Message from the Community Affairs Officer - Cascade: No. 100, Fall 2018

By Theresa Y. Singleton, Ph.D., Senior Vice President and Community Affairs Officer

Explore This Section

Message from the Community Affairs Officer


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It is with great pleasure that we share this 100th issue of *Cascade* with you. This issueexplores the Reinventing Our Communities conference theme of Investing in Opportunityand discusses three essential paradigm shifts needed to effectively address the community and economic development barriers of the past, meet the challenges of the future, and catalyze action in the present:

Build wealth rather than extract wealth from communities by becoming intentional about issues of equity.

Leverage new resources by shifting focus from addressing market failures to also exploring market opportunities.

Move from short-term, transactional approaches to transformational strategies that foster long-term systems change.

To actualize these paradigm shifts, we must begin investing in opportunity in a holistic way that acknowledges the critical intersections between people and place. Throughout the conference, we explored effective models and emerging strategies for investing in four pillars of capital — human, financial, physical, and social — to foster economic growth by enabling every individual to contribute to and derive benefit from the economy. In this issue of *Cascade*, our authors share critical insights and bold recommendations to push the next generation of community and economic development practitioners to engage in the policy and programmatic work that will address these issues.

As we look to the future for our industry, we also pause to reflect on where we have been. Since 1984, *Cascade* has served as the community development journal of the Federal Reserve Bank of Philadelphia, regularly reaching thousands of community development practitioners and representatives from financial institutions, nonprofits, and government agencies across the Third Federal Reserve District, as well as a national audience across the community development field.

Cascade was the first community development publication in the Federal Reserve System and has been published continuously since 1984, bringing us to this milestone 100th issue. Under the guidance of longtime managing editor, Keith Rolland, *Cascade* has approached community development issues in an evenhanded manner, explaining not only the positives of emerging initiatives but also the issues and challenges. It is with my deepest respect that I commend Keith Rolland for his leadership in the field and again congratulate him on his well-deserved retirement last year.

As we recognized at this year's Reinventing Our Communities conference and reflect upon in this issue of *Cascade*, certain paradigm shifts are needed in how we approach our work in the community development field. We also know the way that we communicate with you, our readers and partners, must also shift. We look forward to providing updates in 2019 regarding our new communications strategy. Although the ways with which we communicate with you may change, we will always remain committed to sharing timely, relevant, objective information in our pursuit of promoting economic mobility and improving regional economies in inclusive ways.

We look forward to continuing this important work with all of you in 2019 and beyond.

Confronting Challenges, Exploring Solutions - Cascade: No. 100, Fall 2018

By Theresa Y. Singleton, Ph.D., Senior Vice President and Community Affairs Officer

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Confronting Challenges, Exploring Solutions

In order to strengthen our economy in ways that enable greater economic mobility and prosperity, we must invest in opportunity. By investing in opportunity, we have the ability to empower people to build wealth and create value, to foster revitalization and promote resiliency in places that have experienced disinvestment, to invigorate civic engagement, and to mitigate the risks that poverty presents to our economic system. We are excited to explore ways to invest in opportunity both in this publication and throughout the 2018 Reinventing Our Communities conference.

This investment approach requires building and mobilizing four types of capital as a means to promote economic mobility.

Financial capital: resources measured in terms of monetary value

Human capital: the knowledge, experience, ability, and creativity of people

Physical capital: real assets, including real estate, land, and infrastructure

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Social capital: networks and relationships that connect people, create value and enable change

It is evident that all four types of capital are needed in order for communities and citizens to thrive. Investing in one at the expense of the others does not yield true opportunity. For example, pursuing financial capital while ignoring negative social externalities is costly and does not lead to the goal of value appreciation. A holistic approach that equally invests and builds each of these pillars of capital, however, requires us to address the challenging issues that many of us tend to avoid in our current community development work.

It isn't easy to create opportunity and achieve equity — doing so requires intentionality and commitment. We hope the insights and inspiration of these leadership pieces will give you the tools and the courage to do so.

Shifting the Paradigms

In anticipation of the eighth biennial Reinventing Our Communities conference, the Federal Reserve Bank of Philadelphia asked experts from the field to share their perspectives on this year's theme of Investing in Opportunity. Our authors reflect on three key shifts needed in community development practice to effectively address the barriers of the past, meet the challenges of the future and catalyze action in the present.

Build wealth rather than extract wealth from communities by becoming intentional about issues of equity.

Leverage new resources by shifting the focus from addressing market failures to also exploring market opportunities.

Move from short-term, transactional approaches to transformational strategies that foster long-term systems change.

Emerging from each essay and connecting one to the other was the theme of systemic racial inequality and the grave impact that biased laws, policies and attitudes have had on poverty, opportunity, and economic mobility in America. This compilation of bold perspectives from community development leaders speaks to this pivotal inflection point for our industry — an urgent moment that calls us to see our work differently and implores us to change the way we think about and act upon the challenges that are facing many of our communities and threatening our economic future.

As Ben Hecht of Living Cities articulately explains in his essay, American policy and practice has created — and often exacerbates — the disparities that our research shows exist today. Analyses from the Federal Reserve Bank of St. Louis indicates that racial disparities in economic security persist because of deeply rooted structural and systemic factors underlying our economic system, even when controlling for educational attainment. Senior economic advisor William R. Emmons found that between 1992 and 2013, a college degree predicted rising levels of familial wealth for whites and Asians but declining levels for blacks and Hispanics during the same period.[1] We know, however, that systems are manmade and thus can be changed to foster a more equitable future. It will take intentional and collective action to dismantle such systems.

In moving from research to action, Michael McAfee of PolicyLink powerfully describes how addressing these disparities begins not by discussing equity in theory, but by transforming our own practices. We do this through genuine engagement with leaders in the communities impacted by our work, listening to their needs and perspectives and working together to craft solutions. Incorporating these voices can help build the genuine social capital needed to develop structural change.

Laurel Blatchford of Enterprise Community Partners discusses market failures that have contributed to poverty while exploring real solutions that can be seen as potential market opportunities. She challenges us to address the ways that market bias, such as redlining, has led to market failures,[2] while simultaneously taking a market opportunity lens to view these issues through strategies that build wealth — rather than extract wealth — from communities. Unlike lenders who are called to assess risk and probe community deficits, we should instead examine the long-term return potential of asset-based approaches that empower and foster economic independence.

Bringing these ideas from theory to practice, Ben Seigel of Johns Hopkins 21st Century Cities Initiative provides a case study of Baltimore's response to civil unrest following the death of Freddie Gray. Ben provides lessons learned and tools for other communities struggling with challenges similar to Baltimore's. He describes how youth have the potential to be the solution if we seize the opportunity to effectively invest in their human capital potential.

Moving Forward

At the Federal Reserve Bank of Philadelphia, we are engaged in the work of advancing opportunity through a new strategic initiative, the Economic Growth and Mobility Project (EGMP). Through Research in Action Labs, the EGMP brings evidence to bear on challenges facing communities in the Third Federal Reserve District and works with those communities to form catalytic partnerships and pilot innovative solutions. Whether exploring equitable transit access in northeast Pennsylvania, workforce development funding in Philadelphia, or job creation efforts across the Third Federal Reserve District, our ultimate goal is to provide fertile ground for building and investing in human, financial, physical, and social capital to foster economic mobility and economic growth in our region. We know that these two things are inextricably linked: Sustainable economic growth includes all citizens and requires innovative partnerships and new ideas.

