



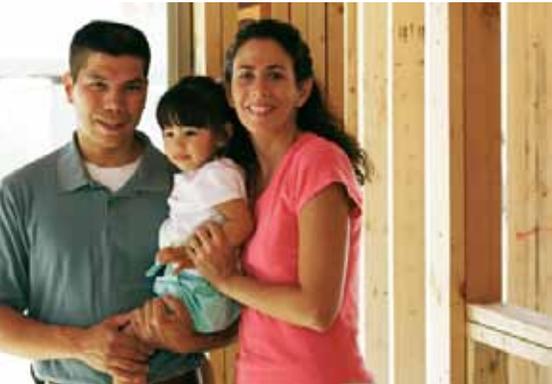
COMMUNITY INVESTMENTS

Federal Reserve Bank of San Francisco



Special Issue:

An Integrated Approach to Community Development



INVESTING IN
WHAT WORKS
FOR AMERICA'S
COMMUNITIES

CI Notebook

by Laura Choi

With every new year comes the promise and hope of progress—we glean lessons from our past about what works and what we need to change going forward. This is difficult work at the individual level and it's an even more daunting task to apply this introspective lens to an entire sector. But a new book published by the Federal Reserve Bank of San Francisco and the Low Income Investment Fund aims to do exactly that for the community development field. *Investing in What Works for America's Communities: Essays on People, Place & Purpose* takes a holistic approach to moving the field forward, gathering insight from leaders in policy, practice and academia to offer a range of fresh ideas on how to best meet the needs of low- and moderate-income communities.

This special issue of *Community Investments* highlights excerpts from these essays, with a particular focus on the topic of “integration,” a prominent theme that emerges from the book. The most promising models of community development going forward all include elements of integration, such as layered financing, joint development, shared accountability, or coordinated services. The authors argue that the dichotomy of “people versus place” and the rigid siloes separating housing, education, health, and other sectors must become a thing of the past in order to effectively address poverty in the future.

The articles in this issue cover the past, present and future of community development, each pushing the field to think in new and creative ways. Alan Berube of the Brookings Institution and Peter Edelman from Georgetown University Law Center provide excellent commentary on the context in which the future of community development is unfolding. Angela Glover Blackwell of PolicyLink, Ben Hecht from Living Cities, Paul Grogan of The Boston Foundation, and Sister Lillian Murphy and Janet Falk of Mercy Housing provide perspective from the field, outlining ideas and opportunities for greater collaboration. And finally, David Erickson, Ian Galloway and Naomi Cytron from the San Francisco Fed offer next steps for bringing these integrative approaches to fruition. In addition to these thought pieces, we also profile successful models of integration taking shape in communities across the country. These include the Evergreen Initiative in Cleveland, Ohio, Neighborhood Centers, Inc. in Houston, Texas, and Purpose Built Communities in Atlanta, Georgia.

The articles in this issue of *CI* are just a glimpse of the rich discussion captured in *Investing in What Works for America's Communities* and I'd encourage you to view the entire book, which can be downloaded for free from www.whatworksforamerica.org. We hope these essays catalyze a spirited dialogue in the field about “what works” and how we can achieve meaningful progress going forward.

Happy New Year!



Community Development Department
Federal Reserve Bank of San Francisco
101 Market Street, Mail Stop 215
San Francisco, CA 94105
www.frbsf.org
(415) 974-2765 / fax: (415) 393-1920

Joy Hoffmann

Group Vice President
Public Information and
Community Development
joy.k.hoffmann@sf.frb.org

Scott Turner

Vice President, Community Development
and Economic Education
scott.turner@sf.frb.org

Laurel Gourd

Conference and Administrative Coordinator
laurel.gourd@sf.frb.org

Esther Fishman

Administrative Specialist
esther.fishman@sf.frb.org

RESEARCH STAFF

David Erickson

Manager, Center for Community
Development Investments
david.erickson@sf.frb.org

Ian Galloway

Senior Investment Associate
ian.galloway@sf.frb.org

Naomi Cytron

Senior Research Associate
naomi.cytron@sf.frb.org

Laura Choi

Senior Research Associate
laura.choi@sf.frb.org

Gabriella Chiarenza

Research Associate
gabriella.chiarenza@sf.frb.org

FIELD STAFF

John Moon

District Manager
john.moon@sf.frb.org

Melody Winter Nava

Regional Manager
Southern California
melody.nava@sf.frb.org

Craig Nolte

Regional Manager
Alaska, Hawaii, Idaho, Oregon, Washington
craig.nolte@sf.frb.org

Lena Robinson

Regional Manager
Northern California
lena.robinson@sf.frb.org

Darryl Rutherford

Regional Manager
San Joaquin Valley
darryl.rutherford@sf.frb.org

This publication is produced by the Community Development Department of the Federal Reserve Bank of San Francisco. The magazine serves as a forum to discuss issues relevant to community development in the Federal Reserve's 12th District, and to highlight innovative programs and ideas that have the potential to improve the communities in which we work.

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The community development field needs a new integrated approach that is cross-sectoral, data-driven and composed of both people- and place-based interventions.

Investing in What Works for America's Communities



In partnership with the Low Income Investment Fund (LIIF), which received support from the Citi Foundation for the project, the Federal Reserve Bank of San Francisco is pleased to present *Investing in What Works for America's Communities*. On the heels of data from the Census Bureau showing that the nation is stuck at record high poverty levels, this collection of essays by leading experts in community and economic development, academia, government policy, health and philanthropy offers entrepreneurial solutions to a national epidemic that now affects one in six Americans. It features dozens of innovative ideas that can improve economic prosperity, from new policies, to technology, to integrated community efforts.

Poverty has spread throughout cities to suburbs and rural communities that once had thriving farms and manufacturing businesses, and is being transferred from one generation to another. When where you live can predict how long and how well you live – regardless of how hard you work to get ahead – new approaches must focus on strategies that have proven to build healthier communities—those that connect housing with education, health care, and jobs, the authors say.

We realize there is no 'silver bullet' solution to poverty. Our hope is that the ideas in this book will spur new ways of thinking and collaboration that will empower everyday people and lift up their neighborhoods. Just as the nature of poverty has changed, those of us working to address poverty need to continue evolve to help transform both people's lives and the places where they live.

In *Investing in What Works for America's Communities*, key leaders from a broad range of sectors (a full author list is included on the next page) provide specific suggestions for building communities that are healthy places to live, learn, work, and play—places that put families on more solid economic footing. This will require moving out of traditional policy silos and approaching problems in a more holistic manner. Partners must agree not only to work together but to invest together by using money from a mix of funding streams and to increase impact.

***Investing in What Works for America's Communities* is organized into three broad sections:**

- The first section traces the history of community development alongside the evolution of American poverty, highlighting initiatives like the Harlem Children's Zone, Living Cities' Integration Initiative, Purpose Built Communities, and other exemplary community-building efforts.
- Section II features voices and opinions from leaders in policy, universities, think tanks, and some of the nation's leading experts from housing, health, philanthropy, and other fields that are working to reduce poverty and address race, equity, transit-oriented development, and financial services for lower-income people.
- Section III maps out a plan for moving ahead, informed by several insights, of which the most profound may be that "community development is about the entire life of the community." This means recognizing the complex, far-reaching and constantly changing dynamics of poverty, as well as the need to connect struggling neighborhoods with the broader economy in order to breathe new life into them. A successful 21st century model for community development will be driven by data; accountable, with incentives built in to achieve desired outcomes; comprehensive and collaborative; flexible; and strategic in its deployment of capital to achieve scale.



Full List of Authors and Affiliations

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- Alexander von Hoffman, Harvard University
- Alan Berube, Brookings Institution
- Eric Belsky, Harvard University
- Jennifer Fauth, City of New York

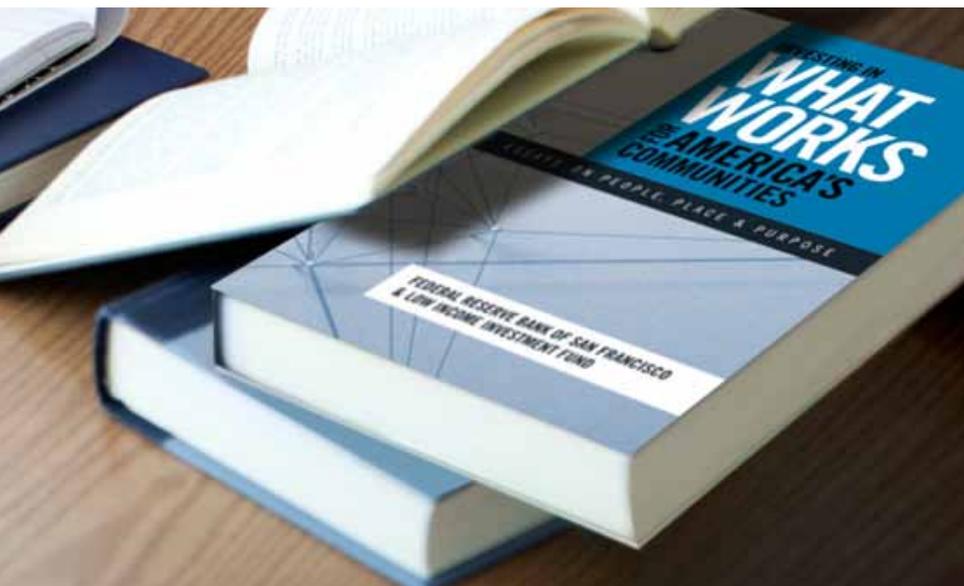
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- Angela Blanchard, Neighborhood Centers, Inc.
- Antony Bugg-Levine, Nonprofit Finance Fund
- Cynthia M. Duncan, AGree
- Shirley Franklin, Purpose Built Communities
- David Edwards, IBM Corporation
- Paul Grogan, The Boston Foundation
- Ben Hecht, Living Cities
- Ted Howard, Democracy Collaborative
- Risa Lavizzo-Mourey, Robert Wood Johnson Foundation
- Clara Miller, F. B. Heron Foundation
- Sister Lillian Murphy, Mercy Housing
- Janet Falk, Mercy Housing

- Mark A. Pinsky, Opportunity Finance Network
- John Robert Smith, Reconnecting America
- Allison Brooks, Reconnecting America
- Jennifer Tescher, Center for Financial Services Innovation
- Nancy E. Adler, University of California, San Francisco
- Xavier de Souza Briggs, Massachusetts Institute of Technology
- J. Phillip Thompson, Massachusetts Institute of Technology
- Mark Calabria, Cato Institute
- Peter Edelman, Georgetown University Law Center
- Ingrid Gould Ellen, New York University
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- James J. Heckman, University of Chicago
- James M. Radner, University of Toronto
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Mapping the Future: Synthesizing Themes and Ideas for Next Steps

- Ellen Seidman, Visiting Scholar at the Federal Reserve Bank of San Francisco
- David Erickson, Federal Reserve Bank of San Francisco
- Ian Galloway, Federal Reserve Bank of San Francisco
- Naomi Cytron, Federal Reserve Bank of San Francisco
- Nancy O. Andrews, Low Income Investment Fund
- Nicolas Retsinas, Harvard Business School



To view the full contents of the book, available for free download, visit:
www.whatworksforamerica.org.



The Continuing Evolution of American Poverty and Its Implications for Community Development

By Alan Berube, Brookings Institution¹

The Gospel according to Matthew quotes Jesus as saying to his disciples, “For you have the poor always with you.” That may well indeed be true. But just like other groups, the poor change over time. Mass distribution of loaves and fishes was arguably an appropriate antipoverty strategy in 30 AD. Today, the needs of the poor, and our expectations for what antipoverty policy should achieve, are radically different.

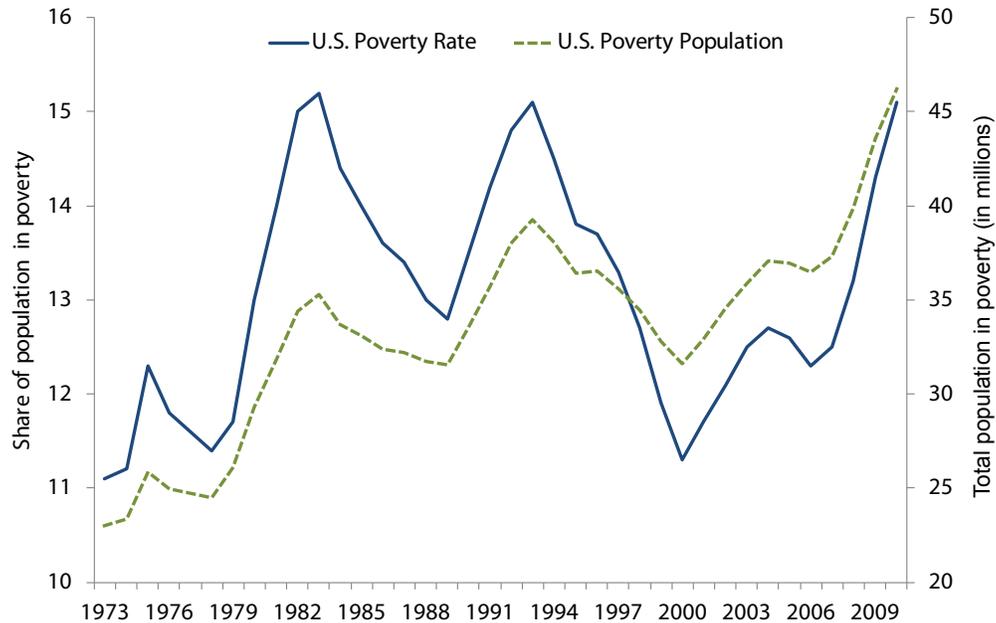
Today’s poverty differs in several fundamental ways from the poverty that reformers set out to address more than four decades ago. Community development has evolved significantly, too, but perhaps not at the same pace as the underlying problems it set out to address. The incidence, location, and socioeconomic characteristics

of poverty have shifted dramatically in some cases. These changes highlight a series of challenges for the future of place-based initiatives that aim to alleviate poverty, enhance economic mobility, and ultimately ensure that no one is severely disadvantaged by where they live.

