout 2012, the five organizations continued to explore each organization's strengths and weaknesses. Over time, it became clear that these strengths and weaknesses were in many ways complementary. DeSales, a larger organization, had much experience in affordable housing development, property management, and operated in Fox Park and Tower Grove East. Park Central Development Corporation, with above average staff levels, had experience in neighborhood marketing, infrastructure improvement, planning, special taxing districts and worked in Forest Park Southeast and the Central West End. Both of these organizations operated in neighborhoods adjacent to the neighborhoods served by SNHC, GOHCC, and SGHC.

SNHC had real estate expertise and was effective at identifying/cataloging vacant buildings. SNHC educated investors on the market and available incentives (historic tax credits/tax abatement) and worked directly with developers to invest in abandoned or dilapidated housing. SNHC also supported commercial development and connected residents to services provided by other organizations. GOHCC had experience in administering home repair grants, tenant screening services, and senior programming. Southwest Garden Housing Corporation maintained a landlord

association, had supported investment in housing that the market was not willing to address, and undertook corridor beautification efforts.

As these organizations continued to engage in collaborative conversations, SNHC had success in developing a Shaw Boulevard Improvement Plan, working with absentee property owners, facilitating redevelopment opportunities, and connecting those with need to the Grand Oak Hill Community Corporation's program for forgivable home repair loans. However, SNHC's resources were too limited to undertake projects on a larger scale like the implementation of the Shaw Boulevard Improvement Plan, which would have qualified them for additional grants and funding. Additionally, their CDBG funding from the City's Community Development Administration had seen an eight percent decrease in the previous year. SNHC had only one fulltime employee, the executive director.

Meanwhile, GOHCC was facing a whittling down of staff. In 2013, the executive director left and was not replaced. The organization was audited and found to have weaknesses in their accounting procedures that jeopardized their ability to receive federal funds from HUD. The staff dwindled from twelve to three. Grand Oak Hill worked in senior living, nuisance abatement, housing development, and tenant screening. When it became clear that funding was going to keep dropping, they realized their programs were not sustainable. Some staff felt that the organization would most likely have to shut down within a few years. Southwest Garden Housing Corporation also was hampered by limited staff capacity. It had been staying afloat with part-time staffing shared with its neighborhood association. The ability of Southwest Gardens Housing Corporation to tackle new neighborhood projects was limited.

Of the five organizations that originally participated in the collaborative talks, three organizations, SNHC, GOHCC, and SGHC, agreed that they had an immediate need to come together to increase their capacity to deliver on initiatives and compete for CDBG grant dollars under the new process established in 2013. In contrast to DeSales Community Housing and Park Central Development, SNHC, GOHCC, and SGHC all had either declining staff, low levels of staff, or only part-time staff. If they did not take action, there was a chance their organizations would

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not survive through the next year. The new grant process was supposed to bring higher scrutiny to an organization's capacity to carry out proposals.

The feasibility of consolidating was further heightened when the political leaders covering their neighborhoods, Alderwoman Jennifer Florida of Ward 15 and Alderman Stephen Conway of Ward 8, initiated more conversations with board leaders from each organization and supported the organizations merging. The need to consolidate to survive, political support, and the short timeframe for the consolidation did not line up at the time to include the other two organizations that had been involved in the talks, DeSales and Park Central. DeSales and Park Central were both stronger organizations whose existence was not in jeopardy. With strong relationships across organizations, knowledge of each organization's competencies, financial pressure from grant sources, political support, and limited staff capacity, SNHC, GOHCC, and SGHC decided to move forward with more robust consolidation talks.

The Consolidation Process

In the beginning, the process was driven by the two alderpersons representing the area. The staff of Shaw Neighborhood Housing Corporation, Grand Oak Hill Community Corporation, and Southwest Garden Housing Corporation met and talked about the advantages of collaboration, but it was political leaders and board leadership that met to discuss key decisions about how to move the consolidation forward. Board leadership then discussed options for moving forward with each of their respective boards. In considering a merger, the following questions had to be answered:

- Is each organization's Board in favor of creating one organization?

- What should representation from each neighborhood be on the board?

- What will the new organization's staffing and programmatic details look like?