To succeed in that ambitious goal, we must ask the right questions to inform policy, practice, and investments. We cannot effectively research these issues without explicitly calling them out, which is why race consciousness versus color blindness is essential. It is impossible to dismantle something if you are blind to it. The thought pieces herein challenge us to not allow ourselves as leaders to be blind to bias in the market or failures in our system — as we know, the data tell a compelling story, but we must have the courage to look at it head-on.

Investing in Transformative Systems Change: A Call for Racial Equity - Cascade: No. 100, Summer 2018

By Ben Hecht, President & CEO of Living Cities

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Investing in Transformative Systems Change: A Call for Racial Equity

Today's community development field can trace its roots back to the War on Poverty of the 1960s, when we, as a nation, rallied around a bold vision that we could and would conquer poverty. The growing field was driven by a clear theory of change: If you could transform the built environment, neighborhood by neighborhood, you would dramatically improve the well-being of a significant portion of the nation's low-income people.

The years that followed saw the passage of a number of tools and policies (e.g., the Community Reinvestment Act [CRA] in 1977 and the low-income housing tax credit [LIHTC] in 1986), the growth of sophisticated organizations (e.g., the Local Initiatives Support Corporation [LISC], Enterprise, the Low Income Investment Fund [LIIF], and the Reinvestment Fund [TRF]), and the emergence of a supporting cast of local, regional, and national actors, both public and private.

We've seen staggering returns and many successes from these efforts. Using cornerstones of American capitalism — real estate development and finance — hundreds of billions of dollars in private equity, debt from traditional financial institutions and government, and philanthropic grants and loans were channeled to produce more than 3 million units of affordable rental housing across the country.[1] Two organizations at the center of this movement, LISC and Enterprise,[2] together raised more than $20 billion (leveraged many times over), helped build or rehab more than 500,000 units of housing, and developed millions of square feet of retail, community, and educational space nationwide.

But widen the aperture today, and the results are more sobering. Inequality has widened, not narrowed — most dramatically along racial lines. The statistics are well-known. The vast majority of income now goes to the top one-tenth of one percent of the population. Higher-income students are graduating from college at six times the rate of lower-income students. Black Americans now earn 59 cents and Latinos earn 72 cents for every dollar earned by a white household, and the racial wealth gap is even starker.[3] Today, a minimum-wage worker can't afford a two-bedroom apartment anywhere in the U.S.[4]

In short, the scope of the collective work to date has not met the scale and complexity of the challenges that we face as a nation. Poverty is no longer limited to specific disadvantaged subsections of cities. Issues once thought unique to isolated geographies, such as underperforming schools and underemployment, are now nearly ubiquitous. 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 a school system.

In some ways, today's urgent challenges are the ongoing manifestations of a contagion that has been in our groundwater since our nation's founding. Racism is at the root of so many of the problems that we are working to address. We have yet to unravel the pernicious legacy of slavery and racist policies and practices that carved up cities and determined who could access critical wealth-building opportunities such as homeownership. In addition, we are confronted with myriad ways that structural racism is maintained and reproduced within the policies and systems that shape our life outcomes.

For almost all indicators of well-being across the country, racial disparities are profound. Despite decades of well-intentioned work, the social change sector has not made the needed progress toward closing these gaps. Creating lasting change will require us to work with eyes wide open to the ways that our efforts directly combat — or else tacitly allow — widening racial disparities.

The systems that impact overall life outcomes — affordable housing, geographic mobility, education, workforce development, and more — are deeply interrelated and mutually reinforcing. No one individual, organization, institution, or even sector can singlehandedly implement the kind of change needed to fundamentally solve today's complex problems. Achieving better results demands that we recognize and harness the prevailing forces of opportunity, geography, connectivity, and systems innovation. We must move beyond the transactional approach used by many funders — one-off programs or siloed interventions — and invest in transformational systems change with the principles of racial equity and cross-sector collaboration coded into their DNA.

New Research, Same Lessons

The need to move from programs to systems was also the conclusion reached by recent U.S. Partnership on Mobility from Poverty. The two-year project, funded by the Bill & Melinda Gates Foundation, brought together two dozen of the country's leading minds from academia, practice, philanthropy, the faith community, and the private sector to grapple with the question, "What would it take to dramatically increase mobility from poverty?" In order to learn from both research and practice, the group traveled the country, conducting site visits and gathering diverse local perspectives that, importantly, always included the viewpoints of people who have experienced poverty.

In January, the group released its findings: a suite of proposed strategies for tackling the interlocking challenges that restrict individuals' mobility from poverty.[5] Underpinning all of the strategies is the recognition that "individual actors should not work in isolation. No one organization, government, or philanthropy alone can deliver on all of these strategies."[6] Whether focused on creating more quality jobs or improving health outcomes in a community, these individual strategies are valuable, but none is sufficient on its own. Because these systems are mutually reinforcing, when strategies are enacted together, the impact is exponentially greater. In light of this, the Partnership prescribed "a concerted and coordinated cross-sector effort."

This research reaffirms what we have observed and learned in two decades of working alongside local leaders as they do the hard work of moving beyond programmatic interventions and toward systems change. At Living Cities, the organization I lead, collective impact has been a valuable framework for structuring and guiding these cross-sector efforts. It provides a common language and shared norms for long-term engagements centered on bold challenges. But regardless of what you call it, systemic change requires the partnership of traditionally disconnected stakeholders who rally around shared results and commit to using data to track progress and, critically, to change their own behavior if the desired results aren't being achieved.

Local Government as Today's Social Innovator

Who is at the table matters when it comes to effecting lasting change. Too often, local government — one of the most influential actors in residents' day-to-day lives — is left out of the conversation. When it comes to being at the forefront of social innovation, government has, at best, been considered largely irrelevant. At worst, it's been viewed as an obstacle to change.

But this blind spot means that we are underutilizing a key stakeholder that is uniquely positioned to drive systemic change toward greater economic security, better social outcomes, and increased racial equity. Consider that the City of New York spends more in 12 weeks than the nation's 50 largest foundations combined give away in a year, and you begin to have a sense of the scale that's possible if government assets were leveraged effectively.[7]

Government also doesn't face some of the same limitations as nonprofits and other social sector organizations. When innovations developed within government prove successful, they go straight into effect. No annual fundraising or advocacy is necessary. Importantly, governments draw on the most stable funding source in America: tax dollars. Local government, especially at the executive level, also often has the political capital and credibility to bring diverse partners to the table.

The Central Corridor Funders Collaborative in Minneapolis and St. Paul, MN is an extraordinary example. At the encouragement then-mayors R.T. Rybak and Chris Coleman of Minneapolis and Saint Paul, respectively, public, private, philanthropic and nonprofit leaders created the organization to ensure that a multibillion dollar rail line, the Green Line, would deliver social benefits — living-wage jobs, affordable housing, limited disruptions to businesses — beyond the rail. History is rife with instances of government at all levels undertaking major infrastructure investments that, intentionally or not, created or reinforced patterns of racial segregation and stripped wealth from communities of color. The Green Line could have easily become another example of such injustice.