Trends in the U.S. Poverty Rate and Population

Despite its shortcomings, the official poverty measure remains the best source of historical perspective on the changing population and profile of low-income individuals and families in the United States.² The share of the U.S. population living in poverty has largely risen and fallen in line with the overall business cycle.³ At the

Figure 1. U.S. Poor Population and Poverty Rate, 1973–2010



Source: U.S. Census Bureau, Current Population Survey Annual Social and Economic Supplements

economy's peak in 1973, the U.S. poverty rate was 11.1 percent (Figure 1).⁴ This was well below the rates that prevailed a decade earlier, which fell rapidly in response to strong economic growth and increases in the generosity of welfare benefits.⁵ Over the succeeding decades, the U.S. poverty rate rose to more than 15 percent following recessions in the early 1980s and 1990s, and approached its previous low in 2000, at the height of the economic boom that prevailed in the late 1990s. By 2007, the U.S. poverty rate reached 12.5 percent, before ballooning to 15.1 percent in 2010 in the wake of the Great Recession. Notably, the number of people below the poverty line dropped only marginally during the 2000s expansion, compared to steeper declines experienced in prior periods of economic growth. This reflected the relative weakness of labor demand during the recovery, especially for disadvantaged workers.

In this way, poverty reflects income inequality in the United States. Average living standards have improved greatly over the past few decades; from 1973 to 2007, inflation-adjusted per capita income rose from \$18,164 to \$28,186, a 55 percent jump. Yet the share of individuals with very low incomes has remained stagnant, between 11 and 15 percent. Indeed, the lack of progress in reducing the U.S. poverty rate exemplifies the relatively small gains that have accrued to families in the bottom parts of the income distribution over the past few decades.⁶

Incomes among the poor themselves have also shifted in troubling ways since the early 1970s. In 2007, the overall poverty rate (12.5 percent) was quite close to its

1975 level (12.3 percent). But in 2007, 5.2 percent of U.S. individuals were living in families with incomes under half the poverty threshold (equivalent that year to a family of three earning just \$8,265), versus 3.7 percent in 1973. The Great Recession sent that rate of extreme poverty up to 6.7 percent by 2010, but even its heightened level at the previous business cycle peak represented cause for concern. This growth in deep poverty may partly reflect declines over time in the generosity of means-tested cash transfers such as Aid to Families with Dependent Children / Temporary Assistance for Needy Families (AFDC/TANF), Supplemental Security Income (SSI), and General Assistance, as well as in the earnings of poor families themselves.⁷ Some research finds that welfare spending has become less effective in reducing the poverty rate since the 1970s, although this partly reflects that increases have been concentrated in programs like nutrition assistance and subsidized medical insurance, which do not factor into the poverty rate calculation.⁸ Nonetheless, one of the chief problems that the community development movement set out to solve long ago remains very much with us today, and seems in many ways as permanent as the business cycle itself.

The Changing Demography of U.S. Poverty

Dramatic changes in the makeup of the U.S. population have transpired since the dawn of the community development movement, influencing the incidence and the profile of U.S. poverty along the way.

Perhaps the single largest demographic shift affecting

the United States since 1970 is a rapid increase in the Latino population. In 1970, U.S. residents of Hispanic or Latino origin stood at 9.6 million, less than 5 percent of total U.S. population.⁹ By 2010, their numbers had multiplied to 50.5 million, more than 16 percent of the population.¹⁰ Over the same period, African Americans increased slightly from 11.1 to 12.6 percent of U.S. population, while Asian Americans' population share expanded from 0.8 to 4.8 percent.¹¹

As a result, the U.S. poor population has become much more Latino in character over time, and consequently less white and black. In fact, Latinos now represent a larger share of the poor than African Americans (Figure 2). In 1973, 56 percent of poor Americans were white, 32 percent were black, and 10 percent were Hispanic. Today, 42 percent of the poor are white, 23 percent are black, and 29 percent are Hispanic. While poor Hispanics have overtaken poor blacks in number, members of these two groups were about equally likely to be poor in 2010 (27 percent), much more so than whites (10 percent). The Latino poor remain somewhat more regionally concentrated than their black counterparts, but nonetheless represent a much larger part of the poverty picture today than four decades ago.

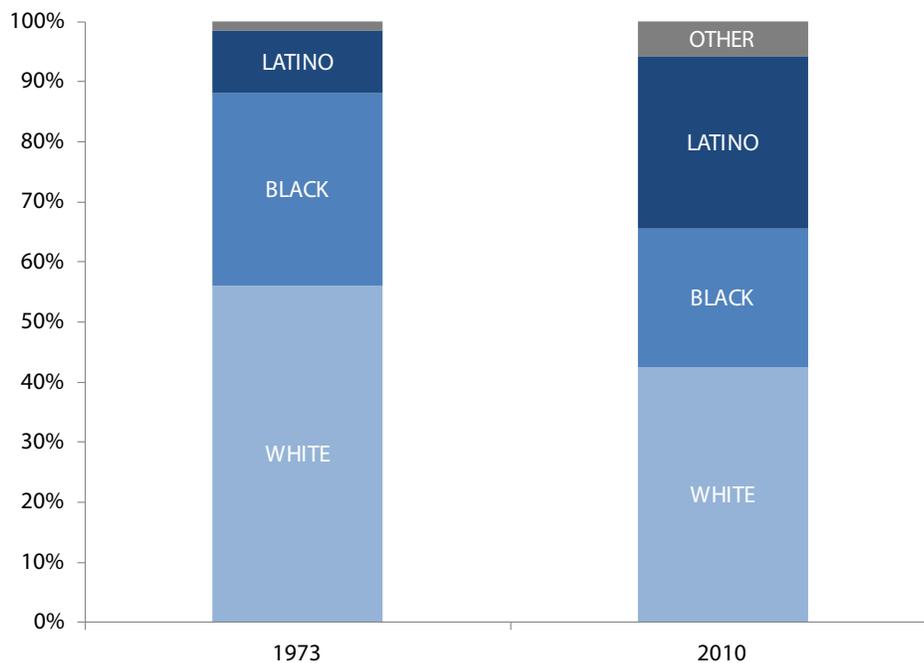
Amid this diversifying population, the foreign born are more likely to live in poverty today than in 1970, although their poverty rates have stabilized and fallen somewhat since the early 1990s.¹² Immigrants represented about 16

percent of the nation's poor in 2010, up slightly from 13 percent in 1993.

A second demographic shift, one associated with aging, has also altered the nation's poverty profile. Poor people today are much more likely to be of working age than those in 1970. Fully 57 percent of individuals below the poverty line in 2010 were between the ages of 18 and 64, up from 43 percent in 1970. Meanwhile, the under-18 share of the poor increased from 36 to 42 percent. As the boomers enter retirement age, the elderly share of the poor will undoubtedly increase once again, but working-age adults and their children seem likely to account for the vast majority of the poor in years to come.

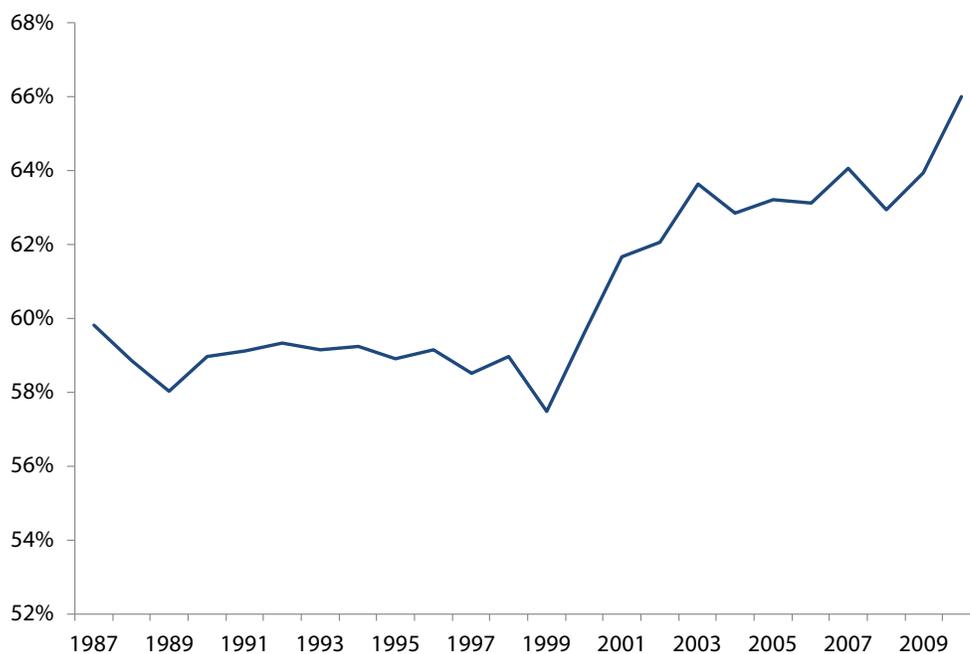
A third demographic trend, the rise of single-parent households, also altered the picture of poverty in America during the past four decades. In 1970, 86 percent of children lived in married couple families, a share that dropped to 61 percent by 2010.¹³ Single-parent families have always represented a disproportionate share of the nation's poor; poverty rates for female-headed households were 38 percent in 1973 and 34 percent in 2010.¹⁴ But the increasing share of all individuals, especially children, living in this type of household contributed to the long-term increase in the poverty rate. That increase was partially offset by the movement of single mothers into the labor force, which increased their earnings and reduced their poverty rate, especially in the mid- to late 1990s.¹⁵ Still, the increasing prevalence of single-parent house-

Figure 2. Racial/Ethnic Makeup of U.S. Poor Population, 1973 vs. 2010



Source: U.S. Census Bureau, Current Population Survey Annual Social and Economic Supplements

Figure 3. Share of Poor U.S. Adults Not in Work, 1987–2010



Source: U.S. Census Bureau, Current Population Survey Annual Social and Economic Supplements

holds over the past several decades has posed a series of new challenges for community development and related antipoverty efforts.

Poverty and the Labor Market

Poverty is often associated with unemployment and long-run detachment from the labor market. Many poor people (46 percent in 2010) do live in households where the head of household works. In only a little more than one-third of those families, however, did that person work fulltime, year-round. The poor also tend to cluster in industries that pay low wages or provide largely part-time or seasonal work, especially retail and personal/administrative services.¹⁶

In recent years, poverty in the United States has become more strongly associated with a lack of work. The share of poor adults who worked at least a portion of the year held steady through the 1990s at a little over 40 percent, declined during and after the 2001 recession, and never rose again during the recovery of the 2000s (Figure 3). Post Great Recession in 2010, about one-third of poor adults worked at any time during the year. A lack of stable employment is especially evident in extremely poor neighborhoods, where at least 40 percent of individuals live below the poverty line. From 2006 to 2010, only 47 percent of all working-age individuals (both poor and non-poor) in those extreme-poverty neighborhoods worked full-time, year-round, versus 63 percent nationally.¹⁷

These labor market trends among the poor mask important differences by gender that can be viewed through the lens of worker skills. In 2010, about two-thirds of poor adults held no more than a high school diploma. Poverty scholar Rebecca Blank finds that among these individuals, the share of women in the labor force rose from 1979 to 2007, while the share of men declined. These trends coincided with policy changes that encouraged low-income single mothers to work and with long-run economic changes (primarily technological changes and globalization) that reduced the availability of jobs for less-skilled men in fields such as manufacturing. Less-educated men also faced declining economic incentives to work; adjusted for inflation, today's wages for men without some postsecondary education remain below their level in the 1970s.¹⁸

Labor market trends have been especially worrisome for young, less-educated black men. In 2010, 28 percent of black males aged 18 to 24 lived below the poverty line, up from just 20 percent in 2003. Georgetown economist Harry Holzer finds that the employment and labor force activity of 16-to-24-year-old black males deteriorated significantly after 1980. Even as young black females entered the labor force at record rates in the late 1990s, young black males continued to pour out.¹⁹ High rates of incarceration, criminal records, and child support orders further complicate pathways to the labor market for these individuals.

The Great Recession and its aftermath plunged many more Americans below the poverty line and made stable work even less available to individuals and families already living in poverty. According to the Bureau of Labor Statistics, the number of “working poor” individuals—those whose incomes fell below the poverty line, but who worked for at least 27 weeks out of the year—increased by 1.5 million from 2008 to 2009. Meanwhile, unemployment rates in 2011 remained about 5 to 6 percentage points higher than their prerecession levels for workers with a high school diploma or less, versus only two percentage points higher for college graduates. Much of the growth in unemployment during the Great Recession was thus concentrated among less-skilled, lower-income, disproportionately minority individuals.²⁰

Shifting Geography of Poverty

What defines community development as an antipov-erty tool, above all else, is its focus on place. During the past four decades, however, the geography of poverty in America has shifted dramatically, challenging traditional place-based approaches for alleviating poverty and promoting growth. These changes are evident between urban and rural areas, across broad regions of the country, and within metropolitan areas themselves.