- Should the organizations merge into a new organization or should they consolidate under the organizational umbrella of one of the existing organizations?[22]

To move from an idea to action, each organization began having board members meet with each other to discuss the current context and discuss whether creating one organization would be a good strategy for the collective neighborhoods. In addition to meetings in the early part of 2013 between the organizations' boards, each organization scheduled time at board meetings to discuss whether or not the individual organizations were willing to be combined. During these conversations, the executive director of GOHCC left the organization, which necessitated more direct conversations between the remaining executive directors/staff and boards of each organization.

While not every board member of every organization eagerly jumped at the opportunity to combine the organizations, the majority of each board ultimately decided the three organizations should apply to the City of St. Louis's Community Development Administration for CDBG funding as a collaborative and state that if funding was received for the proposed scope of work, the three

organizations would consolidate. Among other important details, the three organizations also agreed to have four representatives from each organization's current board be on the board of the newly formed Tower Grove Neighborhoods Community Development Corporation (TGNCDC). The new board also included a standing spot for a representative from each neighborhood's voluntary neighborhood association. This configuration allowed equal representation from each of the three neighborhoods covered by TGNCDC.

The Community Development Administration at the City of St. Louis supported the consolidation by agreeing to fund their proposal. After being awarded grant funds in the 2013 CDBG cycle, the staff and boards of the three organizations pursued their proposed consolidation. The three organizations decided that Grand Oak Hill Community Corporation and Southwest Garden Housing Corporation would dissolve and Shaw Neighborhood Housing Corporation's 501c3 status would be retained and the name would be changed to Tower Grove Neighborhoods Community Development Corporation. Staff would be brought together under SNHC and a new board would be reconstituted to govern the new organization with an expanded footprint covering the combined neighborhoods. The new organization was formed on January 1, 2014 and began doing business as Tower Grove Neighborhoods Community Development Corporation. SNHC legally changed its name in 2014.

Choosing not to form a new organization but to consolidate under SNHCs corporate form had certain advantages. SNHC was chosen to be the organization that would continue to exist because it had the strongest financial history, accounting procedures, an executive director with real estate experience, and no legal reporting issues. The other two organizations were able to divest their assets or gift them to the new organization and dissolve. TGNCDC was contractually named to manage the divestment of assets for the other organizations. By choosing this form of corporate integration, the new entity was able to handle unresolved liabilities GOHCC and SGHC might have incurred in previous years while getting the new organization started with a sound foundation. The boards felt that combining all three organizations into a new 501c3 would have taken longer to legally work out and would have opened the newly combined entity to the risks of legal issues or liabilities of the previous organizations. The chosen form of consolidation saved time and money .

The first year of the new board required building a new culture that members could identify with. This can take time given the three organizations each had its own board culture. Certain programs had to be halted for 2014 while the new organization developed an operating rhythm and could ensure quality implementation of current programmatic commitments. TGNCDC worked to institute a professional process for board recruitment and service. During the consolidation, the newly formed board also had to evaluate which of the programmatic strengths of each organization would be retained and what staffing was needed to deliver on those programmatic goals. The board decided to retain real estate development, including market rate and affordable for-sale developments and an affordable rental portfolio, tenant screening, and community improvement programming sponsored by CDBG dollars from the City of St. Louis. The board of TGNCDC decided to retain a focus on real estate because the three neighborhoods faced pockets of low quality housing with absentee landlords not being responsive to tenant issues or allowing drug trade to

take place in their buildings, building inspectors not holding land owners accountable, landlords doing a poor job of tenant screening, and owners allowing too many residential and commercial properties to remain vacant.

The organization recognized a need to insure that quality housing options were available to a mix of incomes rather than having affordable housing existing simply through substandard housing. GGNCDC provided landlords with professional development and tenant screening assistance and promoted new and rehabilitated commercial property . TGNCDC also initially committed to address crime, as well as neighborhood branding through painted cross-walks with support from CDBG funding at the City. Lastly, to develop a programmatic road map for the future, TGNCDC embarked on a multi-neighborhood community planning process shortly after the consolidation.

To carry this programming out, TGNCDC retained one staff person from each organization and a part-time person to assist in office management. SNHC's executive director became executive director of the TGNCDC because of his extensive experience in real estate and neighborhood development. The two other staff have experience running programming in the community such as safety initiatives, tenant screening, landlord training, marketing and beautification efforts, along with delivering professional development opportunities to landlords/investors. While TGNCDC is focused on deploying their competencies within Shaw, Tower Grove South, and Southwest Garden, they also decided they would consider projects along the outside of their border if they had a strategic impact on their neighborhoods.