However, the meaningful partnerships developed between local government, nonprofits, business leaders, and others helped hold all partners accountable to the communities' needs, ensuring that residents along the Central Corridor were equitably served by the project and that the hundreds of small businesses — many owned by immigrants of color — were not unduly burdened in the process. The 10-year collaborative saw not only the completion of the connector rail but also an array of other benefits that no one partner could have achieved on its own—thousands of new affordable housing units, the survival of hundreds of businesses owned by local people of color, and the creation of many new, good-paying jobs.[8]

Fortunately, many public sector leaders are equipping themselves to meet the challenge, and they are finding increasing levels of support from philanthropic partners who recognize the role that government has to play in transforming broken systems and fostering an environment where all residents have opportunities to thrive.

The questions that keep mayors and other public sector officials up at night are often the same questions that drive our philanthropic work: How do we grow a local economy equitably? How do we deliver state-of-the-art health care, the highest-quality education, and housing that meets the needs of all? There's no question that efforts to advance racial equity, which are a paramount concern for philanthropic organizations and others in the industry, must take root within the halls of city government to drive the type of systemic and lasting change desperately needed.

Building the Competencies to Close Racial Gaps

In addition to working together in new ways, to create systemic change, all partners must be equipped with the competencies to develop, execute and assess the impact of strategies through a lens of racial equity. These competencies encompass an ability to understand the impact of historical factors on current systems and outcomes, identify potentially disparate impact on different racial groups, interrogate personal biases, and combat damaging power structures. Because racism is in our country's groundwater and drives so many of the inequities we see today, problem-solving with a racial equity lens is critical for moving beyond Band-Aid fixes and attacking inequality at its roots.

Local government has the potential and the imperative to lead this charge. From America's earliest days, governments at all levels have played a role in creating and maintaining racial inequities through laws and policies that enshrined racial segregation in housing and more. But we have seen the power unleashed when government makes an explicit commitment to unravel them, as with Race Forward's Government Alliance on Race and Equity (GARE), which has demonstrated the transformative results that can result when local government invests in its own workforce. Through Living Cities' Racial Equity Here program and in partnership with GARE, Living Cities offered flexible grants to an initial cohort of five cities to fund racial equity audits of core government operations.

That meant looking at all municipal operations to analyze the effects of policies, programs, and daily practices on residents of color. Now, with those audits complete, city employees are taking back the work of executing on the findings and using government funds to make advancing equity the new normal. For example, in Louisville, over half of the city's 6,000-person staff has undergone racial equity training. Philadelphia is partnering with local trade unions to diversify their membership through its $50 million Rebuild project to renovate city-owned properties.[9]

Even more promising is the creation of a network of leaders across sectors who are focusing on the importance of racial equity. In Ohio, the nonprofit Cleveland Neighborhood Progress has been offering regular racial equity workshops to community leaders. To date, it has trained almost 1,500 people representing almost 400 organizations, including local businesses, nonprofits, philanthropy, academia, and more. New Orleans nonprofit Propeller has had similar success. By organizing institutional heads around the urgency of equity, it is unlocking the systems change possible when the leaders of hospitals, school systems, and government agencies grapple with root causes.

Making Change Happen

In an era in which the federal government is not positioned to provide primary support, the good news is that we don't have to wait for policy to change in order to bring these solutions to life. In fact, some of the most promising instances of cross-sector collaboration with transformational results have occurred without any changes in policy. In fact, some of today's most successful recipes for change are being developed in communities through the efforts of courageous leaders. The creation and spread of early college high schools is just one example. Through partnership with local colleges and universities, this model allows high school students to take college courses for credit without added cost, and in most cases, students have the opportunity to graduate high school with the addition of an associate's degree. The model has taken hold in places like Pharr-San Juan-Alamo Independent School District, where almost 90 percent of students are considered economically disadvantaged. Change was driven by determined local leaders, including the district's superintendent, Daniel King, and the founding president of South Texas College, Shirley Reed. Both recognized that they had the power to change the way they worked, redirect traditional funding streams, and partner and experiment together in an unprecedented way.

We all have the power to make change. My recent book, *Reclaiming the American Dream: Proven Solutions for Creating Economic Opportunity for All*, documents stories from across the country of leaders who are doing just that — improving educational opportunities, strengthening civic engagement, and providing a ladder to economic security. Like the early college high school model, in each of these cases, I've seen that harnessing that power to effect change requires us to ask ourselves different questions: Can I get people to work together differently? Could I use the assets of my own organization differently? And, critically, how can I build my own capacity to approach work with an eye on root causes and through a lens of racial equity, as well as push partners to do the same?

The work done by the Federal Reserve Bank of Philadelphia and its 11 counterpart Reserve Banks around the nation is critical to expanding the conversations about economic inequality and mobility. The community development function within each Bank seeks to bring many voices and interests to the table to discuss challenges and seek solutions. Complementing the Fed's convening role is its deep well of unbiased research on issues affecting poverty, gentrification, and workforce development. This research allows us to know what works — and, importantly, why those elements work.

This combination of convening power and stellar research will be on display at the Reinventing Our Communities (ROC) conference scheduled for October 1–3, 2018 in Baltimore, cosponsored by the Federal Reserve Banks of Philadelphia and Richmond in partnership with Johns Hopkins 21st Century Cities Initiative. Using the theme of "Investing in Opportunity," ROC will explore successful approaches that move beyond the transactional and toward the transformational systems change that enables economic mobility and prosperity to build across all socioeconomic, racial, and geographic lines.

Leaders of the 1960s had an admirable goal: commit as a nation to eradicating poverty once and for all. But they were working with poor tools, their eyes were shut — some willingly, some perhaps unwittingly — to the many ways that race shapes outcomes in this country and the need for problem-solving that reflected this reality, and their scope was too narrow. We must rekindle that original commitment but do so in a way that is aimed at transformative, long-term change.

Opportunity for Whom? Building Wealth Through Advancing Racial Equity - Cascade: No. 100, Summer 2018

By Michael McAfee, President, PolicyLink

Explore This Section

Opportunity for Whom? Building Wealth Through Advancing Racial Equity

America is undergoing a profound demographic shift amid rising inequality and persistent racial inequities. By 2030, the majority of workers under 25 will be people of color.[1] By 2044, the majority of Americans will be people of color.[2] Rising diversity is a tremendous asset — if all people can access the resources and opportunity they need to thrive. If we want to truly build wealth in communities, we must relentlessly embrace the conviction that everyone in America can and should live in communities of opportunity, where good schools, healthy environments, safe homes, quality jobs, and affordable transit provide the bedrock resources essential for realizing our full potential. The nation's economic fate will hinge on how we respond to these changes. Therefore, equity is both a moral imperative and the path to economic prosperity. To achieve equity, however, we must move from policies and systems that extract wealth to those that intentionally build wealth for community residents.

Any discussion about wealth accumulation must include a frank conversation about race. Although most community development practitioners are well aware of the statistics, it is important to highlight the depth of this financial divide. In 2016, the poverty rate for whites was 11.6 percent, while the rate for blacks was 23.9 percent. That same year, the median income for white households was $61,349, whereas the median income for black households was $38,555. On the issue of wealth, white households had a net worth of $933,700, while black households had a net worth of just $138,200. Looking at retirement funds alone, white families on average had $157,884 in liquid savings; black families had just $25,212.[3]

These disparities are also evident as we look at the pathways to prosperity. One traditional means of building wealth has been homeownership. Yet in the U.S., only 42.3 percent of black families own their homes, versus 72.3 percent of white families.[4] This gap is the result of government policies that reinforced discrimination, and it highlights how we cannot talk about wealth building without talking about race. This discrimination was the focus of a recently published book by Richard Rothstein, *The*

Color of Law: A Forgotten History of How Our Government Segregated America, that shows the brilliance of race-based policy when it's used negatively. Redlining policies for mortgages expanded the wealth inequity we face today; wealth is often passed down through generations, but the use of redlining prevented many black households from building and keeping wealth, while white households accrued it more easily.