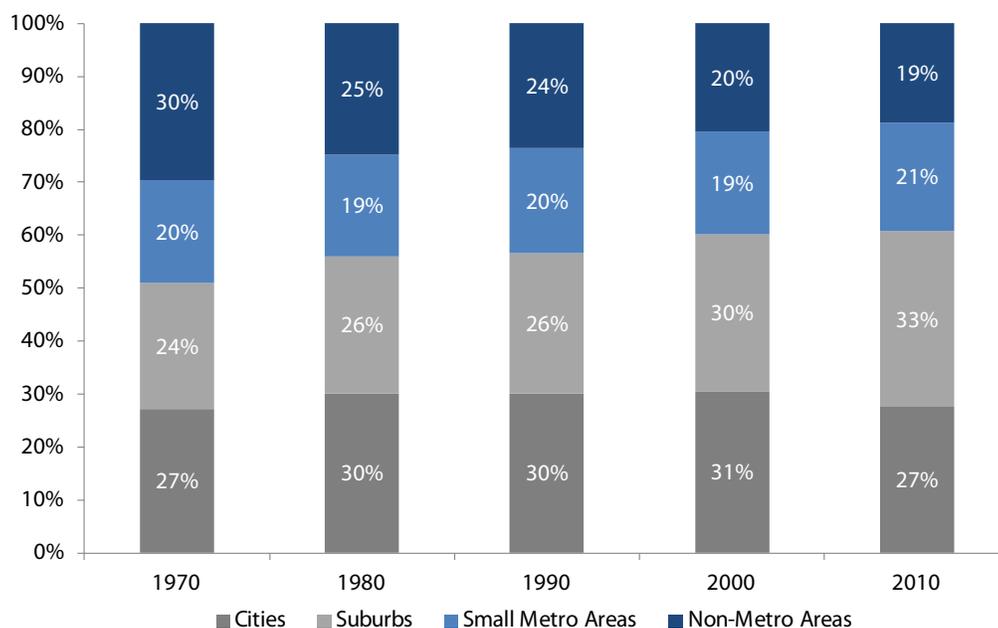
As metropolitan areas have grown in population and expanded in their geographic reach, they have accounted

for an increasing share of the nation’s poor population. In 1970, there were slightly more individuals below the poverty line living inside (13.3 million) than outside (12.1 million) metropolitan areas. By 2010, the metropolitan poor population dwarfed the nonmetropolitan poor population, with four in five poor individuals living in metro areas. This reflected not only the reclassification of formerly rural places as part of metro areas but also the faster growth of poor populations within existing metropolitan territory.²¹

Much of the growth in metropolitan poverty over the last four decades occurred, not surprisingly, in the parts of the country that grew fastest overall. Most notably, the South and West, especially their fast-growing Sun Belt metropolitan areas, absorbed a growing share of America’s poor. In 2010, those regions accounted for 66 percent of the U.S. poor population, up from 59 percent in 1969. Seven of the 10 metropolitan areas that added the most poor residents from 1970 to 2010 were in the South and West—Los Angeles, Houston, Dallas, Miami, Riverside, Phoenix, and Atlanta.²² These increases reflected the immigration of low-income residents from other parts of the country and the world, as well as economic and demographic changes occurring in these regions and metro areas that increased poverty among existing populations.

Suburbs, once bastions of the American middle class, are home to a large and growing share of America’s poor.

Figure 4. Share of U.S. Poor Population by Community/Metro Type, 1970–2010



Source: Brookings analysis of U.S. Census Bureau decennial census data

In 1970, major metro suburbs accounted for less than one-fourth of the nation's poor population. By 2010, they housed one-third of that population, a larger share than lived in big cities, smaller metro areas, or non-metro areas (Figure 4). The pace of suburban poverty growth was particularly rapid in the 2000s, when the size of their poor population rose 53 percent, versus 23 percent in the large cities of these metro areas.²³

The rapid growth of poor populations in suburbs largely mirrored their faster overall population growth. The poverty rate of suburban dwellers was higher in 2010 (11.4 percent) than in 1970 (8.7 percent), but this was also the case for city dwellers, and by an even greater margin (20.9 percent in 2010 versus 14.7 percent in 1970). Concentrated poverty, however, is still very much an inner-city phenomenon. Roughly four in five residents of extremely poor major metropolitan neighborhoods live in cities. Nonetheless, growing shares of the suburban poor reside in communities of moderate to high poverty, where at least 20 or 30 percent of individuals live below the poverty line.²⁴

Within suburban communities, poverty has grown unevenly. In many metro areas, it has spread along an axis that emerges from the traditionally segregated and impoverished communities in the urban core. Thus, poorer suburbs locate to the south of cities like Atlanta, Phoenix, and Seattle or to the east of cities like Cleveland, Pittsburgh, and Washington, DC. These communities are often located farther from jobs than neighborhoods in the urban core, or in other parts of the region, and lack convenient public transportation options to move workers to nodes of employment.²⁵ At the same time, so-called mature suburban communities built largely in the 1960s and 1970s are also home to a growing share of the suburban poor, even though their poverty rates remain lower than those affecting many older, inner metropolitan suburbs.

Conclusion

Community development didn't end poverty. As Jesus' quote suggests, that's probably an unfair yardstick for success. Many of the fundamental problems that community development set out to address in the late 1960s are still present today. In this sense, the continued presence of community development primarily in historically disadvantaged locales, and serving historically disadvantaged populations, is neither unreasonable given the continued

challenges they face nor altogether promising given the lack of progress against those challenges. In light of the massive changes that roiled the American and global economies over the last four decades, community development arguably brought a knife to what was always a gunfight.

The larger issue raised by this article, however, is whether community development—and place-based anti-poverty policy more generally—can remain relevant to the national agenda if it is perceived as fighting the last war:

Can it serve the needs of diverse communities in an ever-more pluralistic American society, where immigration and Latino growth are continuously transforming low-income populations and the issues they face?

Can it shift its focus toward helping populations increasingly characterized by a lack of work in the post-recession economy, broadening activities well beyond housing and economic development to link people to much higher-quality skills than community-based job training has historically provided?

Can it move well beyond inner-city communities in a world of majority-suburban poverty, where traditional place-based strategies may bump up against radically different physical, economic, and social environments?

With such substantial changes in the profile of U.S. poverty over the past four decades, does community development still have a role in addressing it? Brookings Institution scholars Isabel Sawhill and Ron Haskins find that adults who do three things—finish high school, work full-time, and wait until marriage to have children—have a poverty rate equivalent to one-sixth of the national average.²⁶ To be sure, these outcomes depend on one another significantly (i.e., obtaining a high school diploma makes it much easier to find full-time work) and probably mask important differences between those who have achieved them and those who have not.

Nonetheless, the future success of community development as an antipoverty strategy may depend on whether it can help meaningfully increase the likelihood that children—black or brown, in working and nonworking families, in cities and in suburbs—achieve, at a minimum, those fundamental outcomes. The changing and challenging long-run picture of poverty in America surely demands a flexible, multipronged public policy response to fulfill the promise of economic opportunity for all.

Alan Berube is a senior fellow at the Brookings Institution Metropolitan Policy Program in Washington, DC. 

It Takes a Neighborhood:

Purpose Built Communities and Neighborhood Transformation

By Shirley Franklin, Purpose Built Communities, and David Edwards, IBM Corporation¹

The southeast Atlanta neighborhood of East Lake was a disaster. Known locally as “Little Vietnam,” it was neighborhood dysfunction writ large. No one could look at the condition of this neighborhood and have any reasonable hope that it could be turned around. Atlanta developer and philanthropist Tom Cousins thought otherwise. He decided to embark on a neighborhood transformation project that centered on the idea that to thrive, an area of concentrated poverty had to change to a neighborhood where families across a range of incomes, from the very poor to the upper middle class, were willing to live. The first thing Cousins realized was that he could not tackle this problem one issue at a time. This approach—pieced together though it was over several years—now constitutes the “Purpose Built model.”

At the core of the model is a new neighborhood with several key features:

- Quality mixed-income housing that ensures low-income residents can afford to remain in the neighborhood but that also draws new residents from across the income spectrum (effectively deconcentrating poverty);
- An effective, independently run cradle-to-college educational approach that ensures low-income children start school ahead of grade level, but that also attracts middle-income families and eradicates educational performance gaps;
- Community facilities and services that not only support low-income families who may need extra help to break the cycle of poverty, but that also tie the neighborhood together and create a sense of community.

Arguably the most important decision Cousins made was to establish an organization focused exclusively on managing this effort. The East Lake Foundation’s sole purpose was to facilitate all of the initiatives needed to move the neighborhood from distress to health. This was not a short-term endeavor. Creating a plan, aligning the public and private interests, and executing the specific projects was a 10-year undertaking. And yet the results are remarkable:

- The residential population of the Villages of East Lake increased from 1,400 to 2,100.
- Crime in the neighborhood declined by 73 percent and violent crime is down 90 percent.
- The percentage of low-income adults employed increased from 13 percent to 70 percent.
- The Drew Charter School moved from last place in performance in its first year of operation among the 69 schools in the Atlanta Public Schools system to fourth place in 2011. Even with a 74 percent free and reduced lunch student population, Drew performs at the same level as Atlanta’s schools with just 10 percent free and reduced lunch or less.

In 2009, Cousins launched Purpose Built Communities to replicate the East Lake experience in cities across the country. Projects in New Orleans and Indianapolis are already underway and the plan is to have 25 projects in progress by 2015.

Shirley Franklin currently serves as the chairman of the Board of Directors and CEO of Purpose Built Communities and president of Clarke-Franklin and Associates, Inc. David Edwards leads the Smarter Cities Campaign for IBM’s Strategy and Innovation Public Sector Consulting Practice.



*Students at the Drew Charter School
Photo credit: East Lake Foundation*



Our History with Concentrated Poverty

By Peter Edelman, Georgetown University Law Center¹

American poverty has many faces. The poor are elderly and young, families and single individuals, men and women, with and without disabilities. They are of all races and ethnicities. They work in restaurants, on farms, in packinghouses, in day-labor settings, and at many more workplaces that do not pay enough to get them out of poverty. Their work is often part-time, intermittent, or largely nonexistent. They live in inner cities, suburbs, and rural areas that range from Appalachia to the Mississippi delta and from the colonias of South Texas to the Pine Ridge Reservation of South Dakota.

Most people who experience poverty have a short stint of it. We need to do much better at cushioning their fall and helping them get back on their feet, but, as troubling as poverty of any duration is, the far more vexing problem is that of those who are persistently poor and whose children tend to be poor as well. Persistent and intergenerational poverty sorts itself by race and gender, too, but it is

particularly a feature of concentrated poverty, both urban and rural.

My focus here is urban concentrated poverty and the history of efforts to ameliorate it. Many Americans see urban concentrated poverty, or to be more precise, African American urban concentrated poverty, as the face of American poverty generally. That is misleading in two respects. People who live in places of concentrated poverty are a minority of the poor, and people of color are not the only residents of such places. White Appalachia is a longstanding example of persistent poverty with devastating effects that carry on from generation to generation. And with the economic decline of predominantly white small towns around the country, we see many places where the social fabric is wearing thin, a phenomenon appearing more frequently as the current recession drags on. And, sad to say, Indian reservations are another pertinent example.

Nevertheless, African Americans make up a disproportionate number of the people who live in such circum-

stances, constituting about half of the inner-city poor. It is important to understand why this is, as well as to be aware of the history of efforts to confront it. The answer to why this especially difficult set of issues came to pass in the first place and why it is so hard to root out involves a complex, intertwined set of forces and factors: racism, economic trends, demographic changes, politics, and policy failures.

The history of significant inner-city segregation and poverty goes back to the Great Migration. Beginning with World War I and continuing for a half century and beyond, black Americans moved northward and westward by the millions from the South. Comparatively speaking, the cities of the North and West constituted liberation from sharecropping and backbreaking work in the fields for bare subsistence wages, and from a constant danger of violent reprisal for invented transgressions against whites. That the migrants were required to live in segregated neighborhoods when they moved North and West was degrading but in fact an improvement over what they had left behind.

The generation that migrated saw their new life as a step forward on the whole and accommodated themselves to the (not insubstantial) barriers they encountered. Their children saw things very differently, ultimately resulting in the violence that ripped away the veneer of normalcy.

The civil unrest of the 1960s changed everything. Until then, racially segregated inner-city neighborhoods were economically integrated and, at least in the later telling, had a strong sense of community. With expectations raised by the legal fruits of civil rights activism, younger residents—frustrated by the failure of the movement to make a difference for them—exploded in anger. The proximate cause was police misconduct. The real point, though, was palpable discrimination in the world of work, exacerbated by inferior educational opportunities and daily reminders of de facto second-class citizenship. To a new generation coming of age, going along to get along was no longer acceptable.

Visionaries like Ted Watkins in Los Angeles and Arthur Brazier in Chicago were already at work on inner-city organizing and community economic development when the cities began to burn, as were farsighted people like Dick Boone at the Ford Foundation and Mike Sviridoff in New Haven. Robert Kennedy, for whom I worked, found himself challenged by leaders in the Bedford-Stuyvesant neighborhood of Brooklyn to help them revitalize the neighborhood, and started a process that led to the founding of what became the Bedford-Stuyvesant Restoration Corporation.

Importantly, Kennedy and his Senate colleague Jacob Javits successfully attached an amendment to the legislation reauthorizing the War on Poverty that made federal

funding available for multidimensional inner-city revitalization initiatives. Via this funding and significant financial support made available by the Ford Foundation, community development corporations (CDCs) sprouted in many communities, as did the community action agencies that were at the heart of the War on Poverty. Even with the violence and the burning, there was a sense of purpose and movement and a new activism that transformed politics in city after city.

Kennedy and others who came after him—notably, George Romney as Secretary of Housing and Urban Development in the Nixon administration—had a dual vision of policies relating to place. Improving life chances for inner-city residents was one objective, but it was nested in a framework of metropolitan desegregation that would promote genuine choice for people of color to live and work outside the inner city. Romney's insistence about this ultimately wore out his welcome with the Nixon administration.

Kennedy's interest in the question of place began with three speeches that he delivered in January 1966. The speeches made two major points. The first was a call for metropolitan residential desegregation that would include people of all income levels. The second was his idea for an inner-city revitalization initiative, which turned out to be the cornerstone for what became the Bedford-Stuyvesant Restoration Corporation.

Kennedy and Romney notwithstanding, the part of the vision that called for metropolitan desegregation regardless of income disappeared from the table. Inner-city strategies, which in Kennedy's view would have included both revitalization in the inner-city areas themselves and the wherewithal for people to move out if they wanted to, focused solely on revitalizing the neighborhoods themselves.

So the story after 1968 was not what some of us had envisioned. Of course history often surprises us. Robert Kennedy was murdered, and Richard Nixon was elected. But this is just the beginning of the story.

To start with, the premises on which neighborhood revitalization efforts operated were at best too narrow. The fundamental operational idea was that the neighborhood could be lifted up within its four corners—that enough new jobs could be created inside of or just adjacent to the neighborhood to turn things around. Improved housing, neighborhood amenities, and community safety were also important aims, but they, too, focused within the neighborhood. And the all-important economic strategy—to attract enough manufacturing plants and small businesses to close the employment gap—was deeply flawed. For the most part, CDCs did not pursue strategies of helping people find jobs in the regional economy, let alone pursue the vital transit facilities necessary for people to get to those jobs once found. In retrospect, it is obvious that the

The larger point is that economic trends, racial attitudes, and political factors converged in the 1970s and 1980s to push things in the wrong direction.

only way to maximize employment was to pursue jobs wherever they were available. But that was not the strategy chosen.