Outcomes

In the past, consolidations and mergers have increased the capacity of community development organizations in St. Louis. Two of the region's larger place-based, higher capacity community development nonprofits are the products of mergers. Beyond Housing which runs the 24:1 Initiative, a comprehensive community development effort in the Normandy Schools Collaborative District, is the product of the consolidation of Neighborhood Housing Services of St. Louis into Beyond Housing in 2003. Park Central Development was the result of a merger of several organizations serving the Central West End, Forest Park Southeast, Midtown, and Botanical Heights. Through that merger, Park Central Development achieved: 1) greater staff capacity and specialization/expertise in specific areas, 2) greater ability to share knowledge and resources between neighborhoods, and 3) greater ability to facilitate developers investing in multiple neighborhoods beyond their initial neighborhood of interest. Each of these mergers resulted in community development organizations with above average staff capacity.

to be done than when they each were responsible for both running an organization and doing the programming. In 2014, TGNCDC managed to engage residents in roughly 1,642 volunteer hours focused on neighborhood improvement projects, carried out a better blocks project, and supported the implementation of the safety initiative known as the Neighborhood Ownership Model (which, in 2015, was the catalyst in the creation of the first neighborhood association in Tower Grove South).

Since consolidation TGNCDC has:

- Developed a 20-year Tower Grove Neighborhoods Community Vision and Development Framework;[24]

- Completed a 5-year TGNCDC Strategic Plan;[25]

- Between 2013 and 2014 increased revenue from $112,600 to $349,600 , increased assets from $426,900 to $901,600 , including cash on hand increasing from $113,686 to $259,435;

- Through a grant from Missouri Department of Natural Resources, successfully completed phase 1 and phase 2 reports and removed four petroleum tanks from a gas station site on Shaw Blvd (a main thorough fair in the neighborhood);

- In 2015, trained over 450 landlords (50% increase in attendance from 2014) and screened over 1,314 tenants (62% increase from previous year);

- Over a two-year period, added 156 nuisance properties to their screening program and abated or removed 144 properties from the system;

- Received the following grants: City of St. Louis (CDBG), Energy Foundation, Rise Capacity Building grant, and PNC grant;

- Instituted a new tenant screening brand, ScreenDoor, and created an online application;.

- Bought and renovated 14 naturally affordable apartments in The Wedge (South Tower Grove South;

- Constructed two single-family affordable homes (3384 Fairview St. and 3504 S. Spring St.) and has 3 more under construction;

- Started, and will finish shortly, first market-rate development project in Southwest Garden neighborhood;

- Initiated collaborative efforts with Tower Grove Park, Missouri Botanical Garden, and the Greater Gravois Initiative, among others;

- Completed dozens of neighborhood tours with developers and investors in the area and promoted the TGNCDC vacant and abandoned property inventory.

TGNCDC now has four staff persons. Carrying out programs and organizational improvements while laying the ground work for future real estate development and a community visioning effort would have been impossible as a one-staff-person organization. As an organization with a broader mission, larger footprint, and more diverse array of programs, TGNCDC is more resilient in the face of environmental stresses, such as shifts in funding.

The consolidation has had financial benefits due to efficiencies and new interest in the organization. Rather than three organizations paying for three separate insurance policies for every type of insurance an organization must hold, office rents, executive director salaries, and accounting including bill pay, 990, 1099 and payroll services, the new organization only has to support one payment for each of these costs. The TGNCDC executive director noted that funders have been pleased with the lowered overhead and insurance costs following the consolidation. Donors have also supported the consolidation because it allowed for a coordinated use of funding in a larger focus area and one point of contact. .

TGNCDC has shown early signs of a successful consolidation in that programs were streamlined, services expanded, a new representative board formed, and operations kept simple. TGNCDC stabilized staffing and secured increased funding in 2014 and 2015 for the neighborhoods they serve. However, along with these positives come some uncertainties. Consistent funding will continue to be an issue, as funders sometimes give less to merged organizations overtime.[26] Tower Grove Neighborhoods CDC is no exception. They did not receive as much funding from the City of St. Louis for their second year as a consolidated organization, putting a premium on the goal of developing a more diverse funding base. The long term test will be the organization's success in building self-sufficiency through other activities, including a rental portfolio development, year-by-year affordable home production, and increasing the tenant screening program output, among other opportunities.