In order to reverse these trends and build sustainable wealth, we must become explicit about advancing racial equity as both a process and a goal. Without equity, there can be neither progress nor prosperity. The way we advance equity is by being explicit about targeting solutions to the specific needs of populations and by making systems and policy work for those populations. This is the path that will enable us to craft solutions commensurate with the scale of our nation's problems.

Capturing the Equity Moment

When we talk about economic issues in the U.S., the preferred approach is often to discuss it in colorblind terms. Yet, racial discrimination is at the root of much of the income and wealth inequality we experience. In the community development field, sufficient progress has not been made on racial equity because we often have not had the courage to address this challenging conversation head-on. The good news: I believe we have finally arrived at a time when people are ready to address the issue explicitly — and do something about it. This new mindset holds great promise for our nation and can support the goals of building and keeping wealth in all communities.

The signs of mounting frustration and tensions have culminated in an important inflection point for our nation that I argue should be captured as the *equity moment*. This is about people rising up — witness movements such as We Are the 99%, Black Lives Matter, and Me Too — expressing that they are feeling left behind and not benefiting from the nation's economic prosperity. This moment is about leaders listening to the voice, wisdom, and experience of people and acting affirmatively on their behalf. It is about institutions increasing their capacity to serve the most vulnerable and not walking back from this obligation but leaning into it.

At this important moment of action, we also are benefiting from the encouraging confluence of critical research demonstrating that equity is not just a moral imperative but also an economic imperative. We know from our work with the National Equity Atlas that equity is the superior growth model.[5] Racial economic inclusion is good for families, good for communities, and good for the economy. Nationally, GDP would have been $2.5 trillion higher in 2015 if people of color had earned the same incomes as their white counterparts.[6] We also know millions fewer would have lived in poverty, there would be billions more in tax revenue, and the overall Social Security deficit would be smaller. The community development sector must work to foster a new conversation about equity as an economic driver and to advance policies that build an equitable economy — one in which working-class people and people of color can access good jobs, rising standards of living, and opportunities to own and shape the new economy.

Community development practitioners and our allies must advocate for fair inclusion — a society in which all can participate, prosper, and reach their full potential. This is what we mean by equity. Ensuring equal access across the racial divide is the only way to ensure equity for all. Lifting up the most vulnerable often ends up benefiting all. This is not a zero-sum game. An investment in one group can cascade out and up and be a substantial investment in the broader well-being of a nation whose policies and practices create an equitable economy, a healthy community of opportunity, and a just society.

We call this the curb-cut effect. First documented as the response to the advocacy of people in wheelchairs, these sidewalk indentations turned out to benefit many: those pulling suitcases on wheels, those pushing babies and young children in strollers, bikers, workers with large racks making deliveries, and many others. The curb-cut effect is a vibrant illustration of how laws and programs designed to benefit vulnerable groups, such as the disabled or people of color, often end up benefiting all. That creation underscores a foundational belief: We are one nation; we rise or fall together.

Achieving Opportunity

By taking advantage of the equity moment, our nation will be well positioned to both promote equity and create wealth in communities. However, our approach to these issues must reflect some critical changes in order to truly have an impact.

Clarity of Purpose and Population

The most fundamental thing that community development leaders must do is center their work on an explicit population. What we have learned throughout the years is that without clearly defining the population we wish to serve, we run the risk of advancing neighborhood revitalization while promoting the displacement of longtime residents. Although place-based efforts have their merits, without also intentionally and explicitly focusing on the specific people being served, we will never truly realize the promise of equity.

An example of this challenge can be explored through the emerging Opportunity Zones program. The 2017 federal tax bill contained a provision that allows states to designate certain high poverty rate census tracts as Opportunity Zones and to incentivize private investment into these zones through tax breaks. As this policy is still being formed, now is the time to ask critical questions: Who is this investment going to benefit? Will this effort help to build wealth in communities by moving people into living wage jobs? Or will it benefit investors who will — once again — extract wealth from these zones? The emerging Opportunity Zones program doesn’t yet use metrics to make sure residents in the designated communities directly benefit from those investments. If the program focuses only on place without also targeting the most vulnerable people in that place, we run the risk of exacerbating market forces contributing to gentrification and displacement.

I applaud the program in theory, but I don't know what the Opportunity Zones program is going to achieve unless we are clear about for whom we want opportunity. In fact, let's take back the word "opportunity." We have already defined it in all the equitable development literature out there. As far back as the 1990s and early 2000s, PolicyLink and others defined what equitable development looks like: programs and policies that ensure residents in all communities in a region have the opportunity to participate in and benefit from economic growth and activity. The question now is whether policymakers will use this knowledge about equitable development to implement Opportunity Zones in a way that actually helps Americans living in or near poverty.

When we are explicit about our goals and the populations we are attempting to serve, our results are more targeted and can be more effective. A good example of people banding together and fighting for themselves while focusing on an explicit population is what happened in Oakland, CA, where the tech sector boom had pushed up demand for and the cost of housing. The people in Oakland organized to put renter protections on the ballot to try to stem the tide of folks getting priced out of the very city that they'd created. The population that needed help was concisely defined: rent-burdened households in Oakland. The goal was concisely defined: protecting existing residents from gentrification. When the people organize, they can do powerful things like passing tenant protections and establishing co-ops to buy land and control it. But achieving these types of results requires leading with discipline.

Leading with Discipline

What does it mean to lead with discipline? After identifying the population, we need to develop a plan that takes into account the lessons those in the community development field have learned in the last 20 or 30 years. This plan should be clear in defining the problem, the strategy, and the goal, while also being flexible enough to allow for adaptation and continuous learning.

Results-based accountability is one such framework, which allows practitioners to move in a disciplined way from talk to action. Results-based accountability forces us to be explicit about how we want to define progress. The indicator, or measure of progress, is the thing around which leaders should organize contributions. There are other strategies, such as Six Sigma, that are similarly effective. Whatever leaders choose, those check-and-balance structures should be integrated into the work in such a way that the framework just runs in the background. That frees up people to focus on working toward the goal that brought them together in the first place.

Promise Neighborhoods, which PolicyLink has provided services to, are an example of the importance of disciplined leadership. One of the most important elements of designing Promise Neighborhoods was listening to the wisdom from the research about what works, marrying that with the professional judgment of practitioners who had been doing this work a long time, and then measuring results in a strong framework. With Promise Neighborhoods, that framework enabled us to scale up and eventually effect real policy change. PolicyLink built partnerships with local leaders in over 60 communities across the U.S., which led to significant improvements in educational and developmental outcomes for over 300,000 children. This helped to attract public and private investments exceeding $1 billion, and eventually, Promise Neighborhoods became a permanent federal program through the Every Student Succeeds Act.

