Return on Investment

The Mixed Balance Sheet of Community Development Research

By Carolina Reid

The relative paucity of data and research on community development programs has limited the ability to fully demonstrate their impact and credibly differentiate those that are successful from those that are ineffective.

— Former Federal Reserve Chairman Alan Greenspan, 2003[1]

In addition to grappling with the turmoil in the financial markets and the economic slowdown, one of the critical questions confronting the new administration will be how best to address the challenges facing low-income communities. The current mortgage crisis threatens to reverse the past two decades of neighborhood reinvestment, as communities across the country are reeling with the negative spillover effects from concentrated foreclosures, including abandoned homes and storefronts, declining municipal budgets and attendant cuts in social programs, and the loss of jobs associated with economic decline. Addressing these challenges will require a comprehensive approach that strategically targets resources to community needs. But which policies are the most effective in helping to bring revitalization to disinvested neighborhoods? Should policies be structured as tax credit programs, block grants, or vouchers? And should the mix of policies differ in an inner-city neighborhood in the heart of Oakland versus a suburban community on the outskirts of Stockton?

Answering these questions isn't straightforward, in part because there is relatively little research that rigorously evaluates the costs and benefits of community development policies. Indeed, as the quote above by former Federal Reserve Chairman Alan Greenspan notes, community development has fallen far behind other fields (such as health care or welfare reform) in conducting empirical research that can help to inform policy decisions. Instead, most evaluations tend to be based on case studies, and generally focus on outputs (e.g., the number of housing units built) rather than outcomes (e.g., the long-term benefits for families and communities). While these studies do help to build knowledge in the field, the lack of cost-benefit analyses is problematic, since increasingly, policymakers are being called upon to prove that expenditures–especially of public dollars– have a positive return on investment, and are, thus, justified. What does $1 buy? And is that $1 well-spent over the long term?

For most community development policies and programs, however, calculating that magical ROI number has proven elusive. Perhaps one of the most important factors limiting researchers is the lack of data, both in terms of geographic coverage and in terms of subject matter. The U.S. Census, which has remarkable detail on neighborhoods and families down to the census block level, is only conducted every 10 years. How can we evaluate the impact of a new housing development when it will be 10 years before we can measure socio-economic changes in the neighborhood? In addition, many data relevant to community development just aren't publicly available, and it has been difficult to generate support and funding to add new questions to data such as the Census or the Survey of Consumer Finances. As a result, we don't have access to local data on the unbanked, on the different wealth and asset profiles of low-income families, or on the number of minority-owned microenterprises. We even lack publicly available data on mortgage delinquency and foreclosure trends–something that in the current crisis would do a lot to help target and evaluate interventions. Data on program costs are also often difficult to compute; most projects are funded through a variety of sources, some public and private. As such, computing even the simplest benefit-cost analyses becomes problematic.

A second reason for the paucity of community development research is the difficulty of accurately measuring and quantifying community change. How do you calculate a return on investment when there's no built-in pricing mechanism, as there is for an iPhone or a latte? Communities aren't petri dishes: they are complicated constellations of individual actors, businesses, institutional networks, and market forces, most of which are constantly changing and evolving. How do you isolate the effects of the intervention from all the other forces acting upon the community? Moreover, many of the things that matter in community development are very hard to measure quantitatively. For example, how do you quantify the effect of a dynamic leader at the local nonprofit? How do you place a dollar value on the establishment of a new partnership or collaborative critical to the program's success? It is also difficult to know when to measure the intended impact: are the returns on investment relatively immediate (when a graduate of a job training program finds a job), or do they accrue much further down the road (when that same graduate remains employed for the next 10 years, never needing to return to public assistance)?

And can numbers really be trusted to tell us the full story? Let's just take a simple example that demonstrates the difficulty of quantifying impact. Is helping one family achieve a wage gain of $20,000 a year (and moving to self-sufficiency) worth more or less than helping 20 families achieve a wage gain of $1,000 a year (and moving off of welfare)? Or should they be valued the same? While the push for more accountability and demonstrated impact of community development policies is a laudable goal, often, we find that reducing our work to a single number just doesn't feel right.

Research can help us to make programs more efficient, helping more people for less public outlay.