Conclusion: What Have We Learned?

Many of the factors identified in the literature as associated with mergers were present in City of St. Louis. At the same time as funding for CDCs was shrinking, the City of St. Louis changed the process for funding CDCs, putting greater pressure on them to compete for limited resources. These environmental factors interacted with organizational factors, including low staff capacity and overreliance on a single funding source (CDBG dollars), to pressure CDCs to consider a merger. Just because mergers make sense and can help CDCs survive and thrive, however, does not mean they will occur. Success depends on a range of factors inside the organizations and neighborhoods, including the development of supportive leadership and trust.

Interviewed after the merger, Tower Grove Neighborhoods Community Development Corporation staff, executive director, and board members, reflecting on the consolidation, named a series of

elements that they deemed essential for organizations to come together:

- There must be political support from local representatives for the consolidation.

- There must be at least two willing organizations who understand the need to adapt in the face of an increasingly competitive financial climate.

- The boards of the organizations must be committed to inter-organizational conversations and understand the current threats and opportunities facing their organizations.

- The executive directors must have strong relationships with each other, knowledge of each other's organizations, and an understanding of how their combined capacities could make a more effective organization.

- Each organization must agree to combine with the healthiest nonprofit to provide the newly formed entity the strongest footing for the future.

The formation of TGNCDC benefited from a period of initial talks, facilitated by the Community Builders Network, where each organization became familiar with each organization's strengths and weaknesses. The board leadership met with one another and openly faced the pressing funding climate. The three organizations needed each other to survive and one of three organizations had stable staffing and financial practices, as well as an absence of any legal problems. The current staff and executive director both stated that the least difficult part of the process was the decision and commitment to merge; the physical act and organizational details of consolidating the organizations into one was the most difficult part of the process.

TGNCDC saw many of the same benefits of merger that were highlighted in the literature review, such as reduced overhead costs, economies of scale, increased staffing enabling a finer division of labor, and increased programmatic capacity. The fact that the three organizations each had different strengths meant that the combined organization had more diversity of functions and capabilities. A more diverse organization, other things being equal, is more resilient in the face of environmental stresses. By structuring the board with representation from each neighborhood and conducting a multi-neighborhood plan, TGNCDC also supported individual neighborhood pride while building a multi-neighborhood organization. It does not appear that the consolidation made TGNCDC less responsive to each neighborhood, but in the future it will need to remain focused on maintaining strong bonds with each neighborhood and their residents.

Only time will tell if the financial and staff strength achieved through consolidation will continue, decrease, or increase. The next 2-3 years will be critical to the long-term health of TGNCDC. Previous mergers of community development organizations in the region have left organizations stronger but those were conducted in a different funding climate. In the short term, this merger seems to show that when you align many of the necessary ingredients for consolidation with a geography that is larger (but not so large that each community does not feel connected to one another), a more stable and effective organization with strong community ties can emerge.

Appendix

The material in the appendix showcases the interview questions used with organizational representatives to better understand the motives, process, steps and outcomes of the consolidation that produced Tower Grow Neighborhoods CDC.

Questions for Executive Director
1. What were the reasons behind the consolidation?
    a. What were the goals of the consolidation?
    b. Was the consolidation drive by financial, mission, values and/or other reasons?
    c. Why consolidate organizations in these particular neighborhoods?
        i. How do these neighborhoods fit together in regards to economy, cultural ties, and community assets?
        ii. How did the economy affect this decision?
    d. Why a consolidation as opposed to a merger?
2. What happened with the staff?
    a. Did any staff, volunteers, or board members leave as a direct result of the consolidation?
        i. What reasons did they give?
    b. Did you consolidate the boards? If so, by what process did you allocate the positions?
3. Funding
    a. Did it change with the consolidation? How and why?
    b. What role did the donors play in this consolidation? (Note: John M. noted to specifically find out what *types* of donors played roles.)
4. Programs
    a. How did programs affect the drive for a consolidation (especially as opposed to a merger)?
    b. What gains and losses did you experience in programming?
        i. What additional resources and gaps do you see in the organization?
5. Community
    a. What long-term plans do you have in regards to community impact?
        i. By what methods will you measure your impact?
    b. How was the community consulted during the consolidation?
        i. How has the new organization built trust and rapport with the community?
    c. Has the consolidation made the organization(s) more or less capable of creating accessible communities for a diverse population?
        i. Does the makeup of the organization reflect the makeup of the community?
        ii. In what ways will the consolidation create neighborhood cohesion?