With Promise Neighborhoods, we did not just take a large investment and spend it down over the next five years to run a program. The plan was to use that investment to leverage and align the right partners locally to build a cradle-to-career pipeline, as well as to do the systems and policy work necessary to help kids have a pathway out of poverty. With Promise Neighborhoods, we chose to lead differently. We chose not to be mediocre. We had to be willing to create a culture of accountability, a culture of being accountable for advancing equity and being clear that we are here to help as many of the 15 million children living in poverty in America as possible.[7]

Conclusions

I am excited to be in community development work right now because of the legacy of what those before me have built. I can take up this work because people have contributed in such significant ways to the science, to the practice, and to being models of leadership. What you hear me describing is what I’ve learned from them, as well as what I’ve learned from observing and being in the field and in this struggle for over 20 years. The work for our generation is population-level impact. The work for our generation is to win on equity now. The work for our generation is to lead with courage, to lead with our truth and with discipline, and to be unwavering in our expectation that we will achieve results.

For PolicyLink, our job as an organization with deep roots in the community development field is to bring the voice, wisdom, and experience of community members into the room to frame the work on equity, justice, and fair inclusion. We do this through being on the ground, providing technical assistance, and through thought leadership. We provide technical assistance in service of getting those systems and policy wins and to help raise partners’ capacity to deliver. We aim to inspire folks to think about doing work that is at a scale that’s worthy of this moment. We also provide tools to advocates and citizens so that they can take up the fight themselves.

What I’m telling others to do is what I’m also telling myself I have to do. I have to be willing to put the results for the population that I’m choosing to service front and center. I have to be willing to talk about race, class, gender, and other intersectional identities. I have to be willing to talk about who is being left behind. And I have to be willing to create a culture of accountability for the things that I say I care about. And I have to ask: Opportunity for whom? Let’s hold ourselves accountable for creating a more just and fair society.

Leveraging New Resources by Acknowledging Market Failures While Exploring Market Opportunities - Cascade: No. 100, Summer 2018

By Laurel Blatchford, President, Enterprise Community Partners

Explore This Section

Leveraging New Resources by Acknowledging Market Failures While Exploring Market Opportunities

At Enterprise Community Partners, our mission is to create opportunity for low- and moderate-income people through the creation and preservation of affordable housing in diverse, thriving communities. We've done this work for more than 35 years, bringing together national know-how, partners, policy leadership, and investment to multiply the impact of local affordable housing development. Over that time, we have invested more than $36 billion through public-private partnerships, resulting in more than half a million healthy, well-designed affordable homes, critical community assets like health-care clinics, and charter schools. We are proud that, together with our partners, we have touched millions of lives.

The community development sector was born of the need to address market failures faced by low-income communities and people of color. In doing so, organizations like Enterprise and our many partners around the country have collaborated closely to solve problems in ways that meet the needs of profit-driven *and* social justice–oriented organizations. Factors such as a lack of capital, a lack of qualified development partners, or a lack of community engagement are strong indicators of where public-private partnerships could be best deployed to drive change.

One such example is the low-income housing tax credit (LIHTC). Created under the Tax Reform Act of 1986, the LIHTC is one of this country's most effective public-private partnerships. It was developed to address the lack of private capital available for the development of affordable housing. Harvard University's Joint Center for Housing Studies found that construction costs would have to be reduced by an average of 72 percent for the private sector to provide housing affordable to low-income renter households.[1] The LIHTC addresses this market failure by providing a government incentive for the private market to invest in affordable housing. Data show that without this subsidy, virtually no new affordable rental housing would be developed nor would existing housing be preserved.

The federal government has also tried to address market failures in other ways; for example, by enacting legislation to invest in revitalizing low- and moderate-income neighborhoods. Congress passed the Community Reinvestment Act (CRA) in 1977 to prohibit discriminatory lending practices and affirmatively require banks to lend in the communities in which they operate. This law has resulted in 551,000 community development loans worth $796 billion since 1996.[2]

What Does It Mean to Invest In Opportunity Outcomes?

Over time, programs like the LIHTC and the CRA have not just created public-private partnerships to invest in building housing — they have also been investments in opportunity for low-income people and communities. As a result, Enterprise is focused on fostering community improvement from the ground up by matchmaking the right partners, directing capital to the right places, and working with government leaders by offering nonpartisan advice and support.

We have intentionally expanded our focus over the past few years, from investing in housing units alone to also investing in outcomes for people.

While housing connected to good schools, jobs, transit, and health care is essential, investing in outcomes for people requires more than providing capital for real estate development. In order for people to have stable homes they can afford, we must have policies that protect renters from eviction and displacement. For housing to be the platform for economic mobility, we need to broaden our understanding of what we seek to measure, from simply wealth and assets to an increased sense of personal agency and of belonging in a community.[3]

This leads us to take an increasingly comprehensive approach to investing in opportunity, with a few key principles:

Investing in opportunity requires research and data. In order to build a strong evidence base for housing as a platform to improved individual and community outcomes, Enterprise has created Opportunity360, a tool that measures opportunity and enables policymakers, investors, developers, and community members to unlock pathways to opportunity outcomes. Opportunity360 enhances our understanding of the critical connection between people and places, allowing better measurement of the impacts of implementations to date, while helping us envision program, policy, and capital solutions for a better future.

Investing in opportunity requires policy advocacy and innovative capital solutions. Policy and capital need to be better aligned to achieve the outcomes we're seeking at scale. While changes in housing and community development policy and finance have assisted millions of Americans over the last several decades, we know there is a lot more work to be done. With a current shortage of more than 7 million affordable units alone and thousands of families facing homelessness each night across the country, it is clear that we need to enhance the current system and tools with approaches that draw on new resources. In addition — and maybe just as importantly — we need to empower low-income people to participate in the advocacy, creation, and implementation of these new solutions.

With this lens of investing in opportunity outcomes, we are now turning our attention to the many market failures that persist for these communities and how we might best seek to bridge or address them through public-private partnerships and other tools.

What Is a Market Failure?

But first – what do we mean by market failure? It's important to note that financial markets are typically focused on a fairly specific set of criteria that, in turn, are used to determine what kinds of investments are worthwhile. For example, many transactions are underwritten on the financial returns expected from housing development and operations. This makes good sense in the shorter term, but ultimately, these metrics may undersell the longer-term positive outcomes of an investment, such as a good education and stable employment, that can result from providing well-designed homes that are made affordable to families.

This means that the balance sheet of an affordable housing development undervalues its benefit as a long-term, opportunity-enriching asset.

Part of the challenge has been, and continues to be, a lack of reliable data that demonstrate in quantitative terms the true costs of poverty to communities and families. This includes lost potential measured through poorly performing schools, underemployment, and pervasive discrimination. Our work must fill in the gaps by rigorously measuring long-term outcomes that include people with greater earning and spending power, cities that thrive, and regions that are more competitive.

Financial markets — and concurrent policies — have especially failed communities of color by allowing and often encouraging practices that limit opportunity based on race. One historical example is redlining, which limited access to federally supported mortgages — and therefore homeownership — for entire communities of color in every city. A more recent example is predatory lending, which has created and perpetuates entrenched racial wealth disparities.