The third barrier to more ROI research in community development – and this may be the hardest to overcome – is fear about the consequences of a negative evaluation. This fear is legitimate: historically, community development activities have been drastically under-funded in relation to community development needs, and competition for federal dollars has always been fierce. Do we really want to publish a study that shows little or no impact? The lack of regular evaluations that allow mid-course tweaking of programs means that when an evaluation does come out, the stakes are really high. The research isn't used to ask the question, "How can we improve this program based on the findings?", but rather, the research is used to justify eliminating the program entirely. Since few of us believe that low-income communities would be better off with even less money, the motivation to do rigorous research is missing. And of course, nonprofits and other agencies relying on those dollars have even less incentive to share data and let researchers in their midst. But imagine the richness of the discussion that we could have around CDBG, HOPE VI or individual development accounts if the question wasn't about whether these projects should be cut, but rather how to use more funds more effectively?

So is the quest for policy relevant community development research futile? Can the fast-moving, sound-bite heavy, political nature of policy-making ever be reconciled with the costly, time intensive, and often complicated and nuanced findings of community development research? As a researcher, I hope the answer is yes. While there are many examples of policies that have been adopted without regard to any real research evidence, there are powerful examples of where research has informed policy to the significant benefit of low-income families. The Earned Income Tax Credit (EITC) is an apt example. Research demonstrating the impact of the EITC and its role in incentivizing work was critical to its expansion in the early 1990s, and helped to build bipartisan support for the credit during the debates surrounding welfare reform. Today, the EITC has become one of the federal government's largest and most effective antipoverty programs. Research can help us to make programs more efficient, helping more people for less public outlay.[2] And good research can help us to figure out which programs deserve to be replicated at a broad scale.

Yet doing so will require a reinvestment in both data collection and research. The past decade has seen a significant retrenchment in research funding. To provide just one example, a recent evaluation of the Department of Housing and Urban Development's (HUD) research department found that while research conducted was of high quality and helped to identify ways to improve programs such as Section 8 housing vouchers, CDBG funding allocations, and fair housing regulations–often saving taxpayer dollars–the budget for research at HUD was cut by more than a third between 2000 and 2006.[3] The report aptly summarizes the irony of the current situation: "For a department that spends more than $36 billion of taxpayer money each year on a variety of housing and community development programs, there is virtually no money available to the one quasi-independent office in the agency charged with evaluating how these program funds are spent, assessing their impact, and researching ways to make programs more efficient and effective."[4]

Changing this paradigm will require investing in research at the front end of every project, and not just seeing evaluation as an afterthought or as part of tedious reporting requirements. Funders need to see the value of research, build money for it into their programmatic grants, and be patient about the time it will take to both see and document outcomes. This includes banks investing in communities as part of the Community Reinvestment Act. For example, a grant for a financial education program should be accompanied by a grant to develop the program's evaluation, including a data collection model, training for staff, and perhaps a contract with a local university researcher who can analyze the data. Government agencies also need to be more diligent about collecting and disseminating local data: for example, foreclosure filings at the county recorders office could be recorded electronically and made accessible through the web. More efforts for training and engaging new researchers in community development–through journals, conferences, and internships–would also help to build a formal body of knowledge about what works in the field. With this knowledge, we will be able to develop and replicate innovative and effective policies, and no longer need to prove that investing in low-income communities has a significant return on investment, now and over the long-term.

Strengthening Community Development Infrastructure

1. Malanga, Steven (2005). "America's Worst Urban Program: The Bush Administration is right to put the community development block grant out of its misery." *City Journal,* Spring 2005. Online at www.city-journal.org.
2. Richardson, Todd (2005) "CDBG Formula Targeting to Community Development Need." Office of Policy Development and Research, U.S. Department of Housing and Urban Development, Washington, DC. February 2005.
3. Czerwinski, Stanley (2006). "Community Development Block Grant Formula: Options for Improving the Targeting of Funds." United States Government Accountability Office, Testimony Before the Subcommittee on Federalism and the Census, Committee on Government Reform, House of Representatives. June 27, 2006, and Buss, Terry (2008). "Reforming CDBG: An Illusive Quest." *Reengineering Community Development for the 21st Century,* eds. Donna Fabiani and Terry Buss, National Academy of Public Administration, ME Sharpe, Armouk, New York, 2008.
4. Accordino, John, George Galster, and Peter Tatian (2005). "The Impacts of Targeted Public and Nonprofit Investment on Neighborhood Development." LISC and the Federal Reserve Bank of Richmond, July 2005.
5. Buss, Terry (2008).