To some extent this was an effort to make a virtue out of a necessity. If metropolitan housing desegregation and even access to jobs were unavailable to low-income inner-city residents, the only avenue for change was to transform the inner city. But the mistake also had an ideological driver. CDCs came into being during the era of black power, and many of their leaders' political views matured at that time. Their vision was one of political power grounded in economic strength. If new jobs could be situated in the immediate area, the economic success for the residents would become the building block for political power. And there was a third point, in my view. I have always thought as well that some of the white establishment's support for CDCs was driven by its comfort with a strategy of self-segregation.

If the premises were flawed, the demographic, economic, and political trends were toxic. With large sections of inner cities resembling bombed-out European cities after World War II, many residents of inner-city neighborhoods wanted to get out if they possibly could. The striking expansion of the black middle class and the enactment of the Fair Housing Act of 1968 gave some people the economic and legal basis for doing so. Not everyone who had the economic capacity to leave did so, but the exodus was big enough to destabilize the preexisting economic and community mix, and the descent into concentrated poverty was underway. Efforts at inner-city neighborhood development, already facing tough odds, became even more challenging. Whether greater mobility for lower-income people in inner cities to disperse would have helped or made matters worse is of course impossible to say. The larger point is that economic trends, racial attitudes, and political factors converged in the 1970s and 1980s to push things in the wrong direction.

Trends in the larger economy exacerbated the process. The industrial jobs that had brought impressive gains to black men along with others began disappearing in large numbers—to other parts of the country, to other parts of the world, and to technological change. The income of the lower half of earners of all races declined, and income in inner cities dropped even more.

The war on crime and the war on drugs began, and the effect was devastating for inner cities. Black men, already hit hardest by the economic changes, ended up behind bars in large numbers, with major negative effects on family formation. The percentage of births to unmarried women, which was growing all over the world and among all races and ethnicities, grew disproportionately among African American women. With available jobs increasingly so low wage that a one-worker family with children could not make enough to escape poverty, unmarried women in inner cities were hit the hardest. And welfare benefits, never an avenue out of poverty, lost more ground to inflation every year. In the 1980s crack cocaine made everything even worse.

Not surprisingly, as all of this was going on, comprehensive inner-city neighborhood initiatives lost momentum. Federal and foundation funding decreased, and the problems they were trying to attack were worsening day by day and year by year.

With so many forces influencing things, it's difficult to isolate the significance of any one variable. What we do know is that urban concentrated poverty rose dramatically from 1970 to 1990, essentially doubling over the two decades. CDCs and other community economic development initiatives expanded over that period and made a tangible difference in limited ways. But the bigger picture overshadowed these achievements. Inner cities were caught in a pincers. On the one side was a national economy that was deteriorating for all lower-income people and disproportionately for people of color. On the other side were public policies that, if anything, made matters even worse. The 1990s saw a significant improvement, largely because of the hot economy of the last half of the decade, but things slipped badly between 2000 and 2010.

Can we do better? I think so. Despite the slippage in recent years, I think we know more now about what we should do if we can command the necessary resources and political support.

Most important, we need to clarify the premises of our policies. I believe the operative word is "choice," as Robert Kennedy said in 1966. Everything we do should empower the choice of people to live where they want to live. They should have the economic wherewithal, supported by strong enforcement of antidiscrimination laws and housing vouchers as necessary, to make a real choice of where to live in any metropolitan area. At the same time, they should have a realistic possibility of staying where they live in the inner city, but in a revitalized inner-city community that offers decent housing; good early childhood programs; high-quality schools; safe streets, parks, and playgrounds; and healthy food sold at nationally advertised prices. This would be new. I do not believe there has ever been a time when we could say with any honesty

that we really offered a genuine choice for people to be able to move out or stay in their current neighborhood, with both options being to live in healthy communities.

What are the elements of such a policy?

First, every element of good antipoverty policy that is applicable to people everywhere is relevant to people who live in concentrated poverty. Jobs that pay enough to live on, based as much as possible on wages and supplemented as needed by policies like the EITC, will make it easier for people to move if that is their choice and will collectively raise the quality of life in the neighborhood for those who stay. The same is true for public benefits such as health care, child care, housing, and others.

Second, jobs in the regional economy should be a real policy instead of a bumper sticker. The legacy of the myopia of the early neighborhood revitalization enthusiasts persists despite the lip service of too many who should be doing more. Job training and placement strategies should be simultaneously aggressive in partnering with employers and recruiting inner-city residents for jobs. Transit access is a crucial component of a more robust policy that needs to be pursued at every level of government. Jobs in the regional economy are a key building block in strategies to help people take steps toward moving out and to help them stay in place if that is what they prefer.

Third, housing strategies to facilitate neighborhood improvement must be pursued in new and improved form. The HOPE VI program —begun in 1992 at the end of the first Bush administration to demolish rundown public housing and replace it with mixed-income housing—includes excellent examples of creating new mixed-income neighborhoods, but also resulted in a net loss of housing stock for low-income people. The Obama administration reconceptualized the program in the form of Choice Neighborhoods but was unable to obtain funding to move forward on an adequate scale.

Fourth, education must become a central strategy for transforming inner-city neighborhoods into healthy communities. One of the most serious failings of neighborhood revitalization strategies until quite recently has been their lack of attention to the schools attended by the children of the area, including emphasis in the all-important area of early childhood development. Although not the first effort in regard to education, the work of Geoffrey Canada and the Harlem Children's Zone (HCZ) has brought the issue to national prominence and resulted in President Obama's Promise Neighborhoods program.

HCZ teaches a number of important lessons, in addition to the basic fact that quality schools are a key to opportunity for children in low-income neighborhoods. One lesson is that the 1960s mythology that one meta-initiative



can transform a neighborhood is just that—a myth—and that multiple actors doing multiple tasks in a collaboratively strategic way is crucial. The second is that charter schools make projects like HCZ substantially more viable. It is not impossible to mount an effort like HCZ in collaboration with a traditional public school or schools—such examples exist in a number of cities—but charters have a flexibility that local schools, controlled as they are from “downtown,” are unlikely to have. And the third lesson is that school reform cannot succeed to the maximum degree possible if it occurs in a vacuum. Good schools will make a difference and will be the reason why some children will make it when they otherwise would not have done so, but they will make a much greater difference if they are part of a broader antipoverty strategy.

This point is worthy of extra emphasis. There is a bogus debate going on that pits school reform against antipoverty advocates. School reformers, wanting to squelch teachers and others who have said over the years that they cannot teach children who come to school with multiple problems that stem from poverty, say (correctly) that there are no valid excuses for failing to teach low-income children. They point (as they could not until quite recently) to multiple examples of schools that excel in teaching low-income children. But to the extent they say or imply that reducing poverty now is somehow less important than school reform, they overstate their point. Antipoverty advocates, for their part, in some instances downplay the independent efficacy of school reform.

The real answer, quite obviously, is that both school reform and serious antipoverty policies are vital. Better schools in inner cities, both charters and traditional public schools, are crucial to children’s possibilities of having a better life. But far more inner-city children will succeed in school if their parents have better jobs and higher incomes and if the communities in which they are growing up are healthy. There is no either-or here. Good schools are a must for inner-city children, but they cannot achieve maximum effect unless the schools strategy is part of a larger antipoverty approach.

The fifth element of a productive policy is that for some but not all inner-city neighborhoods, attracting people with somewhat higher incomes will be possible and can be a stepping-stone toward neighborhood improvement. For this to be a possibility at all, we must talk about a neighborhood that is accessible to the city’s center, not one that is located miles away, which is frequently the case. But the strategy is hardly without risk.

Good schools are a must for inner-city children, but they cannot achieve maximum effect unless the schools strategy is part of a larger antipoverty approach.

Cities like Washington, DC, have seen neighborhoods gentrified and transformed to the point where the previous residents are pushed out by rising property taxes and rents. On the other hand, HOPE VI provides numerous examples of mixed-income developments located in low-income neighborhoods, with the consequent effect of raising incomes in adjacent blocks.

Sixth, and finally, explicit attention to the behavioral patterns— crime, nonmarital childbearing, denigration of the value of education, and more—that have been associated with concentrated poverty is essential. Sad to say, they have become embedded and, in effect, intergenerational. The structural frameworks and continuing racial discrimination have to be addressed, but so do the issues of personal and parental responsibility. Much of what is needed has to happen on the ground, in the community, carried out as a matter of civic action. Personal and parental responsibility is an indispensable part of building a healthy community.

Issues of concentrated poverty and place are not inherently racial, either in the United States or around the world. Yet we need at the same time to confront the racial facts that are disproportionately present in America’s version of concentrated poverty: the official as well as attitudinal racism that created inner-city segregation in the first place and the structural and institutional (and sometimes illegal) racism of inferior schooling, the criminal justice system, the housing market, and employer behavior that perpetuates it.

If we are to make progress in this century toward ending urban concentrated poverty, we must understand what caused it, what perpetuates it, and the plethora of remedies that must be applied to bring about changes of the necessary magnitude.

Peter Edelman is a professor of law at Georgetown Law Center and faculty co-director of the Georgetown Center on Poverty, Inequality, and Public Policy. **CI**



America's Tomorrow: *Race, Place, and the Equity Agenda*

By Angela Glover Blackwell, PolicyLink¹

The quintessential promise of America is that through hard work, anyone born poor can succeed. The antipoverty movement grew out of recognition that this is a pipe dream for millions of people of color who are disproportionately saddled with failing schools, unemployment, poor health, and underinvested communities.

Those of us working to end poverty and racism used to make our case in moral terms: the nation must deliver on the promise of equal opportunity and shared prosperity because it is the right thing to do. But a demographic transformation more rapid and widespread than anyone had predicted has changed the conversation. By the middle of this century, the very same groups who have long been left behind will become America's majority population. By the end of this decade, most youth will be people of color. These shifts already have occurred in California, Texas, New Mexico, and in metropolitan regions across

the country. Equity—just and fair inclusion in a society in which all can participate and prosper—has become more than a moral issue. It is now an economic imperative.

We cannot afford to squander the talents and potential of so large a segment of our population. Yet we continue to do exactly that. The economic disaster beginning in 2008 hit communities of color first and worst, even as it also hurt many poor, working-class, and middle-class whites. In 2010, 27.4 percent of African Americans, 26.6 percent of Hispanics, 12.1 percent of Asians, and 9.9 percent of whites were poor.² More than one-fifth of the nation's children lived in poverty, the worst track record in the developed world. The reality in communities of color was even more abysmal: 38 percent of black children and 35 percent of Hispanic children were poor.³

How America produces such disparities is no mystery. Address is a proxy for opportunity. Where we live determines whether or not we have access to the requisite

resources for success, including good schools, decently paid jobs, and transportation that connects to employment centers. It determines whether or not we have access to healthy living conditions—whether the air is reasonably clean or fouled by pollutants spewing from a freeway or rail line or bus depot in the neighborhood; whether we are likely to develop a long list of chronic illnesses and, if we do, whether we will survive them; whether we are likely to be killed during a crime, in a car crash, or simply when crossing the street. Any serious discussion of poverty inevitably turns to prevention and well-being—and that brings the conversation straight into the places where struggling people live.

However, we must not view these places simply as constructs of geography. In a nation where neighborhoods remain largely segregated by skin color and ethnicity, “place” can be understood only through the lens of race. Efforts to improve conditions in low-income communities must address the systemic barriers to success and well-being—many of them erected on the structures of racism—that lie at the root of economic and social inequity.

Poverty is tied to educational attainment, and student outcomes reflect the effects of underinvestment. By the end of fourth grade, black and Hispanic students and poor students of all races trail two years behind their wealthier, predominantly white peers in reading and math. By eighth grade, the gap is three years; by 12th grade, it is four years.⁴ Six of every 10 African American, Hispanic, and Native American students graduate high school, compared with eight in 10 white students and nine in 10 Asian and Pacific Islander students.⁵ Nearly six million people ages 16–24—disproportionately young people of color—neither work nor attend school.⁶

The growing legion of disconnected youth forecasts bleak outcomes in terms of social stability and economic prospects for the youth themselves, for their families, for their communities, and for society at large. Youth without productive activities, options, or hope are more likely to be poor for the rest of their lives. They also are more likely to end up in the criminal justice system, leaving them with a stigma that will limit opportunities long after their release and imposing huge social and financial costs on all of us. The need for bold, comprehensive strategies to reverse this trajectory and open up possibilities for the young people who are America’s future has never been more urgent. Policy change is key: policy created many of our problems, and it must advance and support solutions.

It is neither by accident nor by the force of the free market that society’s most vulnerable groups generally live in its most distressed places, neighborhoods stripped of decently paid jobs and of investment in the infrastructure that fosters opportunity. In other words, poor people of color do not move into disinvested communities because

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that’s all they can afford; rather, investment disappears when people of color move in. Neighborhoods and regions across the country bear the scars of government policies, real estate practices, and business strategies through much of the twentieth century that prevented African Americans and other targeted groups from obtaining loans or participating in government-sponsored housing programs while encouraging white residents to move to the ever-distant suburban edge.

While federal and state laws prohibit many overtly discriminatory policies, the nation’s map remains carved into separate, shamefully unequal societies. More than half of Hispanics and nearly 65 percent of African Americans live in neighborhoods of color,⁷ generally low-income ones. Two-thirds of black children live in high-poverty communities, compared with only six percent of white children—a percentage that has not changed in 30 years.⁸

Neighborhoods are working hard to address their challenges, often without policy support. In many of these communities, nonprofit organizations, places of worship, and residents come together to administer programs and services to help people in need and to provide venues for engagement with the issues they face. But in the absence of equity-driven policies and investments, programs struggle in isolation, grinding away for funding, recognition, and priority in reform agendas. Policies set the rules and parameters for all the factors that affect community conditions and shape the lives of residents, from the types and locations of new schools, jobs, and services to the availability of fresh, nutritious foods and other health resources to the quality of teachers, the educational standards, and the physical state of school buildings.