Unfortunately, in many cases, historical policies failed to explicitly address racial discrimination or implicitly ignored banking practices that excluded access to financial opportunity for people of color. It should be no surprise that after decades of discrimination in both markets and the public sector institutions that regulate them, we are faced with a society in which the median net worth of white households in 2013 was 13 times greater that than of black households — and that gap is growing.[4]

Another common barrier in the affordable housing and community development sectors is asymmetric information. The perceived risk associated with lending in certain areas has resulted in inadequate financial services in distressed communities. The absence of adequate banking further compounds the economic challenges these communities face. Community development financial institutions (CDFIs) were created to provide financial products that traditional banking models find too risky to provide. As intermediaries, CDFIs signal to the private market that alternative products are viable, ultimately removing institutional discrimination and information barriers.

Financial markets have also failed to reward environmentally sustainable, climate-resilient investments. Financial incentives to invest in green building materials that will last the life of the property are still limited, despite evidence that building green yields savings in the medium term. A 2012 Enterprise study showed, in the average affordable housing development, that there was a "lifetime utility cost savings of $3,709 per dwelling unit, while the incremental cost per dwelling unit for the average project to comply with the Enterprise Green Communities Criteria was $3,546."[5]

Similarly, insurance markets continue to provide coverage for buildings built in locations that are going to be impacted by climate change because there is not yet a way to aggregate and deploy capital effectively in order to effectively "climate-proof" buildings or communities. This is especially true in low-income communities, many of which face the greatest risk from climate change.

Where Do We Begin in Acknowledging Market Failures and Pivoting to Exploring Market Opportunities?

Clearly, market failures still exist, despite the work done by the community development field during the last 30 years. So, we must ask ourselves what else we can be doing to address our current market failures and turn them into opportunities. At Enterprise, we see a few promising practices taking place across our field, including:

Making strategic investments using new, more comprehensive screening tools.

The Strong, Prosperous, and Resilient Communities Challenge (SPARCC) was launched by Enterprise, the Low Income Investment Fund (LIIF), the Natural Resources Defense Council, and the Federal Reserve Bank of San Francisco in 2017 to create a new systemic approach to strategically place capital in regions across the country. SPARCC aims to support investment in the built environment that is driven and informed by community, with a focus on racial equity, climate resilience, and better health outcomes.

With LIIF and through ambitious capital commitments by philanthropic partners, SPARCC is testing investment in six regions: Atlanta; Chicago; Denver; Los Angeles; Memphis, TN; and the San Francisco Bay Area. Before funding was placed in these communities, a screening tool was developed to ensure maximum benefit.[6]

SPARCC's Capital Project Screen Survey attempts to identify a few important items in scoring responses.

How the project strategically supports the vision of the SPARCC site team and advances the larger mission

How the project integrates and advances SPARCC's three lenses — racial equity, health, and resiliency/sustainability

How residents and the community have been involved in project conception, design, and implementation

How the project affects system change by producing social benefits and creditworthy investments

This new tool helps SPARCC and its community partners to vet investments based on the process used to generate them, along with their likelihood of achieving the social returns being sought, before we even begin the process of underwriting. The screener allows us to prioritize social outcomes before considering financial outcomes, and our large banking partners are taking notice, interested in understanding and testing the tool.

Leveraging new sources of capital through institutional and foundation investments.

Our country's health-care system continues to undergo major transformations, with increasing focus on the need to invest in the social determinants of health. Part of this shift has led to a growing desire for creative financing solutions. Health-care systems and insurers see the benefits of investing in better health outcomes, and other institutional funders — including union, pension, and foundational endowments — see the importance of social impact investing and the improvements it can bring to disadvantaged communities.

In the health-care sector, these solutions range from region-specific investment funds to national investments in equity funds. The twist here is that many of these funds will rely on community-informed health impact assessments or other similar processes on the front end of development as well as certification of green and healthy building standards after construction to determine the larger social return on investment for all parties. We hope efforts like these will quantify health outcomes for people living in quality affordable housing, which in turn has the potential to direct health-care investment toward affordable housing as a way to ensure healthier outcomes.

Provide New Opportunities Through Opportunity Zones

Finally, we must always be ready to seize the moment, especially when new tools are created that offer the potential for much needed investment in communities. Opportunity Zones are one recent example.

The Tax Cuts and Jobs Act of 2017 created Opportunity Zones, an economic development tool designed to drive long-term capital to distressed communities. The Opportunity Zones model is another example of attracting private capital — in this case, unrealized capital gains — and directing it into a socially desirable outcome — inclusive economic growth in low-income communities. This is an exciting new model with the potential to attract economic activity into areas the private market has historically neglected.[7]

It is important to make sure that the public side of the partnership in Opportunity Zones is fully realized. Without adequate provisions, there is the risk that the market will ultimately invest in distressed communities without low-income residents or local businesses realizing any of the benefits. In order to ensure that the funds best serve people who need it most, there is a need for additional input on Opportunity Zones from the federal government. In particular, Enterprise has urged the Treasury and the IRS to commit to data collection on Opportunity Zone investments so that we are able to track the impacts of the new tool on distressed communities. We are monitoring the implementation of Opportunity Zones and working with policymakers to ensure that Opportunity Zones can join the list of successful public-private partnerships.

Conclusion

Market failures can become opportunities when entrepreneurial and mission-oriented organizations identify those failures and develop solutions to meet the needs of the most vulnerable people in our communities. The community development sector has repeatedly shown how to do this work effectively. Despite the many challenges facing low-income communities today, I believe we will continue to identify new opportunities for greater impact. By making effective, data-informed decisions that truly seek to invest in opportunity and relying on emergent best practices, we can and will continue to turn market failures into opportunities to serve people and communities with the greatest needs.

Laurel Blatchford Bio

Laurel Blatchford is president of Enterprise Community Partners, Inc., one of the nation's leading social enterprises. Blatchford leads the organization's national programmatic and policy work, including the teams working in Enterprise's local markets across the United States, and Enterprise's groundbreaking initiatives focused on connecting people and communities to opportunity. She also leads the policy team, which focuses on policy change at the national, state, and local levels; Enterprise Advisors, the organization's consulting and technical assistance platform; and the organization's knowledge, impact, and strategy functions.

Investing In Opportunity: Addressing the Root Causes of Civil Unrest in Baltimore - Cascade: No. 100, Fall 2018

By Ben Seigel, 21st Century Cities Initiative

Explore This Section

Investing In Opportunity: Addressing the Root Causes of Civil Unrest in Baltimore

April 2015 will forever be viewed as a turning point in Baltimore's history. That month, a young Baltimorean named Freddie Gray died of spinal injuries while in police custody after being arrested near his West Baltimore home for allegedly possessing an illegal knife. The death was later ruled a homicide. Several weeks of peaceful protests ultimately broke into civil unrest following Gray's April 27 funeral, further decaying relations between the community and law enforcement and contributing to what is now a sustained spike in homicides — the city has witnessed 340 murders per year in two of the past three years after averaging just over 200 per year from 2011 to 2014.

While the images of unrest after Freddie Gray's death held the public's attention, there is another, less publicized event from that same period that captures the city's challenges just as dramatically. One week after the unrest broke out, Harvard economists Raj Chetty and Nathaniel Hendren released their groundbreaking study on the causal relationship between place and economic mobility. They found that every year a poor boy spends growing up in Baltimore, his earnings as an adult decrease when compared with that same boy growing up in the average place in America. By the time that boy from Baltimore is a 26-year-old man, he can expect to earn 28 percent less than he would have had he grown up in the average city from the study.[1] Indeed, of the 100 largest jurisdictions Chetty and Hendren studied, Baltimore ranked dead last in this measure of economic mobility.