Encouraging Entrepreneurship

1. This paper is based in part on a policy paper developed by the Microenterprise Anti-Poverty Consortium (MAP). Comprising the Corporation for Enterprise Development (CFED), the Association for Enterprise Opportunity, The Aspen Institute and the Center for Rural Affairs, the mission of MAP is to advance microenterprise as an anti-poverty and economic development strategy.
2. Association for Enterprise Opportunity (2008) "About Microenterprise" www.microenterpriseworks.org
3. National Community Reinvestment Coalition. "The Community Reinvestment Act" http://www.ncrc.org/index.php?option=com_content&task=view&id=100&Itemid=123
4. Joachim, David (2008). "Betting your Retirement on Your Startup," *The New York Times,* published September 30, 2008.
5. "2006 Annual Report to Congress." (2006) National Tax Payer Advocate. http://www.irs.gov/advocate/
6. "Report to Congress Assets for Independence Program, Status at the Conclusion of the 8th Year", Office of Community Services, Administration of Children and Families, U.S. Department of Health and Human Services (2008). http://www.acf.hhs.gov/programs/ocs/afi/research.html; "ORR Individual Development Account Program: An Evaluation Report; full report," Office of Refugee Resettlement, Administration for Children and Families, U.S. Department of Health and Human Services, http://www.ised.us/template/page.cfm?id=223; and CFED's 2006 IDA program survey.
7. Joyce A. Klein, Ilgar Alisultanov and Amy Kays Blair, *Microenterprise as a Welfare-to-Work Strategy:* Two-Year Findings. (Washington, D.C.: The Aspen Institute, November 2003), 48; and Peggy Clark and Amy Kays, *Microenterprise and the Poor.* (Washington, D.C.: The Aspen Institute, 1999), 69.

A New Look at the CRA

1. Press release of Senator Robert Menendez, "Fed Chairman Bernanke Confirms to Sen. Menendez that Community Reinvestment Act is not to Blame for Foreclosure Crisis" December 2, 2008. http://menendez.senate.gov/pdf/112508ResponsefromBernankeonCRA.pdf
2. Board of Governors of the Federal Reserve System (1993), Report to the Congress on Community Development Lending by Depository Institutions (Washington: Board of Governors), pp. 1-69; and Board of Governors of the Federal Reserve System (2000), The Performance and Profitability of CRA-Related Lending (Washington: Board of Governors, July), pp. 1-99.
3. Please see the speech "The Community Reinvestment Act and the Recent Mortgage Crisis" by Federal Reserve Governor Randall Kroszner, delivered December 3, 2008 for more information. www.federalreserve.gov/newsevents/speech/kroszner20081203a.htm
4. Laderman, Elizabeth and Carolina Reid (2008). "Lending in Low- and Moderate-Income Neighborhoods in California: The Performance of CRA Lending During the Subprime Meltdown" Working paper presented at the Federal Reserve System Conference on Hosing and Mortgage Markets, Washington, DC, December 4, 2008.

A New Safety Net for Low-Income Families

1. This article is adapted from "A New Safety Net for Low Income Families," by Sheila Zedlewski, Ajay Chaudry, and Margaret Simms (2008). The Urban Institute. www.urban.org/publications/411738.html
2. Acs, Gregory and Margery Austin Turner (2008). "Making Work Pay Enough: A Decent Standard of Living for Working Families." The Urban Institute. www.urban.org/UploadedPDF/411710_work_pay.pdf
3. U.S. Census Bureau News (2008). "Household Income Rises, Poverty Rate Unchanged, Number of Uninsured Down." Press release, August 26, 2008.
4. Perry, Cynthia and Linda Blumberg (2008). "Making Work Pay II: Comprehensive Health Insurance for Low-Income Working Families." The Urban Institute. http://www.urban.org/UploadedPDF/411714_working_families.pdf
5. Waters Boots, Shelly, Jennifer Macomber, and Anna Danzinger (2008). "Family Security: Supporting Parents' Employment and Children's Development." The Urban Institute. www.urban.org/UploadedPDF/411718_parent_employment.pdf
6. Holzer, Harry and Karin Martinson (2008). "Helping Poor Working Parents Get Ahead: Federal Funds for New State Strategies and Systems." The Urban Institute. www.urban.org/UploadedPDF/411722_working_parents.pdf
7. Loprest, Pamela and Karin Martinson (2008). "Supporting Work for Low-Income People with Significant Challenges." The Urban Institute. www.urban.org/UploadedPDF/411726_supporting_work.pdf
8. Simms, Margaret (2008). "Weathering Job Loss: Unemployment Insurance." The Urban Institute. www.urban.org/UploadedPDF/411730_job_loss.pdf
9. McKernan, Signe-Mary and Caroline Ratcliffe (2008). "Enabling Families to Weather Emergencies and Develop." The Urban Institute. www.urban.org/UploadedPDF/411734_enabling_families.pdf