Years of antipoverty work have revealed two things: community interventions achieve their greatest success when they are connected to policy, and policy solutions are most effective when they draw from what is working in communities. These lessons lie at the heart of an equity agenda, which seeks to transform high-poverty communities into high-opportunity communities—places that provide all the resources people need to thrive, including

employment, job training, good schools, safe streets, parks, healthy food retailers, transportation, and affordable high-quality housing. A successful equity agenda builds upon the wisdom, voice, and experience of local residents. It focuses on empowering people while strengthening the places where they live.

Research shows that communities, cities, and regions that pay attention to equity grow stronger, and that the effects of an equity agenda may be most pronounced in areas that have struggled most. If the nation is to have a bright future, the equity agenda must become America's agenda, and it must drive antipoverty efforts. We can no longer stop at a singular economic or community development strategy; however worthy, it will prove insufficient to address growing inequality and increasing poverty at the necessary scale. Rather, we need to think differently about how broad policy agendas and legislation can incorporate equity-focused solutions that work. And we need robust alliances across fields—civil rights, environmental justice, education, health, community organizing, and economic development—to fight for investments to create communities of opportunity everywhere, and for all.

It is a big task, but it need not be daunting. Four principles can guide work to advance equity in tangible ways:

- **Focus on those left behind.** By using data and community engagement, advocates and community developers can understand the structures and symptoms of exclusion. This is a good starting point for developing strategies, prioritizing outcomes, and measuring prog-

ress based on how effectively an initiative reaches the people who have been left behind.

- **Rebuild public infrastructure.** High-quality roads, transit lines, bridges, sidewalks, schools, parks, water and sewer systems, and communications networks are fundamental to economic vitality. Infrastructure connects workers to jobs and educational opportunities, revitalizes distressed communities, increases business efficiency and productivity, and fosters growth and competitiveness.
- **Grow new businesses and new jobs.** Small businesses employ half of all private-sector workers and create two out of every three jobs in this country. They also incubate many of the new innovations that contribute to growth. Enterprise development efforts can link local entrepreneurs to the larger-scale markets, financing sources, and growth strategies that are critical for long-term success.
- **Prepare workers for the jobs of tomorrow.** Human capital was the key to national prosperity in the Industrial Era, and it will be even more important for competing effectively in this century. Education and workforce development systems must be retooled to equip the workers of tomorrow—and today—with the skills to succeed in an ever-changing, globalized, knowledge-based economy.

Angela Glover Blackwell founded PolicyLink in 1999 and continues to drive its mission of advancing economic and social equity. **CI**



From Community to Prosperity

By Ben Hecht, Living Cities¹

“Past performance should not be seen as an indicator of future success.”

Anyone who has ever had to decide among investment options should be familiar with this warning. No admonition is more appropriate for the community development industry today. Since the 1960s, this sector has grown and produced staggering returns: billions of dollars in private capital invested; millions of affordable housing units built; the development of an extraordinary number of high-performing local, regional, and national nonprofit organizations; and the creation of the most successful private-public partnership the nation has ever seen, the Low Income Housing Tax Credit.

These successes were largely achieved in a different era, before community was redefined by revolutionary forces of change—primarily, globalization and the internet—that have reshaped not only America but also the world and America’s place in it. Despite the heady suc-

cesses in this sector, our work has not had the effect that many of us intended: a material impact on the number of Americans living in poverty. Our long-held assumptions about the levers required to address poverty in a globalized world, and the appropriate role of place in that effort, are being challenged. Community development must move from an industry viewed by many as focused on managing decline—think older industrial cities—to one that is ushering change in new collaborative ways, disrupting obsolete and fragmented systems, keeping an eye on underinvested places, and connecting low-income people to economic opportunities wherever they exist in this hyper-connected world.

What Has Changed

Since its inception in the decades after World War II, the community development sector in the United States

The community development sector must change the way it works and with whom it works. We need a method that is commensurate with the scope and nature of the problem.

has emphasized the primacy of place. According to this theory, poverty was largely considered to be a side effect of geographic isolation and disinvestment. But a lot has changed. An increasingly global trading system accelerated the globalization of the U.S. economy with profound impacts on neighborhoods and low-income people. It further reduced the role that low-income neighborhoods could play in the economic lives of their residents by moving jobs not just out of the neighborhood to the suburbs, as had happened in the 1970s and 1980s, but out of the country. Similarly, the internet has profoundly reshaped notions of connection and community. The definition of “community” has, in many instances, lost a geographic, placed-based character as smart phones, text messaging, and social networks like Facebook have become ubiquitous. Today people identify and interact with their online communities, social networks comprising self-selected individuals who share interests, values, family ties, and more. Political and societal changes such as the development of school vouchers, charter schools, and mega-churches have also accelerated the displacement of place. People have increasingly chosen to disconnect themselves from local institutions. In short, the primacy of place has lost out to mobility.

Additionally, poverty is no longer limited to the disadvantaged subsections of our cities. Issues once thought to be unique to isolated geographies, such as bad schools and underemployment, are now ubiquitous. High-performing public systems that since World War II have helped to build our country’s middle class and create broadly shared economic prosperity are broken and no longer produce such results. In most cities today, for example, we do not need to fix the elementary school in only one neighborhood, we need to fix most of the elementary, middle, and high schools in regional school systems.

The community development industry, and the United States as a whole, has failed to adequately adapt to these seismic changes. As the United States transitioned from the center of the world’s economy to being a player in a truly global one, income inequality and stagnation has increased. Economic opportunity and prosperity declined for most Americans over the past 30 years, as highlighted

by the recent Occupy Wall Street movement. Not surprisingly, the economic conditions of low-income people in the neighborhoods targeted by community developers were also negatively affected over this time. Very local community-based strategies that were disconnected from the quickly changing mainstream global economy simply had no hope of helping people overcome the economic forces at play.

In a twenty-first century world, how do we define “community” and what role should it play in our work? Can strategies that concentrate on narrowly defined places create broadly shared economic prosperity? If connectivity is key and systems need to be changed at a city or regional level, what is the role for traditional community development practitioners? Can an industry largely built on real estate transactions pivot to be influential in approaches where those transactions are important but insufficient? If transformational changes have occurred, why are so many of the very poor still trapped, symbolically and literally?

These questions are uncomfortable. They challenge our long-held assumptions about community development and urban revitalization. They also demand a fundamentally redefined notion of social change and an innovative approach to implementing it. Such an approach would require unprecedented collective action; a focus on reengineering long-broken systems such as education, workforce development, and transportation that addresses people and not just real estate; and a commitment to connecting low-income individuals to opportunities and private markets. As community development practitioners and citizens we are not simply fitting the last pieces—underserved neighborhoods—into an otherwise healthy puzzle of the American city. Instead, we are facing fundamental challenges to post-World War II ways of life.

Fixing the Method

Our problem is not that we do not know what we want to achieve. Instead, it involves “fixing the method by which these goals are attained,” as management legend Edward Deming said.² The community development sector must change the way it works and with whom it works. We need a method that is commensurate with the scope and nature of the problem. We have gone “all in” on local strategies, ignoring global realities. We have become technical experts on transactions when we need to lead a new way of adaptive problem-solving.³ Our focus has been on a singular strategy and unit of change, the community, but we must integrate geography, connectivity, and systems innovation. We have become very influential to those involved at the neighborhood level, yet we remain largely unknown beyond that sphere. Our new method must accomplish four things:

Invest in Dynamic Collaboration

Unfortunately, our ability to come together and solve important and complex problems is broken, as evidenced regularly in the U.S. Congress and many state houses. Problems such as stunted economic growth and an unprepared workforce are complex and demand long-term solutions. They will require a new civic problem-solving infrastructure that is resilient and able to adapt to changing conditions—an infrastructure that is not commonly found in the United States.

This civic infrastructure must be founded on the same model that is being adopted by businesses around the world: dynamic collaboration or distributed leadership. In the words of Dow Chemical CEO Andrew Liveris, “collaboration is the new competition.”⁴ New realities mean that old-line institutions must break out of old paradigms. In order to effect long-term solutions, what is required is the right pool of talent and entities (both public and private), participants who bring formal and informal authority to the table, and the setting aside of old mental models of organization. In the words of Unsectored’s Laura Tomasko, collaborative leaders must be “infrapreneurs,” or people who create change by developing and connecting systems.⁵

At Living Cities, we have been supporting cities to create “one table,” where government, philanthropy, the nonprofit sector, and the business community can come together. The results so far have been encouraging. For example, as a part of our five-city Integration Initiative, which began in 2010, leaders in Minneapolis–St. Paul are using this approach to consolidate the governance of multiple transit-oriented development efforts, coordinate precious financial and human resources, and ensure that region-wide transportation efforts create broadly shared economic opportunities. In Detroit, the inclusion of lenders at “the table” has resulted in progress toward \$20 million of new community-enhancing transactions.

End Workarounds

Our systems are failing us, largely because they were built for different times and on now-outdated assumptions, such as an entire K–12 education system designed around the imperative of a nine-month school year to accommodate summer harvests. Yet, overhauling systems has proven to be very difficult given entrenched interests and the sheer force of inertia. As such, the nonprofit sector has responded largely with “carve-outs” and workarounds. We have been astonishingly innovative, but this innovation has remained on the periphery: the one good school in a failing system, the one successful job training program serving a small number of people. We have accepted that we are program rich but systems poor, to borrow a phrase often stated by Cincinnati’s civic leaders.

We must commit to long-term systems innovation, not another new program. A vastly restructured system is needed to serve as a lasting platform for wealth building and well-being of low-income Americans. To paraphrase Jon Gertner in *The Idea Factory: Bell Labs and the Great Age of American Innovation*, systems innovation is a new process that does the job with consistently better results, is deployed on a large scale, becomes the new normal or mainstream way of doing business, and has a significant impact on both society and the economy. It is this impact on both society and the economy on which we must focus.⁶

Systems work is necessary, and it is possible. As a supporter of the viral Strive Network, in the past two years alone we have seen dozens of cities take on this challenge with education. Each city has not only built a multi-sector table, it has also adopted a shared vision for how to fix education from cradle-to-career. They use a combination of data-driven decision making and public accountability to drive results and move funding to programs that work.

Engage Private Markets

If the community development sector has learned anything in four decades, it is how to innovate using the tools and the language of the private sector. Community development financial institutions (CDFIs) and Low Income Housing and New Markets Tax Credits engage markets at scale; other parts of the nonprofit sector look on this with envy. We must implement this distinct competitive advantage, but in even more ambitious ways. We need to be the bridge that helps to bring private-sector discipline and resources, especially for those who seek financial and social returns, to public-purpose activities. And we must help the private sector to see how it can use its investments and practices for greater social results.

On the capital side, we need to build a practice of domestic impact investment that is at least as robust in the United States as it is abroad. This means continuing to innovate in ways to deploy capital into health centers, making fresh food more available, and other parts of the social safety net. At Living Cities, we are looking closely at how we might help bring private-sector capital into public-sector infrastructure investments, primarily at the local level. Foreign sovereign wealth funds and international financial institutions are innovating in this area; we should be able to do so in the United States as well. With our Catalyst Fund, we are investing in the nation’s leading energy efficiency effort in Portland, OR, and the future-looking multicounty transit-oriented development fund in the San Francisco Bay Area.

Our sector’s efforts should not be limited to capital. We have to build more relationships with the private sector that are driven by the creation of what Michael Porter terms “shared value.”⁷ We should imagine new

ways for our industry to help the private sector bring its other assets, including jobs and mainstream products and services, to low-income people and communities. For example, recent research shows that 3–5 million jobs will be “reshored” from abroad to the United States by 2020, and the addition of fresh food to local Target and Wal-Mart stores has significantly affected urban food deserts.⁸

Use Accelerators

There is no way to avoid the difficult, multi-sector work required to change long-broken systems, but there are powerful ways to accelerate those efforts. Technology has the greatest potential to do that when it is intelligently combined with the public sector.

Big Data

Technology is increasingly being deployed for social change. No area has more promise than Big Data, which a recent New York Times article⁹ described as “shorthand for advancing trends in technology that open the door to a new approach to understanding the world and making decisions.” The great promise of Big Data is that it can help us to build “humanity’s dashboard,” a phrase coined by Rick Smolan: it can provide us with information about where our public dollars are actually working and where our human and financial resources should be concentrated to make the biggest difference.¹⁰

With more government data becoming publicly available, an explosion of innovation has occurred that is redefining how citizens participate in and interact with their government. To date, “civic tech,” or the building of apps based on public data, has focused on civic life, from real-time bus schedules to virtual land-use planning. However, it is not hard to imagine how civic tech could be transformational when applied to the lives of low-income people and communities, from changing the relationship between police and neighborhoods to enabling online appointment scheduling and enrollment for public benefits.

Social Media

Another application of technology with great promise for accelerating change is social media. Whether via crowd-based funding of a startup or local business, using sites such as Kickstarter and Smallknot, or microloans made available through organizations such as Kiva, social media has the capacity to make accessible previously inaccessible resources. It also enables citizens to voice their opinions on matters that are critically important to them. Just recently, within hours of announcing it, Verizon cancelled a \$2 “convenience fee” it planned to implement when more than 130,000 people signed an online petition against it on Change.org. The power today to organize and be heard is unprecedented. Social media can also hasten the adoption of dynamic collaboration. Increasingly,

private- and public-sector organizations whose success is tied to that of others are using social media to share intelligence and ideas, get real-time feedback, and broadcast knowledge.¹¹

At Living Cities, we see these accelerators in action every day. We are working with organizations such as Code for America and TechNet to bring the technology community together, to build applications using openly available public data to improve municipal operations, innovate to discover Big Data’s predictive powers, and increase the delivery of government products and services to low-income people. We are partnering with NBA Hall of Famer David Robinson and other celebrities to reach their large numbers of social media followers. As a leader in a network of problem-solving organizations, we are prioritizing rapid prototyping and the distribution of knowledge, and we are changing the way in which we communicate in order to accelerate innovation in our field.

The Road to the Future

Bruce Katz of the Brookings Institution said that “successful organizations cannot stand still in times of disruptive change. They maintain their core goals and values but readjust their strategies and tactics to reflect new realities.”¹² This same tenet must be applied to the community development sector. The road to the future requires that we move from a geographically bounded and named strategy, community development, to one that reflects the needs and realities of the twenty-first century, prosperity development.