Their research also underscores the relationship between place-based inequality and racial inequality. The jurisdictions that show the highest levels of economic mobility for poor kids tend to have low percentages of black residents, whereas those places with the worst economic mobility rates have among the largest black populations.

Freddie Gray — who died shortly before his 26th birthday, the same age of adulthood Chetty and Hendren focus on in their research — puts a stark face on downward mobility and the struggles to achieve economic success facing poor, young black people in Baltimore. Their research elucidates the root causes of the events that transpired in April 2015. Although the story of downward mobility — and the city's response to it — has not grabbed as many headlines in post–Freddie Gray Baltimore as murders and violence, it has been the focus of much of the collective efforts of community members, nonprofits, city government, foundations, researchers, and the private sector in Baltimore these past three years.

This essay outlines efforts in Baltimore following the death of Freddie Gray to address the root causes of downward mobility and to ensure that April 2015 was a turning point for the better in Baltimore. It explores programs and policies that are being implemented across three categories: 1) expanding opportunity for young people, 2) promoting economic inclusion, and 3) positively transforming neighborhoods. For each category, the essay reviews some of the lessons learned and outcomes to date, as well as how the efforts align with the four forms of capital used to expand opportunity in communities that will be explored at the Reinventing Our Communities conference: financial, human, physical, and social.

Expanding Opportunity for Young People

The unrest following Freddie Gray's death shined a national spotlight on Baltimore's youth. Television images captured young people smashing police cars, setting fires, and looting storefronts. Youth were referred to as "thugs" by some city and national leaders and seen as criminals by many members of the general public. When viewed in the context of the Chetty/Hendren research, encapsulated in the plight of one young person, Freddie Gray, the unrest was viewed by many closer to the ground as a response by Baltimore's youth to years of poverty and inequality, disconnection from economic opportunity, and mistreatment by institutions, systems, and authorities. In this light, the unrest was viewed as an attempt by young people to release pent-up frustrations and let their voices be heard.

Several research projects following the unrest spoke directly with young people to get a better understanding of their perspectives on the events and of their hometown of Baltimore. In summer 2015, Johns Hopkins sociologist Stefanie DeLuca led a project called Hearing Their Voices that conducted in-depth interviews with 58 young people between the ages of 15 and 24 from some of Baltimore's most impoverished neighborhoods.[2] The study revealed that Baltimore's youth felt a strong sense of abandonment by and exclusion from Baltimore. Not one of the 58 youth interviewed expressed a desire to remain in Baltimore. They craved positive experiences at recreation centers, programs oriented toward youth development and careers, and safe public spaces, none of which they claimed to have access to.

Another initiative supported by the Annie E. Casey Foundation enlisted a group of young community leaders in a participatory research project that focused on talking with youth ages 16 to 29.[3] The researchers found young people in Baltimore want to work for a variety of reasons, such as saving for college, paying bills, or gaining professional experience. For some, financial responsibility begins at a young age, and while they understand the long-term benefits of education, they are limited by the immediate need to make money. More than one-third of the youth interviewed were interested in accessing resources to build businesses that benefit their communities and that free them from the discriminatory practices, policies, and workplace cultures that participants reported facing in traditional employment settings.

Expanding Summer Youth Employment

One of the most promising, yet under the radar, stories from the past three years in Baltimore is that the "adults" — civic, government, and business leaders — have shown that they are doing more to listen to young people. The first sign of this newfound focus on youth came in the immediate aftermath of the unrest, when the city made a commitment to expand its summer jobs program. This was a critical step in several ways. First, a growing body of research suggests that summer youth employment programs result in short-term and long-term improvements to human and social capital, including employment success, educational outcomes, and social and emotional development, while also decreasing negative behaviors, such as criminal activity.4 Second, with the timing of the unrest only a few weeks before summer vacation, city leaders could demonstrate an immediate commitment to the city's youth.

Historically, the city's summer youth employment program, YouthWorks, had a capacity to employ only about 5,000 of the more than 8,000 young people who signed up. Working together a wide range of organizations committed funding and subsidized employment slots, resulting in all 8,137 youth who signed up for the program in 2015 being offered summer jobs. The city and its partners have maintained this scale since the 2015 expansion, offering summer jobs to more than 8,000 youth the past three summers.

One Baltimore For Jobs

Another notable jobs initiative focused on building the human capital of young people is a program called One Baltimore For Jobs (1B4J).5 This initiative was supported by a $5 million demonstration grant from the U.S. Department of Labor as part of the Obama administration's effort to aid the city's response to the unrest. 1B4J organized and funded a broad coalition of community-based service organizations to offer young people comprehensive and coordinated workforce development assistance, including occupational skills training, access to industry-recognized credentials, employment and career counseling and job placement, and assistance managing the various barriers youth have expressed facing, such as transportation access and expungement assistance.

1B4J exceeded all targets established by the Department of Labor grant. Over the course of the program, the enrollment goal of 700 was nearly doubled at 1,373. A total of 1,021 young people received occupational skills training, and 745 people were placed into employment at an average hourly wage of $12.45.6 While the 1B4J grant has now formally ended, many of the program's approaches and partnerships formed through the program are being integrated into the broader workforce development system across the city.

Baltimore Children and Youth Fund

Following the unrest, Baltimore City Council Chair Bernard C. "Jack" Young proposed the city create the Baltimore Children and Youth Fund to provide targeted resources for reinvigorating youth-centered services and activities across the city.[7] In November 2016, Baltimore City voters overwhelmingly approved a ballot measure, allocating approximately $12 million per year from property tax receipts to finance the fund, making Baltimore one of more than 30 localities nationwide with a dedicated youth fund.[8]

City council formed a task force of community leaders, youth program service providers, city government officials, and other key community representatives to set guidelines for the fund's governance and operations. The task force presented recommendations that stressed key social capital building blocks, including racial equity and community empowerment as core principles guiding the fund's design. The fund's inaugural request for proposals was launched earlier this year, and in August, the first round of grants was announced for a total of $10.8 million to 84 organizations, ranging in individual award amounts from about $17,600 for new groups and up to $300,000 for established, top-tier organizations.[9]

These three examples illustrate that action can occur when local leaders come together with the community with a focused mission and purpose. While these initiatives are all promising success stories in themselves and speak to a broader mobilization effort on behalf of young people in Baltimore following the death of Freddie Gray, there remains much work to be done. The harder part will be to take this same approach of collaboration and intentionality and apply it to improving larger systems aimed at building the human and social capital of youth, such as the local schools and community college systems, as well as the juvenile justice system.

Promoting Economic Inclusion

In looking at the root causes of the events of April 2015 and the Chetty/Hendren data on downward mobility in Baltimore, it is obvious that opportunity is not equally distributed among people and places across the city. Significant disparities have existed for decades in Baltimore across geographic and racial lines. Over the past three years, there has been a major push in Baltimore, especially among the private sector, to expand efforts of economic inclusion by mobilizing and targeting financial capital. Of course, Baltimore is not alone in this push; cities and communities across the country are becoming more aware of the need to focus on economic inclusion and equity.