Return on Investment

1. Alan Greenspan, "Sustainable Community Development: What Works, What Doesn't, and Why?" remarks delivered at Federal Reserve System conference on Community Affairs Research, March 28, 2003. http://www.federalreserve.gov/boarddocs/speeches/2003/20030328/default.htm.
2. The Urban Institute (2008). *Beyond Ideology, Politics, and Guesswork: The Case for Evidence-Based Policy: Revised 2008* (Washington, D.C.: The Urban Institute).
3. National Academy of Sciences (2008). *Rebuilding the Research Capacity at HUD* (Washington, D.C.: National Academy of Sciences).
4. Ibid., p. 2-13.

Supporting Young Children and Families

1. This article is adapted from "Supporting Young Children and Families: An Investment Strategy That Pays," by Julia Isaacs, published by The Brookings Institution Opportunity 08 project and the First Focus publication *Big Ideas for Children: Investing in Our Nation's Future.*
2. The estimate assumes annual per child costs of $9,200 per year and participation rates of 75 percent for poor four-year olds, 60 percent for poor three-year olds as well as partially subsidized four-year olds, and 35 percent for partially subsidized three-year olds. For more details, see Isaacs, 2007.
3. Subtracting out the $6.5 billion currently provided to three- and four-year olds through Head Start yields the $18 billion figure for new costs. The long-term goal would be to bring the national Head Start program and the burgeoning state pre-kindergarten programs together into an expanded national pre-kindergarten initiative that provides comprehensive, high-quality services to three- and four-year-olds. Initially, however, the federal government might have to continue separate funding streams for Head Start and the new pre-kindergarten initiative.
4. Rolnick, Arthur and Rob Grunewald (2007). "The Economics of Early Childhood Development as Seen by Two Fed Economists," *Community Investments* 19(2), Federal Reserve Bank of San Francisco.
5. Olds, David L. (2006). "The Nurse-Family Partnership: An Evidence-Based Preventive Intervention." *Infant Mental Health Journal,* vol. 27, no. 1: 5–25.
6. The $2 billion estimate follows the methodology outlined in Isaacs, 2007 (Cost Effective Investments in Children, Brookings Institution) except that it assumes that 50 percent of eligible women would participate, as in typical sites operating today, rather than 75 percent, as in the initial three experiments. This change, based on information provided by the Nurse-Family Partnership National Service Office, reduces the cost estimate from $3 billion to $2 billion.
7. Waldfogel, Jane (1999). "Family Leave Coverage in the 1990s." *Monthly Labor Review.* October 1999, 13–21.
8. See Boots, Macomber, and Danziger (2008) "Family Security: Supporting Parents' Employment and Children's Development," The Urban Institute, for further information on California's Paid Family Leave program and for a similar proposal for employee-financed paid family leave through state pooled funds.