Questions for Staff

1. Can you describe your position with your previous organization? What is your position now?
2. How would you characterize the "health" of your previous organization? The community engagement?
3. From your perspective, what led to the first discussions on consolidation?
4. What did you see as the main reasons behind the consolidation?
    d. What were the goals of the consolidation?
    e. Was the consolidation drive by financial, mission, values and/or other reasons?
    f. Why consolidate organizations in these particular neighborhoods?
        i. How do these neighborhoods fit together in regards to economy, cultural ties, and community assets?
        ii. How did the economy affect this decision?
    g. What were some of the great challenges that needed to be addressed?
5. What did other staff members say about the consolidation? Volunteers?
6. Programs
    h. How did programs affect the drive for a consolidation (especially as opposed to a merger)?
    i. What gains and losses did you experience in programming?
7. Community
    a. What long-term plans do you have in regards to community impact?
        i. By what methods will you measure your impact?
    b. How was the community consulted during the consolidation?
        i. How has the new organization built trust and rapport with the community?
    c. Has the consolidation made the organization(s) more or less capable of creating accessible communities for a diverse population?
        i. Does the makeup of the organization reflect the makeup of the community?
        ii. In what ways will the consolidation create neighborhood cohesion?
8. What do you see as the greatest assets of the TGCDC? How would you like to see TGCDC progress in the future, both short term and long term?
9. How would you characterize the diversity of both the TGCDC and the neighborhoods it serves? On a scale of 1 to 5 (1 being low, 5 being great), how reflective of the community is the TGCDC?

Survey for Board Members

Part 1:

1. To the best of my knowledge, my previous organization offered effective services.
   AGREE or DISAGREE

2. To the best of my knowledge, my previous organization demonstrated strong financial responsibility.
   AGREE or DISAGREE

3. Thinking back, my previous organization was a vital aspect to the community we served.
   AGREE or DISAGREE

4. Thinking back, my previous organization addressed needs effectively within the community we served.
   AGREE or DISAGREE

5. To the best of my knowledge, my previous organization had a strong organizational structure.
   AGREE or DISAGREE

6. Thinking back, my previous organization carried out its mission effectively.
   AGREE or DISAGREE

7. The residents of the community miss my previous organization.
   AGREE or DISAGREE

8. The assets of my previous organization are a vital part of TGNCDC.
   AGREE or DISAGREE

9. Looking back, encouraging diversity within the community was important to my previous organization.
   AGREE or DISAGREE

10. My responsibilities as a board member for my previous organization were clearly defined.
    AGREE or DISAGREE.

11. I am committed to continue serving on the TGNCDC board.
    AGREE or DISAGREE.

12. I believe there was a strong need for the organizations to consolidate.
    AGREE or DISAGREE.

13. I am satisfied with the consolidation.
    AGREE or DISAGREE

Part 2:

1. TGNCDC has a clear mission.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

2. I feel committed to the mission of the TGNCDC.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

3. TGNCDC carries out its mission effectively.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

4. The diversity of the staff and board of TGNCDC is reflective of the diversity of the community.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

5. The staff of the TGNCDC is in tune with the needs of the new combined community footprint.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

6. I supported the consolidation because of a sense of obligation to my previous organization.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

7. TGNCDC will produce greater community development outcomes than the individual organizations could have.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

8. I am hopeful that TGNCDC has a bright future.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

9. Since the consolidation, there is a gap in programming.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

10. TGNCDC more efficiently uses funding than if the individual organizations stayed separate.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

11. TGNCDC demonstrates cultural awareness and sensitivity to community issues.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

12. The details of the consolidation were clear.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

13. I am confident that TGNCDC will receive additional funding in the future.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

14. There is increased communication between staff and board since the consolidation.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

15. I was committed to the mission of my former organization.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

16. I feel the current staff of TGNCDC demonstrate capability in their respective roles.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

17. TGNCDC has effective programming in place.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

18. I feel emotionally connected to TGNCDC.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

19. The board of TGNCDC reflects the economic and racial diversity of the community.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

20. I feel that low-income housing can exist comfortably next to high-income housing.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

21. I supported the consolidation because of a sense of obligation to the community.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