Prosperity development focuses on people, place, and opportunity. Its goal is the convergence of vibrant places, effective systems, rich networks, and quality jobs. The commitment to vibrant places will build most directly on the sector’s legacy work in neighborhoods. It will seek to ensure that a person’s quality of life is not predetermined by ZIP code. Vibrant places will be healthy, safe, and affordable and have access to education, jobs, and mainstream products and services.

Efforts to build effective systems will require a new, resilient civic infrastructure and an intolerance of the work-around. Civic leaders from multiple sectors will be held accountable to rebuild systems so that they provide consistently better results over time for all Americans, restoring the expectation that our children’s lives will be better than our own. Rich networks will facilitate the ability of low-income people to benefit from technology, social media, and the internet. Ubiquitous broadband connectivity and active participation in social networks will enable everyone, regardless of where they live, to access the economic and political potential of these media and connect to opportunities anywhere in the world.

Ultimately, prosperity is possible only if we dramati-

cally increase the number of Americans who have quality jobs, that is, jobs that offer economic security and wealth-building potential. We will have to improve our access to those jobs already tethered to geography, such as at universities and hospitals. We must pay attention to how we can apply our services to help small, ambitious businesses grow and larger existing enterprises translate shared value into quality jobs.

The past performance of the community development sector could be an indicator of future success, but not unless we change. We need a wider aperture than the one we are using. Community development has half a century worth

of experience in building unprecedented partnerships, harnessing market forces, and generating innovative solutions. In this time of distributed leadership, no other sector has a more relevant perspective and set of skills; this should allow us to have significant influence on the shaping of our nation's future. We must commit ourselves to working in new ways, making new friends, taking different risks, and challenging orthodoxies believed to be unchallengeable. Nothing less than the economic future of our country and the values undergirding our democracy are at stake.

*Ben Hecht has been president and CEO of Living Cities since July 2007. **CI***

People Transforming Communities. For Good.

By Angela Blanchard, Neighborhood Centers, Inc.¹

At Neighborhood Centers, we believe that what makes Houston, and all great metro regions, dynamic and vibrant engines of recovery are our neighborhoods. Strengthening underserved neighborhoods raises the quality of life for everyone in the region. Neighborhood Centers exists to keep our region a place of opportunity for everyone who is working for a better life. We operate in many locations, and people in struggling neighborhoods often approach us asking for a community center. We believe in putting a roof over community. But when we are asked to build a center, we say “first you build the community, then you build the center.” So we engage communities wherever we work. We fulfill our mission to bring resources, education, and connection by working side by side with people in neighborhoods.

We are convinced that real transformation comes from an integrated, focused approach to neighborhood transformation, not from an “either/or” set of choices like housing or school, health or financial, infrastructure or immigration. All elements of what makes a neighborhood a great place to live, grow, and raise children are necessary. Although we do not believe that one organization has to do all of it for every neighborhood, we do believe that organizations, funding, and communities can come together for powerful integrated approaches.

One example is the Baker Ripley Neighborhood Center. With five buildings, 75,000 square feet, on four acres in the heart of Gulfton/Sharpstown, it stands as a monument to the dreams and aspirations of 55,000 hardworking residents. The philanthropic dollars that built this village center, and the public and private dollars that keep the doors open on a credit union, charter elementary school, immigration services, reunion hall and indoor/outdoor stage, tax center, art shop, and playground, are a modest investment with an unlimited return in realized potential and fulfilled promises. In our first year and a half of operation, 23,000 people passed through the doors. More powerful than the beautiful, accessible, colorful, joyful structures themselves is the incredible power of integrating education, financial opportunity, health services, and performing and visual arts into one site. Despite all the complexity, neighbors coming to the site see only the place they helped to build, one place with many doors, all of which are open to them. But we know about the dollars returned to the community, the improvement in graduation rates, the reduction in juvenile crime, and the number of new citizens. We recognize that the future leaders of Houston will come out of Baker Ripley and know they will remember the investment made in their families.

Angela Blanchard is the president and CEO of Neighborhood Centers, Inc.



*The Baker-Ripley Neighborhood Center
Photo credit: Neighborhood Centers, Inc.*



The Future of Community Development

By Paul Grogan, The Boston Foundation¹

Over the last three decades, our industry has made dramatic strides in rebuilding the physical fabric of neighborhoods. It has mobilized people and resources, attracting millions of dollars of investments in affordable housing, urban supermarkets, daycare centers, community centers, and school buildings. New community-police partnerships linked to revitalization strategies have restored a basic sense of safety in urban neighborhoods. In many strong-market cities, we witnessed the virtual elimination of physical blight—trash-strewn vacant lots, abandoned buildings, and crumbling streets and sidewalks are things of the past.

Yet despite great successes in reversing disinvestment, we face persistent poverty and the prevalence of fragile families. In an economy with shrinking opportunity for low-skilled workers, low- and middle-income families struggle in an increasingly difficult landscape. A “back-to-the-city movement” intensifies competition for land and

drives up rents, schools continue to fail students, and globalization undermines wide swaths of employment that formerly provided a decent living and a ladder of opportunity for workers without college or advanced degrees.

The combined cost of housing and transportation consumes a large and growing share of household budgets. In my home state of Massachusetts, more than a quarter of working households now pay more than half of their income for rent alone. Food and energy prices rise faster than incomes. And the soaring cost of health care crowds out both vital public spending on safety net issues and productive investments at the city and state levels. Federal and state budget deficits embolden those who advocate for reducing welfare benefits and increase pressure to cut aid to the poor and investments in upward mobility. These failing ladders of opportunity force attention to systems and structures that create and destroy opportunity.

The central challenge for community developers and their partners is to deploy effective strategies to promote

human development. Meeting this challenge requires confronting major systems such as urban education, probation, criminal justice, workforce development, and community colleges. These systems must realign to prepare today's residents to meet tomorrow's workforce needs.

The architecture of community development has much to recommend it. It relied on local initiative, a diverse support base consisting of state and local government, financial institutions, philanthropy, and a focus on real results that could be highly leveraged. As I look back, I see a spirit of localism—local solutions at a workable scale—as the engine that brought cities back block by block. The movement was born at a time when cities were in peril, wracked by rampant crime, “arson for profit,” disinvestment, white flight, and a sense of hopelessness. Feeding an organic process of housing development were innovations designed and created as part of a well-integrated infrastructure that brought together public, private, and nonprofit sectors. They offered flexible tools that helped fund market-rate and affordable apartments, homes for purchase, or housing for the homeless. Innovative leaders and national institutions leveraged private financing to the greatest extent practicable to increase the reach of public dollars in different market contexts.

We need to redirect this dynamic, flexible model and capitalize on research and new models in child development, health, education, and employment support. Moreover, problem-solvers need to look beyond the neighborhood, linking to regional economies, regional labor markets, and education and training resources located outside of cities. Community development will continue to find practical solutions to connect communities and capital. Intermediaries like the Local Initiatives Support Corporation (LISC) and Enterprise Community Partners will need to diversify the skill sets and tactics that have successfully created pathways for productive investment in housing and commercial development.

In *Comeback Cities*, Tony Proscio and I described the dramatic changes that had come to the Bronx. We noted with pride that “from having lived as virtual captives in a neighborhood that everyone fled when they could, residents of the South Bronx had become citizens again, participants in the forces that had restored their community to a livable place. This is significant not only in itself, but even more in light of what was not achieved in the Bronx, and in some places was never even attempted: The poverty rate did not decline.... Participation in the labor force is mostly unchanged.... The South Bronx has not become a middle-class neighborhood.... But it has become something that, in the midst of New York's stratospheric rents and high-skills job market, is more needed and more valuable: It is a place where lower-income people can live affordably, in tranquility and safety.”²

Financial innovation has been at the core of building this infrastructure. The community development industry grew out of a desire to promote equity and racial justice, and also a recognition that urban disinvestment could be turned around given smart public investments and new tools to seed local initiatives.

Community developers crafted a series of tools to link national pools of capital with local investment opportunities. The Low Income Housing Tax Credit (LIHTC) created a channel for private investment in low-income housing projects. The New Markets Tax Credit (NMTC) created a vehicle for private investment in businesses, daycare centers, charter schools, and other community facilities that bring vital services to low-income neighborhoods. Affordable housing goals for government-sponsored entities such as Fannie Mae and Freddie Mac ensured that low-income communities and creditworthy low-income borrowers enjoyed similar access to low-cost mortgage capital as the rest of the homeownership market. The federal HOME program offered critical capital subsidies dedicated to affordable housing.

Together, these tools formed a system that allowed public-private partnerships to create real change on the ground in neighborhoods. National intermediaries like LISC and Enterprise provided two critical ingredients: first, access to capital and the technical assistance necessary for community development corporations and community-based development organizations to become capable strategic actors and investment-ready partners; and second, the ability to engage state and federal policymakers to promote tweaks in program structures that would enable capital to flow from national pools to targeted local investments.

This effort has been wildly successful. It has financed innovations such as the LIHTC, which have provided the bulk of housing and revenues for community development corporations (CDCs). In Massachusetts, CDCs have developed more than 25,000 housing units. Since the early 1990s, LISC's Retail Initiative (TRI) invested more than \$100 million in 59 supermarkets and food markets around the country. That success spurred the creation of the NMTC, which has channeled \$30 billion in investments in projects and businesses in low-income communities in all 50 states since 2000.

By engaging the corporate, philanthropic, and government sectors in strong public-private partnerships, the community development industry succeeded in creating a remarkably durable financing system. Its diversified funding base—government, philanthropy, and private-sector investment—and broad constituency are key to this success. In this way, we have built a national infrastructure for improving the poorest neighborhoods. David Erickson aptly chronicles this development in *The Housing Policy*

*Revolution: Networks and Neighborhoods.*³

What, then, is the future of community development? It lies in turning the architecture we have created to meet urgent challenges of human development. How can we turn a successful community organizing and real estate development system toward the goal of increasing educational outcomes, employment success, family asset building, and individual and community resilience to weather setbacks? As an industry, we need new strategies to face these challenges.

We need to develop potent national intermediaries to connect local efforts in education, employment, health promotion, and family asset building with public and philanthropic resources and social-sector investors. For instance, a national intermediary to help cities build cradle-to-career education training structures— like Strive in Cincinnati or the Opportunity Agenda in Boston— could perform some of the essential functions that community development intermediaries have performed, such as providing incentives for additional cities to start programs, elevating best practices, connecting local efforts to national sources of support, and exerting influence over public policy at the national level.

Intermediaries working with local partnerships could identify ways to deploy investment capital to promote effective schools, transit-oriented development, walkable communities, fresh food access, and physical activity. National- and state-level experiments with pay for success contracts and Social Impact Bonds are promising mechanisms to mobilize social-sector capital for investments to scale up effective prevention practices in reducing recidivism, ending chronic homelessness, and providing alternatives to nursing home care.

It is unclear how such an effort will ultimately be financed, but philanthropic seed capital will be crucial, as it has been for many social innovations. Keep in mind that the community development movement got underway with only philanthropic support, but ended up building a highly diverse funding base sufficient to keep the movement productive for more than three decades. The role, then, of community development will again be to find practical solutions to connect communities and capital.

It is equally important that the movement step up its game in telling the stories of what works for communities, making it clear that these investments have real impact on real lives. Too often, our political conversation drifts

into abstractions. Effective storytelling and community mobilization remain vital to protecting the infrastructure that builds communities. For instance, LISC conducted a multiyear campaign during the Clinton administration to entice first Secretary of the Treasury Robert Rubin, then subsequently the President himself, to visit the South Bronx. Given the well-established reputation of the South Bronx as the ultimate urban wasteland, the eminent visitors were absolutely stunned and deeply affected by the scale of revitalization that was underway, and they confirmed strong support for the movement. In fact, Robert Rubin became chairman of the Board of LISC after leaving the Treasury, an office he still holds.

In closing, I must underscore the need to address an urgent threat to all the work we do to strengthen cities and improve the life chances of low-income Americans. The basic capacity of cities, states, and the federal government to invest in the future of this country is under assault. Without exaggeration, the United States faces a pivotal moment. A financial crisis wiped out trillions of dollars of real (and imagined) wealth created during a cycle of real estate speculation, the middle class faces stagnant wage growth, and our public school system fails to equip students to meet the demands of the 21st-century labor market. Yet while the crisis cries out for urgent action, our national politics remains gridlocked. Calls for smart public investment are drowned out by demands for budget cutting in the name of deficit reduction and assertions that government “is too big” or “does too much.” In this budget and political climate, there is an urgent need to fight to preserve the basic capacity of city, state, and federal government to invest in America’s future.

The current debate about public spending tends to lump all expenses together and call for their reduction. It fails to distinguish between maintenance investments, like Social Security or Medicare, and those investments intended to improve society for the future, like education, housing, infrastructure, the environment, energy conservation, and so on. My read of United States history is that such forward-looking investments have been crucial to the nation’s development at every stage. If we deprive ourselves of the ability to make these investments in our future, the consequences will be dire.

Paul S. Grogan is president and CEO of The Boston Foundation, one of the nation’s oldest and largest community foundations. 



Getting to Scale:

The Need for a New Model in Housing and Community Development

By Sister Lillian Murphy and Janet Falk, Mercy Housing¹

Housing is a key component in the history of community development. Although there are many calls to focus on other important aspects of building sustainable communities, providing quality, affordable housing is still a crucial part of the equation. For children to be able to learn, for families to be healthy, and for the elderly to be safe, a supply of stable, affordable housing must be available.

The recent Great Recession has highlighted the importance of housing in the United States. As foreclosures have increased and credit has waned, new housing starts (which are a major source of jobs) have plummeted. The recession has also challenged the assumption that the American Dream of owning a home is attainable by many. Although many households will continue to be

able to afford a home, for one-quarter to one-third of the population there will always be a need for quality rental housing. Affordable rental housing must be available to all populations, particularly those with the lowest incomes. Federal housing policy must redefine the American Dream to include a supply of good rental housing in addition to the promotion of homeownership.

In the United States there is a major gap between the demand for affordable rental housing and the available supply. Foreclosures and changes in the ability to purchase a home have had an impact on the rental market. As previous homeowners flooded the rental market, vacancy rates in 2011 dropped to their lowest levels since 2001. This demand has caused rental costs to increase, which has affected those with the lowest incomes the most.