Beyond Shelter

1. "Enterprise Commends House Ways & Means Committee for Passage of Landmark Low-Income Housing Tax Credit Modernization Legislation." (2008) Enterprise Community Partners.
2. The credit allocation is generally derived by multiplying the "qualified basis" of approved development costs by the applicable percentage.
3. "Low-Income Housing Tax Credit: Tax Credit Percentages." Novogradac & Company, LLP. http://www.novoco.com/low_income_housing/facts_figures/tax_credit_2008.php
4. Neighborworks America (2008) "Low Income Housing Tax Credit Modernization in HERA 2008" www.nw.org/Network/policy/documents/RegaringPublicLaw110--289MF-LIHTCChanges10-4-08.pdf
5. Ibid.
6. Federal Policy Project (2008). "California Advocates Propose Major New Stimulus Spending on Affordable Homes." www.chpc.net/dnld/NOV08_FPPstimulus-FINAL.pdf
7. "National Housing Trust Fund: President Signs Housing Trust Fund Into Law on July 30, 2008," National Housing Trust Fund, www.nhtf.org
8. Sard, Barbara and Will Fischer (2008). "Preserving Safe, High Quality Public Housing Should be a Priority of Federal Housing Policy." Center on Budget and Policy Priorities.
9. Ibid.
10. Lipman, Barbara. (2006) "A Heavy Load: The Combined Housing and Transportation Burden of Working Families," Center for Housing Policy. http://www.nhc.org/pdf/pub_heavy_load_10_06.pdf
11. Lipman, Barbara. (2005) "Something's Gotta Give: Working Families and the High Cost of Housing," Center for Housing Policy. http://www.nhc.org/pdf/pub_nc_sgg_04_05.pdf
12. Housing + Transportation Affordability Index http://htaindex.cnt.org/
13. Reconnecting America. "Realizing the Potential: Expanding Housing Opportunities Near Transit." www.reconnectingamerica.org/public/reports
14. Ibid.
15. "Research Demonstrates Positive Impact of Family Resident Services on Property Financial Performance" (2007) Enterprise Community Partners, Inc. http://www.practitionerresources.org/cache/documents/645/64551.pdf
16. Proscio, Tony. (2006) "More than Roofs and Walls: Why Resident Services are an Indispensable Part of Affordable Housing" Enterprise Community Partners.
17. "2008-2010 Research and Policy Agenda" National Resident Services Collaborative. http://www.enterprisecommunity.org/programs/documents/research_policy_agenda.pdf
18. Waller, Margy. (2005) "High Cost or High Opportunity Cost? Transportation and Family Economic Success," *Brookings Institution Policy Brief,* Center on Children and Families #35, December 2005.
19. Garfinkel, Perry. "A Hotel's Secret: Treat the Guests Like Guests." *New York Times,* August 23, 2008. http://www.nytimes.com/2008/08/23/business/23interview.html
20. Proscio, Tony. (2008) "Sustainable, Affordable, Doable: Demystifying the Process of Green Affordable Housing" Enterprise Community Partners.
21. "H.R. 6078: GREEN Act of 2008" Govtrack. www.govtrack.us
22. Proscio, Tony. (2008) "Sustainable, Affordable, Doable: Demystifying the Process of Green Affordable Housing" Enterprise Community Partners.
23. Ibid.

Twenty-First Century Ownership

1 Sherraden, Michael (1991). *Assets and the Poor.* Armonk, NY: M.E. Sharpe.

2 Brown, Larry, Robert Kuttner, and Thomas Shapiro (2005). "Building a Real Ownership Society."; Bynner, J. and Will Paxton (2001). "The Asset Effect." London, Institute for Public Policy Research; Schneider, Daniel and Peter Tufano (2004). "New Savings from Old Innovations: Asset-Building for the Less Affluent." Community Development Finance Research Conference; Shapiro, Thomas (2004). *The Hidden Cost of Being African-American:* Oxford University Press; Sodha, Sonia (2006). "Lessons from Across the Atlantic."

3 Woo, Beadsie and Heather McCoullough (2008). "Expanding Asset Building through Shared Ownership." Annie E Casey Foundation.

4 Market Creek Plaza website, www.marketcreek.com

5 Interview with Tracy Bryan, Jacobs Center for Neighborhood Innovation

6 Stuhldreher, Anne (2007). "The People's IPO: Lower-income patrons of Market Creek Plaza can now invest in the shopping center." *Stanford Social Innovation Review,* Winter 2006.

7 Interview with Tracy Bryan, Jacobs Center for Neighborhood Innovation

8 New Hampshire Community Loan Fund (2008). News release, "Loan Fund sends housing strategy nationwide." May 6, 2008.

9 French, Charlie, Kelly Giraud, and Salld Ward (2008). "Building Wealth through Ownership: Resident-Owned manufactured housing communities in New Hampshire." *Journal of Extension,* 46.

10 Fireside, Daniel (2008). "Community Land Trust Keeps Prices Affordable - for now and forever." *Yes! Magazine,* Fall 2008.

11 Mission Asset Fund website. "The Mission Asset Fund: Investing in the American Dream." www.missionassetfund.org

12 Ibid.

13 Interview with Steve Meacham, Tenant Organizing Coordinator, Vida Urbana, October 3, 2008

14 Silverman, Ann, Kalima Rose, and Dwayne S. Marsh (2006). "Community Controlled Housing for Massachusetts: Securing Affordability for the Long Term." Action for Regional Equity, Policy Link.