Anchor Institutions

For a number of years, local anchor institutions, including universities and hospitals, have made concerted efforts to hire local residents from the community and to contract with local small businesses for services. For nearly the past decade, the Baltimore Integration Partnership (BIP) has coordinated these efforts across the Baltimore metro area. BIP currently includes 14 anchors and is believed to be the largest group of hospitals and higher education institutions in the country working on economic inclusion. BIP focuses on three goals: 1) increasing anchor institution purchasing from local, small, and minority- and women-owned firms; 2) ensuring equitable opportunity in connecting low-income residents to jobs in the anchors and anchor-supporting businesses; and 3) making intentional local investments in real estate and small businesses to generate broader community benefit.

HopkinsLocal, BLocal

In the aftermath of Freddie Gray's death, these types of economic inclusion efforts have received greater attention and resources. Shortly after the unrest, The Johns Hopkins University and Health System launched HopkinsLocal, with similar goals to those outlined by BIP. In 2016, Hopkins teamed up with the utility company Baltimore Gas and Electric to expand the initiative to 25 companies under the umbrella known as BLocal.

What has been unique about HopkinsLocal is a commitment to setting specific targets and then measuring and publicly reporting on performance. Hopkins recently published its performance for year two of HopkinsLocal, headlined by $61.3 million in construction contracts, 332 new hires, and $109.7 million in total local procurement, all exceeding predetermined goals.[10] These figures help quantify the financial capital that can be invested by anchor institutions into businesses and individuals in the community.

Community Benefits Agreements

BIP published a report earlier in 2018 that provides a comprehensive inventory of private sector and local government economic inclusion programs and policies.[11] The report details expanded efforts of anchor institutions, as well as other major efforts such as the $5.5 billion Port Covington development project, anchored by Under Armour's corporate headquarters.

In September 2016, the City of Baltimore signed legislation that committed $600 million in municipal bonds toward the Port Covington effort. The bonds are being used for tax-increment financing (TIF) to fund infrastructure — physical capital — for the project. In response to advocacy by a coalition of community leaders, Under Armour's development company, Sagamore Development, signed a memorandum of understanding that guaranteed local hiring, supplier diversity, and other economic inclusion features. The Community Benefits Agreement (CBA) includes a 30 percent local hiring mandate and a commitment that 20 percent of the housing produced will be affordable housing units. The community benefits deal also includes more than $100 million in funding for local organizations and programs.

Small Business and Entrepreneurship Assistance

Small business technical assistance and entrepreneurship programs have been expanded during the last three years in an effort to support Baltimore's minority-owned small businesses. Identified as a top priority by the community following the unrest, these efforts began with a grant from the U.S. Department of Commerce to the Baltimore Urban League to expand its entrepreneurship center. Since then, a number of new and expanded initiatives have taken off, including the Goldman Sachs 10,000 Small Business Initiative and the Inner City Capital Connection initiative, a program of the Boston-based Initiative for a Competitive Inner City. These initiatives are coordinated with city hall through a newly formed Mayor's Office of Small, Minority, and Women-Owned Business.

These and other expanded efforts on economic inclusion are promising steps for Baltimore, although much work is still needed. Programs like the HopkinsLocal effort should consider expanding economic inclusion targets beyond traditional minority- and women-owned business industries of construction, moving, and catering to include industries where greater wealth and economic mobility opportunities are concentrated, such as finance and technology. Although the Port Covington CBA is historic on paper, the partners need to remain vigilant and focused that Sagamore meets its targets. Finally, small business and entrepreneurship programs should be connected to a broader effort to increase access to financial capital to Baltimore's small businesses. As two recent 21st Century Cities Initiative reports illuminate, small business lending has declined in Baltimore during the past decade, and more needs to be done to encourage and support banks and community loan funds to extend working capital to growing businesses.[12]

Positively Transforming Neighborhoods

The Chetty/Hendren research has driven home the point that, all too often, zip code determines destiny. In Baltimore, such zip code determinism is evident in neighborhoods in East and West Baltimore, including where Freddie Gray grew up, where the median household income is less than $20,000. Meanwhile, in neighborhoods in North and South Baltimore — only a few miles away — the median household income exceeds $100,000. There are similar neighborhood disparities in health, educational attainment, and other indicators. For example, neighborhoods in Baltimore just a few miles apart are separated by a 20-year gap in residents' average life expectancy.[13] Several notable efforts have been ramped up in Baltimore over the past three years to address neighborhood disparities by especially focusing on the physical capital of neighborhoods.

Transform Baltimore

Neighborhood transformation is the type of place-based work that does not happen overnight — or even over three years — but there have been some promising steps in Baltimore since the events of April 2015. One of these steps is the recent rewriting of Baltimore's zoning code. The new zoning code, Transform Baltimore, went into effect in June 2017. One of the provisions in Transform Baltimore requires repurposing or closing certain alcohol outlets in residential neighborhoods. The policy is, in part, a bold attempt to reduce violent crime based on research showing that murders cluster around alcohol outlets and that nearly half of all homicides are caused by excessive drinking, according to the Centers for Disease Control and Prevention. Under the new zoning provision, 76 nonconforming alcohol outlets are required to stop selling alcohol by June 2019.

Vacants to Value

Tackling vacant housing and creating more affordable housing is a stubborn challenge where Baltimore has made some strides in the past three years. Baltimore's housing agency has acquired additional financial and technical resources for its nationally renowned Vacants to Value (V2V) program that demolishes and renovates vacant and abandoned properties across the city.[15] In December 2016, Maryland invested $75 million into the program through an initiative called Project C.O.R.E., helping to leverage other public and private dollars.[16] On the technical front, Baltimore's housing agency has developed a partnership with researchers at Johns Hopkins, who are working with the agency to apply big data analytics and tools to help predict vacant properties and optimize V2V resources.[17]

Baltimore Green Network Plan

Another recent effort is a strategy to better link neighborhoods together and with services and amenities through green space. The Baltimore Green Network plan seeks to transform vacant properties into green community assets and to connect these spaces to schools, homes, retail districts, and other neighborhoods.[16] The plan, which is being adopted in summer 2018, is an interesting example of *placelinking*,[18] which seeks to strengthen isolated high-poverty neighborhoods by better connecting them with the city.

If adequately resourced and effectively implemented, these place-based initiatives can have a significant impact on Baltimore's neighborhoods in the coming years. They also come with challenges in implementation. For example, they require a large amount of resources and capital investment. While some new resources are flowing into these projects, additional private and public dollars will need to be leveraged. In addition, the history of many place-based initiatives demonstrates that as neighborhoods improve, longtime residents are often displaced. Sometimes this is by choice, in order to take advantage of rising property values if they are homeowners, but more often, residents are forced out because of higher rents and gentrification's other effects.

Conclusion

As Baltimore moves forward from the April 2015 unrest, it is worth noting that 2018 marks the 50th anniversary of the Kerner Commission report, which was a response to riots in more than 100 cities in the summer of 1967. That landmark government report placed the blame for rioting on public and private racial discrimination, and it outlined a series of bold steps for improving conditions in disadvantaged neighborhoods and encouraging the racial integration of America.

On the 50th anniversary, there have been calls for the creation of a contemporary Kerner Commission to develop a new blueprint for addressing racial inequality and economic segregation in U.S. cities.[19] While the original Kerner Commission focused on federal policy and action, a contemporary Kerner Commission could be well served by also including efforts that can be directed by local communities, including how cities and counties can best mobilize and invest in financial, human, physical, and social capital to expand opportunity in pursuit of upward mobility.