The National Low Income Housing Coalition, in its “Out of Reach 2012” report, observed a significant gap in housing affordability throughout the country.² The report measured the housing wage, which is “an estimate of the full-time hourly wage a household must earn in order to afford a decent apartment at the HUD estimated Fair Market Rent (FMR) while spending no more than 30% of income on housing costs.”³ With an average FMR for a two-bedroom apartment in the United States of \$949 per month, the 2012 housing wage is \$18.25. This is significantly higher than the average hourly wage of \$14.15 that renters actually earn nationally (the “earned wage”). The housing wage exceeded the earned wage in 86 percent of the counties studied in the report. This gap between the wage required and the wage actually earned indicates a need for more affordable rental units.

More Than Just Housing

Affordable housing has always been about more than just bricks and mortar. The building of stable, vital, healthy communities that include services such as child care, health care, and educational opportunities has been the vision for changing the nature of poverty. It is a holistic approach that includes the promotion of stability and long-term homeownership and the provision of services to meet the needs of community residents.

Housing development organizations, particularly nonprofit developers, have a history of providing such services with the housing they have built. Their mission is long term, as they understand that it is necessary to have long-term ownership in order to preserve the affordability of what they have built. These developers now need a sustainable business model to continue to survive and thrive.

Need For A Sustainable Model

Since the Tax Reform Act of 1986, affordable housing in the United States has primarily been developed for lower-income households, using a financing model that combines public subsidies, conventional debt, and private equity (using the Low Income Housing Tax Credit). At Mercy Housing, we provide a successful example of this model. We have built, acquired, and financed more than 41,000 apartments that house more than 139,000 people; in doing so we have proven that we are capable business partners who can produce and operate housing while providing support services. We know how to do complex deals in difficult markets, and we are committed to serving those communities most in need. However, this financing model is unsustainable, for many reasons:

1) At precisely the time when more rental housing is needed to serve a widening segment of the population, the traditional resources to provide it are dwindling rapidly. Following substantial cutbacks in government programs,

A new approach is necessary if we are to continue to progress toward meeting the country’s housing and community development needs.

we have fewer resources available to continue to meet the increasing demand for affordable rental housing.

2) Traditional funding provides only limited support to organizations at the operations level. Nonprofit developers in particular have been chronically undercapitalized. Their primary source of support has been the developer fee, which has increased little in the past 25 years. (Some government programs, such as HUD Section 202 for the elderly, have only recently permitted organizations to recoup a developer fee to pay for their organizational costs.) Without significant assistance from support organizations, it is difficult to provide and retain the infrastructure necessary to develop or rehabilitate housing for lower-income people, let alone take the risks of developing new models and programs.

3) The current model does not permit or encourage organizations to go to a larger scale, funding each project individually. Going to scale is the only way to narrow the gap between supply and demand.

4) Projects take too long (three to five years is not uncommon) to reach completion. Each project is subject to regulation by every funding source involved, and it is typical to have four to six funding sources. What results is a very inefficient system. Although we do not have accurate measurements of the costs of these time delays, we know that land costs, interest carry costs, staff time, required changes in design, and other factors make projects more expensive. As well, the multiple levels of compliance that are required increase operational and asset management costs. These increases mean that developments are either less affordable or require more subsidy.

5) Because it is so risk averse, the current model does not permit innovation. Cautiousness on the part of government programs (at federal, state, and local levels) has led to separate regulations and rules that are designed for the one percent (or fewer) who might abuse the system, rather than the 99 percent who are in compliance. This model may be a good system to manage risk, but it is not a good system for getting to scale.

Getting To Scale

A new approach is necessary if we are to continue to progress toward meeting the country’s housing and community development needs. Government programs,

capital markets, and philanthropic foundations must change the way they perceive affordable housing production, in order to create new models that will be sustainable over the long term. The primary paradigm shift necessary will involve developing a system that allows housing developers with a holistic, community approach to housing, including the commitment to long-term ownership, to get to scale.

To achieve this shift, any new model should have the following characteristics/features:

Allow for Flexibility and Diversification

Currently, most government programs at all levels (federal, state, and local) have defined a narrow range of who can be served: those at the lowest level of income, which is generally defined as 60 percent or less of area median income.⁴ Although it is good public policy to target resources to those most in need, this focus solely on the lowest income population is not sustainable for the organizations that provide housing. The compliance costs to operate properties and provide services, along with strict limitations on rent, mean that there is little or no cash flow for organizations to be able to sustain or grow. In fact, to serve those most in need—the homeless, the frail elderly, and those with disabilities—requires an effort that is diversified enough to allow for some organizational income to be generated from other activities. Having multiple “business lines” that are not all tied to the same resource cycles also allows organizations to be able to deal with any disruptions that may occur in funding sources.

Encourage Innovation

All of the players in the housing industry—developers, private capital providers, the philanthropic sector, and government agencies—must be encouraged to innovate if new models are going to emerge. The current system focuses on avoidance of risk by encumbering government programs with rules and regulations. Banks and other lenders are also very risk averse. We must build in some tolerance for failure, as all new ideas are not going to be successful. Venture capital firms have recognized this as they take risks with emerging companies.

Fund at the Enterprise Level

Low-cost funding at the enterprise level—that is, providing debt and equity capital to an organization rather than project by project—is necessary to allow provider organizations to innovate, diversify, and become sustainable. It enables the developer to build reserves to be able to quickly take advantage of opportunities in rapidly changing markets. Access to funds for predevelopment without individual project application requirements can expedite the development process and reduce costs.

All of the players in the housing industry—developers, private capital providers, the philanthropic sector, and government agencies—must be encouraged to innovate if new models are going to emerge.

A source of operating capital allows an organization to invest in infrastructure and other organizational needs to position it for future growth.

Enterprise-level funding assumes that the enterprise knows what it must do to develop what is appropriate for the market and the local community. One size does not fit all markets, resident needs, or project types, and yet the current system creates a fairly narrow set of rules with which all must comply. A major shift from a focus on compliance with rules to a focus on outcomes must occur. Goals should be set through public policy, and then development organizations should be allowed to propose ways to achieve these goals. Accountability should be through the outcome rather than unwavering compliance with a large set of very specific rules and regulations.

Encourage Collaborations across Sectors

A major goal of scale is creating a road to sustainability that is nimble and flexible enough to weather the current economic storm and other disruptions that may occur, such as natural disasters, loss of public subsidies, and health epidemics. The major elements of community stability—housing, health care, transportation, education, and jobs—must be united to solve the problems of community development and poverty. To date, although there is nascent recognition at the federal level that such linkages are needed, the governmental infrastructure to facilitate such partnerships and collaborations across the urban and rural landscape has not been created.

Promote Public-Private-Nonprofit Partnerships

Part of the problem in getting to scale is that most organizations are not big enough or do not have expertise in enough areas to undertake the necessary level of effort to attack the magnitude of the problems we are facing. However, by working together, organizations with different competencies can undertake much larger efforts than they could alone. This allows them to have the flexibility to move quickly rather than wait to hire or train staff in order to develop additional expertise.

Develop Comprehensive Impact Measurement

The housing and community development sector is late to the party in measuring the impact of what we do. Investors are looking for social, economic, and environmental impacts. The public wants to know that its tax dollars are well spent. Resources must be invested in systems that measure the outcomes of the work that is done. Such systems will also make it easier to develop programs on the basis of outcomes rather than on compliance with the rules.

How It Can Work: A Current Example

When the elements above are combined, a new model emerges to move to scale and address today's acute problems. One such example is the Mortgage Resolution Fund (MRF), a public-private partnership established to preserve affordable homeownership by keeping in their homes those families at risk of foreclosure. MRF purchases nonperforming mortgages from banks and loan servicers at a discount, modifies the mortgages to align with the properties' current market values and the families' abilities to pay, provides intensive educational and debt management support, and eventually recapitalizes the mortgages. MRF is a joint venture of the Enterprise Foundation, the Housing Partnership Network, the National Community Stabilization Trust, and Mercy Housing.

MRF is funded at the enterprise level by the Hardest Hit Funds program, which was established in 2010 to provide targeted aid to families in states hit hard by the economic and housing market downturn. Funds were distributed to 19 state housing agencies on the basis of high unemployment rates or steep home price declines. Each state determines how to use the money it receives, for example, for mortgage payment assistance, principal reduction, elimination of second lien loans, or assistance for those moving to more affordable places to live. Allowing states to determine how best to implement their goals permits flexibility and innovation.

In addition to the partnership among its four members, MRF has leveraged private-sector capacity. It has service agreements with several private firms for mortgage due

diligence and valuation, which enable it to negotiate with global capital market desks that specialize in nonperforming mortgages. MRF also works with a large special servicer with a responsibility to work in conjunction with local housing counselors, as well as a debt manager that services the loans and supports mortgage reperformance. These partnerships have permitted MRF to get to scale quickly.

Although it is still in its early stages (its first fund closed in November 2011 and the first pool of mortgages was purchased in March 2012), MRF is an example of how four national nonprofit organizations can join forces to form an innovative new venture that will have an impact on a major national housing problem at a scale large enough to be meaningful. At the same time, MRF has enabled each of its component organizations to diversify into new territory. If it is successful, MRF will provide income to these organizations, which will increase their sustainability.

Moving Forward

The future of community development depends on developing new responses to the current problems of poverty, income inequality, and lack of affordable housing. In an era of deficits and government cutbacks, organizations must get to scale to become sustainable.

All sectors of the housing industry will have to step up in several ways. The public sector must become more flexible in its regulations and provide funding at the enterprise level on the basis of outcomes rather than just compliance. Private financial institutions will have to provide funds at lower costs (particularly equity) and be willing to tolerate greater risk. Intermediaries and foundations must seek out creative and nontraditional solutions and then fund them. Developer organizations must create partnerships that will enhance their strengths, and then these organizations must be accountable for the outcomes. The challenge is for everyone to think outside of the box.

Sister Lillian Murphy has been chief executive officer of Mercy Housing since 1987. Janet Falk was vice president for real estate development for Mercy Housing California until she retired in 2011. **CI**



Routinizing the Extraordinary

By David Erickson, Ian Galloway and Naomi Cytron,
Federal Reserve Bank of San Francisco

It is hard not to be inspired by the community-revitalizing work highlighted by authors contributing to *Investing in What Works for America's Communities*. Geoffrey Canada, Angela Blanchard, Tom Cousins, and many others are lifted up as extraordinary leaders who are making their communities thrive despite difficult circumstances. But we cannot rely on saints to achieve systemic change in the thousands of low-income communities in America that need help; we need new policies, practices, and products to create a next-generation system that empowers everyday people to achieve extraordinary results. What is necessary to build on the examples of strong leaders and to create intervention strategies using the best ideas possible? Here we try to reverse-engineer some of the leadership examples highlighted in the book and draw on lessons from community development's achievements to outline a new approach to community development.

The Need for a New Approach

It may seem obvious, but the most important reason why community development needs to evolve is that it is not solving the problem it was set up to fix—namely, reducing the number of people living in poverty. The percentage of Americans living in poverty when the War on Poverty was underway was about 15 percent, and it is about 15 percent today.¹ That is not entirely the fault of community development, as Peter Edelman explains in his article. Changes in the economy, in addition to swings in political support for antipoverty programs and a significant influx of very low-income immigrants, has made fighting poverty an uphill battle. Moreover, poverty itself has changed dramatically in the last 40 years, and as Alan Berube explains in his article, the needs of low-income communities—and where those communities are located—are very different now than they were when our

current antipoverty and community development programs were put into place.

All of this suggests that there may be better ways to organize our efforts in alignment with our understanding that poverty today is a complex system. Though it will play out differently in different communities, we propose a new approach to community development that, at its core, must be:

- 1 entrepreneurial in nature and fundamentally cross-sectoral, engaging more partners than are currently involved in community development;
- 2 focused on core people- and place-based interventions, and
- 3 data-driven and capable of sense-and-respond adjustments.

At root, this approach to community development is focused on leadership that is able to promote a compelling vision of success for an entire community, marshal the necessary resources, and lead people in an integrated way. We propose a new local entity to coordinate these kinds of integrated interventions in low-income communities. For the sake of argument, we are calling this entity the quarterback, although we recognize this metaphor has limitations. The quarterback's role is similar in important ways to how a CDC operates at the level of developing an affordable housing project. Like the CDC, the quarterback must articulate the vision it is managing (the outcome of reduced poverty, for example) and then assemble the funding sources and manage multiple partners to execute on that vision. The difference is that the quarterback is trying to enhance life chances for neighborhood residents by orchestrating the development and deployment of an array of high-quality human and physical capital interventions.

The quarterback can take many forms depending on the needs or the circumstances of the community. In some communities, there may be a rich variety of strong institutions in the government, nonprofit, and for-profit sectors. Here, what might be needed is to bring all those groups together in common cause. A fitting example of this type of coordination is Living Cities' Integration Initiative in Minnesota. There, the Twin Cities of Minneapolis and St. Paul have very strong institutions, but they need better coordination if they are to achieve the communitywide benefits they desire. Living Cities employs what they call "one table" to bring together all the parties. They are able to facilitate this process by providing resources to organize the table's work—administrative support as well as grants and below-market-rate capital that are made available to the participants to create incentives to cooperate. In this case, the quarterback is a bridge builder and coordinator that employs a relatively light touch.

At the other end of the spectrum are communities that lack high-functioning institutional partners. For these places, a quarterback may need to be far more aggressive in organizing what resources are present in addition to building up new capacity in places where it did not exist before. Here you might think about Harlem Children's Zone, an organization that created many of the institutions that ultimately were essential to its success. There are communities in between the high and low ends of the community viability spectrum, and they will require unique combinations of integration and institution-building. There are many examples of quarterback-like entities across the country that fall along that spectrum, including: Strive Partnership in the Greater Cincinnati area;² Magnolia Place Community Initiative in South Central Los Angeles;³ LISC's Building Sustainable Communities Initiative, which sponsored quarterback-like entities such as the Quad Communities Development Corporation in Chicago;⁴ and Codman Square Health Center in Boston.⁵

Any Community Can Produce a Quarterback

This is a delicate balance, of course. The quarterback must respond to, and have support from, the community to succeed. At the same time, it must also lead and provide vision and a structure for moving forward. Another instructive example is the recent effort to better coordinate antipoverty work in Las Vegas. Stakeholders there hosted a Healthy Communities conference as part of the social determinants of health and community development series (a partnership of the Federal Reserve and the Robert Wood Johnson Foundation).⁶ Local leaders came forward from HUD's regional office, local government, the Nevada Bankers' Collaborative, the United Way, the University of Nevada, and other nonprofits.⁷ They identified collaboration and integration as fundamental to developing an initiative to address the needs of struggling Las Vegas communities. Subsequent to the meeting, these local leaders hired the Strive Network to help organize cross-sector antipoverty and community revitalization efforts. In essence, they hired their own quarterback.