22. I had access to the details of the consolidation.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

23. TGNCDC has a strategy to receive steady funding.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

24. There has been increased communication between the organization and the community since the consolidation.

Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree

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Endnotes

1   Rohe, Bratt, and Briswas 2003.

2   Cowan, Rohe, and Baku 1999; Rohe, et al 1991.

3   Stoecker 2003.

4   Rohe, Bratt, and Biswas 2003; a shorter version of this study was published by Rohe and Bratt 2003.

5   Rohe, Bratt, and Biswas 2003, pp. 29-39.

6   Owen, Kelly, Pittman, Wagner, and Reed 2011.

7   Rohe, Bratt, Biswas 2003, pp. 39-41.

8   Dewey and Gruber, 2007, p. 3.

9   Owen, Kelly, Pittman, Wagner, and Reed 2011, pp. 16-27.

10   Dewey and Gruber2007, pp. 3-5.

11   Dewey and Gruber 2007, pp. 3-5.

12   Dewey and Gruber 2007, pp. 5-6 and Owen, Kelly, Pittman, Wagner, and Reed 2011, pp. 37-39.

13   Owen, Kelly, Pittman, Wagner, and Reed 2011, pp. 42-43.

14   Swanstrom and Guenther 2011, p. 16.

15   Swanstrom and Guenther 2011, p. 17.

16   Community Development Block Grant and HOME are federal funding programs for community development and housing. To learn more about these funding streams visit the following links on CDBG and HOME respectively: http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs and http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/programs/home/. The state of Missouri funds low-income and historic preservation tax credits that piggyback on the federal tax credit programs.

17   See Logan 2013.

18   The 2010 population, 2013 race percentages, and 2013 income data come from the American Community Survey (ACS) (http://www.census.gov/programs-surveys/acs/) data at the census tract level. In order to be confident of estimates at the neighborhood or census tract level, data must be compiled for five years. In this case we used 2006-2010 and 2009-2013, identifying the time period using the final-year. To create a weighted average of median income, the median household income was multiplied by the population in each census tract of the study area, summed, and then divided by total population of the study area. The dollars were converted to 2015 dollars using the Consumer Price Index. Below is a map of the census tracts used for this analysis:
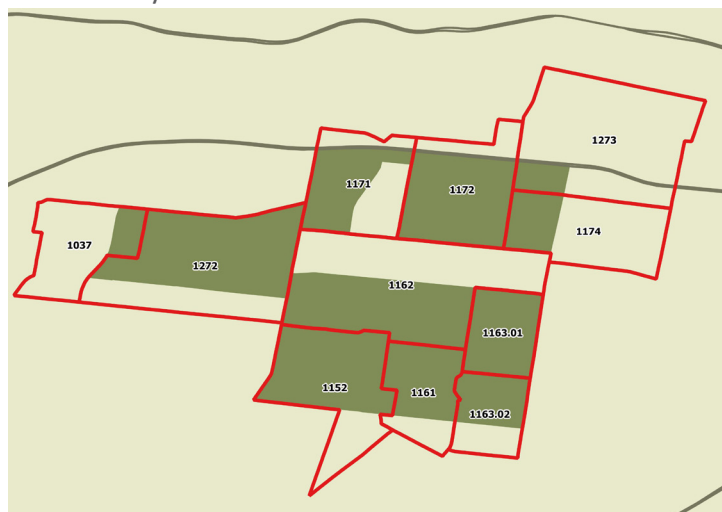
19   The Central Corridor in St. Louis is generally defined as the area extending from the Mississippi River on the east to I-170 on the west, bordered on the south by I-44 and on north by Delmar Boulevard and Washington Avenue.

20   Swanstrom, Webber, and Metzger 2015.

21   Swanstrom, Webber, and Metzger 2015, figure 4.

22   In the rest of the report, we reserve the term "merger" for organizations that join together under a new corporate entity and the term "consolidation" for organizations that combine under one of the existing corporate entities.

23   Owen, Kelly, Pittman, Wagner, and Reed 2011, pp. 39-41.

24   http://towergrovecdc.org/wp-content/uploads/2013/12/TGNCDC_FrameworkPlan_FinalReport_ FINAL-APPROVED_WEB.pdf.

25   http://towergrovecdc.org/wp-content/uploads/2015/11/TGNCDC-OrganizationalStrategicPlan-fnl.pdf.

26   Owen, Kelly, Pittman, Wagner, and Reed 2011, p. 38.