Core Set of Interventions Needed in Every Community

The quarterback is the ultimate silo-busting institution and one that is perfectly poised to solve the age-old question of whether we should focus on people or places in helping low-income communities. The quarterback can bring together interventions from both sides, including:

- Human capital/people: early childhood interventions, schools, health, recreation, workforce development (including connecting people to good quality jobs); and

- Physical capital/place: affordable housing improvements, community facilities, well-lit and safe community spaces, transportation, health clinics, parks, grocery stores and other essential businesses, and anchor institutions (e.g., hospitals, universities) that may play a special role in creating good paying local jobs.

While the quarterback can be agnostic about which strategies to employ, it still must focus on a set of core needs that are a high priority in every community. These include: (1) safety and security in the home, (2) highly engaging early learning for children, (3) continuing access to high-quality education, (4) at least one living wage job in every household, and (5) community design and services that allow residents to make healthier choices in their daily lives.⁸ These core principles allow for the home to be a base for an experience-rich and stable environment for children. This base better ensures that children arrive ready to learn at school. As the landmark early education studies demonstrate, investments like those in the Perry Preschool and the Abecedarian projects have enormous payoffs in the long run in terms of more capable workers and better prepared parents and community leaders. Furthermore, ensuring that every household is connected to the labor market is a source of stability and pride, which is also critical. Finally, building communities and providing services in such a way that make the healthy choice the easy choice is essential to overcoming crippling health disparities. The quarterback will need to focus on these core strategies and build out other interventions tailored to local needs, but in concentric circles beyond the core described above.

The Quarterback Needs Actionable Data

Assembling a set of interventions that is tailored to local needs is no easy task. Akin to Tolstoy's assertion that happy families are all alike, but every unhappy family is unhappy in its own way, functional neighborhoods share common characteristics, but each struggling neighborhood has its own challenges and assets. The multi-dimensional nature of neighborhood distress, taken together with the variability in assets that influence the prospects for neighborhood recovery, means that a "best practice" for one neighborhood is not necessarily the best practice for another. This is a particular challenge for the quarterback. To be effective, the quarterback must identify and respond to the conditions, context, and changes over time in each of the areas in which it works. In essence, the quarterback needs a sense-and-respond system that has at its core reliable, frequently updated data that are consistently assembled and aligned from myriad sources.

Ideally, these data could be flexibly organized into a number of analytical frameworks, each useful for different reasons. Using the data in a neighborhood indicators

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framework, for instance, would allow the quarterback to "diagnose" community conditions and monitor multiple dimensions of change over time. Further assembling these data into a community dashboard would allow the quarterback to evaluate a community at a specific moment in time to determine its standing along a specific dimension of change, and to compare progress across similarly situated communities and build community support for change.⁹ These data could also be employed by academic researchers investigating the still-vexing questions of which community development interventions work best and why. Several tools and approaches that fit within each of these frameworks have emerged in recent years to help gauge both the "investment environment" and the results of particular community development interventions.¹⁰

However, what we still need is a mechanism that is capable of more systematically aligning these tools to help us understand community conditions and context, and to assess the changes that flow from our work. This kind of mechanism could help a quarterback make better decisions about the type and scale of investment needed in a given place. The foundation of such a mechanism would be a sophisticated data infrastructure that enables input and output of varying types of small area data, including qualitative and financial data. This kind of platform could help gain clarity about baseline conditions in an area and changes over time. These data could be augmented by the information gathered via platforms and systems already in use by nonprofits and foundations across the nation for gauging the reach and effectiveness of their programs and service delivery.¹¹

Of course, forces outside a neighborhood, such as housing market dynamics, regional economic trends, and the spatial allocation of public and private resources, play a significant role in shaping results of local interventions. Small area data do not provide enough information to fully understand these conditions, but increasingly, relevant administrative data on both regional and national scales are becoming accessible. Systematically integrating small

area data with these regional and national data would represent a big step forward in enabling community developers to gauge the context of their investments and make adjustments for what is working and what is not.

Building an Enabling Ecosystem to Produce More Quarterbacks

How do we create an environment that makes it easier to develop many more quarterbacks? To do this, we must think seriously both about incentives and ways to pay for the quarterback's interventions.

Getting the Incentives Right

The quarterback will be held responsible for improving the life chances of an entire community. To do that, the quarterback must operate in between silos and will need to facilitate cross-sector partnerships. This is easier said than done. We know, for example, that stable housing improves educational achievement. And yet housing developers rarely interact with educators. Likewise, we know that violence stunts early brain development. Yet pediatricians rarely consult public safety officials. The quarterback can alter this dynamic with the proper incentive structure. If the quarterback is tasked with improving fifth grade reading scores, for example, it may look to educators, doctors, and affordable housing organizations for support. Absent an incentive, however, it is unlikely these partners will engage in the difficult work of collaboration. However, if the quarterback could reward them for collaborating, more housing projects may have libraries and more schools may have health clinics.

A structure similar to the LIHTC transaction, wherein the developer, investor, and government all share the same goal of financially viable, high-quality housing that serves low-income people, and thereby work in a coordinated fashion to achieve the same ends, could be used to align the quarterback with its community partners—through a “Neighborhood Improvement Tax Credit,” perhaps.¹² Or, if not a tax credit, another outcome-based financing structure such as the Social Impact Bond, Minnesota Human Capital Performance Bond, or the newly created Robin Hood X Prize.¹³ More important than the financial tool, though, is the mechanism: it must reward outcomes over outputs. Only outcomes-based funding will afford the quarterback the financial flexibility to align the incentives of a broad range of community collaborators.

How to Pay for the Quarterback

There is a strong rationale for using community development funds to support a quarterback. A quarterback can blend existing sources of subsidy and market-rate capital similarly to how a CDFI or CDC might build an affordable housing project. Perhaps even more important in the long run, a quarterback serves as a stable and trusted partner that



reduces the risk for new sources of capital participating in a community-improving effort, which may be a key in attracting socially motivated or impact investors, along with other nontraditional community development investors.

Although government funding at all levels has declined and may continue to fall, community development finance still has significant resources at its disposal. The exact numbers are hard to establish, but our estimate of the core funding programs (block grants and investment tax credits) in 2006 put the number at \$11 billion for affordable housing and another \$4.1 billion for small business and real estate development through the New Markets Tax Credit.¹⁴ These subsidies are almost always combined with capital from other sources. Most notable is the money that banks loan and invest in community development projects as part of their obligation under the Community Reinvestment Act of 1977. Community development lending activity since 1996, reported as required by the CRA, is about \$516 billion, or about \$37 billion per year on average.¹⁵ Larger banks are also required to make investments into low-income communities, so the yearly average is certainly higher than this number would suggest. On top of those annual numbers are other sources that amount to billions of dollars a year from foundations, state and local government, and other institutional investors such as pension funds and insurance companies.

These resources are considerable, but not sufficient to fund the needs of all struggling low-income communities. The community development finance system could be the foundation, though, for a larger and more complex web of additional funding sources and income streams, which would make the communitywide improvement activities possible. In this larger structure, one might imagine combining funding streams for schools, health promotion programs, community policing programs, transit, and others that are currently not yet coordinated for an individual, group, or neighborhood.¹⁶ Additionally, aligning funding streams may fix the pervasive “wrong pocket problem,” where investments from one part of the government are not reimbursed by the benefits that accrue to another part. It will be a central challenge for the quarterback to weave disparate funding streams together for the maximum impact.

Conclusion

In many ways, it was the 1960s War on Poverty that created the vision of a coordinated approach to revitalize

struggling communities. On the ground, however, efforts did not yield the desired results in part because the institutions that were created to execute the programs were underfunded and underdeveloped, and they struggled to meet the ambitious goals of programs such as Model Cities. In the years following those experiments, the War on Poverty’s “war chest” splintered into multiple silos. Over time, however, those siloed entities, through trial and error, emerged as stronger institutions that are capable of remarkable feats of organizational and financial complexity. Community development finance, for example, is much more capable and adept at blending all types of public and private capital sources to serve certain needs of low-income communities. There have been similar advances in capability in other important industries and sectors, including health, education, public safety, etc. The time has come to bring all those fields back into better integration and not simply half-hearted cooperation.

One theme we hope to drive home is that there are no silver bullets. In addition to the core set of interventions (many of which are focused on children) outlined above, there will be unique solutions for each low-income neighborhood. And the initial intervention will create new realities within a community that will require the quarterback to adapt. The interventions will need to be changing constantly to be relevant to the changing nature of the problem.

Our proposed approach to community development is thus more of a process, rather than a single idea or program. The concept of the quarterback is based on the community-development-industry-developed model, but it expands the scope dramatically to bring in new players, new sources of capital, and new ideas. The greatest challenge will be integration, which is why we have placed such a premium on the role of the quarterback. A flexible and dynamic quarterback with sufficient resources, backed with data and the ability to constantly refine strategy, would be a significant benefit for low-income communities. It would, in short, be an institutional and policy breakthrough that would empower thousands of communities across the country to do what a few saints have accomplished: routinize the extraordinary.

David Erickson is director of the Center for Community Development Investments at the Federal Reserve Bank of San Francisco. Ian Galloway and Naomi Cytron are senior research associates in the Community Development department at the Federal Reserve Bank of San Francisco. CI

Community Wealth Building in Cleveland, Ohio

By Ted Howard, Democracy Collaborative¹

During the past few decades there has been a steady build-up of new forms of community-supportive economic enterprises. This approach is commonly known as “community wealth building.” It is a form of development that puts wealth in the hands of locally rooted forms of business enterprise (with ownership vested in community stakeholders), not just investor-driven corporations. These anchored businesses (both for-profit and nonprofit) in turn reinvest in their local neighborhoods, building wealth in asset-poor communities. As such, they contribute to local economic stability and stop the leakage of dollars from communities, which in turn reinforces environmental sustainability and equitable development.

An important example is taking place in Cleveland, OH, where a network of worker-owned businesses called the Evergreen Cooperatives has been launched in low-income, inner-city neighborhoods. The cooperatives will initially provide services to anchor institutions, particularly local hospitals and universities. The Evergreen Initiative’s audacious goal is to spur an economic breakthrough in Cleveland by creating living wage jobs and asset building opportunities in six low-income neighborhoods with 43,000 residents. Rather than a trickle-down strategy, Evergreen focuses on economic inclusion and building a local economy from the ground up. Rather than offering public subsidy to induce corporations to bring what are often low-wage jobs into the city, the Evergreen strategy is catalyzing new businesses that are owned by their employees. And rather than concentrate on workforce training for jobs that are largely unavailable to low-skilled and low-income workers, the Evergreen Initiative first creates the jobs and then recruits and trains local residents to take them.

Evergreen represents a powerful mechanism to bring together anchor institutions’ economic power to create widely shared and owned assets and capital in low-income neighborhoods. It creates green jobs that not only pay a decent wage and benefits, but also, unlike most green efforts, builds assets and wealth for employees through ownership mechanisms.

Anchor institutions have the potential to not only support local job creation, but also to shape local markets. Ultimately, of course, the success of Evergreen will depend not only on Cleveland’s anchor institutions, its local philanthropy, and the support of the city government. The men and women who have become Evergreen’s worker-owners will determine the viability of the strategy.

Ted Howard is the executive director of the Democracy Collaborative at the University of Maryland and the Steven Minter Senior Fellow for Social Justice at the Cleveland Foundation.



Photo credit: Evergreen Cooperatives

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The Continuing Evolution of American Poverty and Its Implications for Community Development

1. This article is an excerpt from Alan Berube, "The Continuing Evolution of American Poverty and Its Implications for Community Development." *Investing in What Works for America's Communities*. Eds. Nancy Andrews, et al. San Francisco: Federal Reserve Bank of San Francisco and Low Income Investment Fund, 2012.
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3. Rebecca M. Blank, "Fighting Poverty: Lessons from Recent U.S. History," *Journal of Economic Perspectives* 14 (2) (2000): 3–19. For this reason, many of the comparisons over time in this chapter sensitive to business cycle conditions are made from "peak to peak," or between the years of 1973, 1980, 1990, 2001, and 2007.
4. Unless otherwise noted, all statistics in this section derive from the author's analysis of Census Bureau data from the Current Population Survey, decennial censuses, and the American Community Survey.
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America's Tomorrow: Race, Place, and the Equity Agenda

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16. There are some promising examples of this type of coordination, such as the United Way Bay Area SparkPoint centers that bring together, credit and money management services, income tax help, and help enrolling in social services along with getting housing and medical assistance. They also provide violence prevention services and counseling and job training and placement. The innovation here is focusing on the individual.

It Takes a Neighborhood: Purpose Built Communities and Neighborhood Transformation

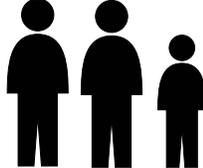
1. This article is an excerpt from Shirley Franklin and David Edwards, "It Takes a Neighborhood: Purpose Built Communities and Neighborhood Transformation." *Investing in What Works for America's Communities*. Eds. Nancy Andres, et al. San Francisco: Federal Reserve Bank of San Francisco and Low Income Investment Fund, 2012.

Community Wealth Building in Cleveland, Ohio

1. This article is an excerpt from Ted Howard, "Owning Your Own Job Is a Beautiful Thing: Community Wealth Building in Cleveland, Ohio." *Investing in What Works for America's Communities*. Eds. Nancy Andrews, et al. San Francisco: Federal Reserve Bank of San Francisco and Low Income Investment Fund, 2012.

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