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Thrivers and Strugglers: A Growing Economic Divide

By Ray Boshara

Bravo to MacKenzie. When she was born, she chose married, white, well-educated parents who live in an affluent, mostly white neighborhood with great public schools. She also chose her birth year wisely, making sure that she graduated from college and entered the job market when the economy was rebounding from the Great Recession. Thanks to the wealth and financial savvy of her parents, MacKenzie graduated from a private, four-year selective college debt-free, giving her many career options as well as the ability to start saving for a home and retirement.

Because of her great "choices," MacKenzie is likely to accumulate wealth and achieve financial health over her lifetime. She and her parents belong to the roughly one in four American households we can call "thrivers."

But too bad for Troy. Despite being just as bright as MacKenzie, he chose nonwhite parents who never married and live in a poor, highly segregated neighborhood with lousy public schools and few opportunities to be

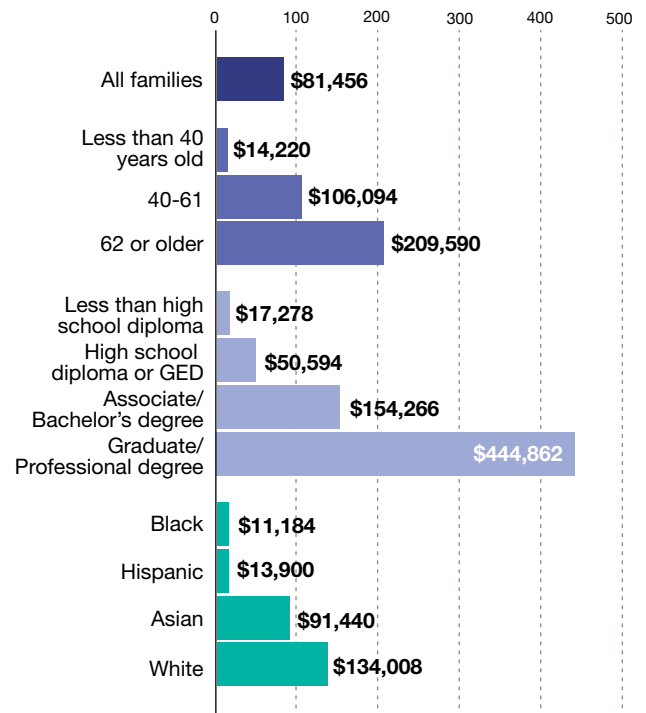
involved in music, sports and civic activities. Troy's young, hard-working, conscientious mother was never able to start college. In order to manage the frequent ups and downs in her financial life, she has accumulated debts to family members and credit cards. She also lacks the know-how and networks to get Troy on a college-bound track, something his school fails to do as well. And Troy unwisely chose to finish high school just as the Great Recession was getting underway. So, finding any job, let alone a decent-paying one with benefits, eludes him.

Because of his bad "choices," Troy is not likely to accumulate much wealth or feel financially healthy over his lifetime. He and his family belong to the roughly three in four American households we can call "strugglers."

Research from the Center for Household Financial Stability at the Federal Reserve Bank of St. Louis suggests that three demographic drivers—age/birth year, education and race/ethnicity—increasingly matter for building wealth and financial security.

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FIGURE 1
Median Real Net Worth in 2013
(in thousands of dollars)



SOURCE: Boshara R: The Future of Building Wealth: Can Financial Capability Overcome Demographic Destiny? In *What It's Worth: Strengthening the Financial Future of Families, Communities and the Nation*, Federal Reserve Bank of San Francisco & CFED, 2015.

Bridges is a quarterly publication of the Community Development Office of the Federal Reserve Bank of St. Louis. It is intended to inform bankers, community development organizations, representatives of state and local government agencies and others in the Eighth District about current issues and initiatives in community and economic development. The Eighth District includes the state of Arkansas and parts of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.

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- 16** **Community Development Speed Networking**
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- 28-Apr. 1** **Community Development Academy**
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Visit: <http://muconf.missouri.edu/commdevelopmentacademy/index.html>

- 30** **Connecting Hard-to-Serve Populations with Jobs: Successful Solutions for Skilled Immigrant Integration (Part 3 of 3)**
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APRIL

- 3-5** **National Low Income Housing Coalition (NLIHC) 2016 Policy Forum: Overcoming Housing Poverty, Achieving Housing Justice**
Washington, D.C.

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Thrivers and Strugglers

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MacKenzie and her family's efforts to build wealth are buoyed by these demographic tailwinds, while the lack of them creates headwinds that hamper Troy and his family's efforts to succeed financially.

Let us consider each of these characteristics, or drivers, separately.

Race, Ethnicity and Wealth

Beginning with race or ethnicity, a few facts stand out.¹ First, the wealth gaps are disturbingly large and the rankings have persisted since 1989. White families rank first, followed by Asian families, Hispanic families and then black families. With the exception of Asians, the median net worth of all groups in 2013 was about the same as in 1989; the Great Recession wiped out most of the post-1989 gains. However, prior to the recession, whites and especially Asians had seen dramatic increases in their wealth. Since 2010, they have seen their wealth begin to grow again, while the wealth of blacks and Hispanics has continued to decline. (See Figure 1.)

Also, wealth disparities are starker than income disparities. Median wealth for Hispanics and blacks is about 90 percent lower than that of whites. In contrast, median income of Hispanics and blacks is only 40 percent lower. This suggests these two groups may have had few opportunities to “convert” their diminished incomes into wealth, such as through homeownership and retirement plans. And although one would expect age and education to help explain the persistent differences in wealth accumulation across racial and ethnic groups (whites are generally older and better educated than blacks and Hispanics), our

research shows that the wealth gap is largely unchanged even among equally educated, similarly aged whites and nonwhites. Stated more starkly, education does not appear to be an equalizer, at least in terms of wealth. Therefore, other factors must be in play, including early childhood experiences, parental influences and, of course, deep and historical discrimination against blacks and other minorities.

Education and Wealth

Not surprisingly, the association between a family's education and its wealth is very strong and has become stronger with time, leading to large gaps in wealth by level of education.² Only families with college degrees or higher have seen their wealth increase since 1989 (even though all groups saw their wealth decline in the Great Recession). Those lacking a high school diploma saw their wealth plummet 44 percent between 1989 and 2013, while families with a high school diploma saw their wealth decline 36 percent. Meanwhile, families with a two- or four-year college degree experienced a 3 percent increase since 1989, while the wealth of those with advanced degrees spiked 45 percent.

Notably, however, the correlation between education and various measures of economic and financial success does not represent causation. That is, the college degree itself may only partially explain differences in wealth. The degree serves as a marker of many other factors also correlated with educational attainment, such as native ability, family background, marriage patterns (i.e., the tendency of college graduates to marry other college graduates), being read to as a child and the likelihood of receiving gifts or inheritances.

Age and Wealth

Finally, let's look at age or, more precisely, year of birth. Of course, older families are expected to have more wealth than younger families. But what we are observing is something deeper, even historical.³ To our surprise, age is the strongest predictor of balance sheet health, even after accounting for race and education. Americans in their 20s and 30s lost the most wealth in the recession and have been the slowest to recover. The wealth of younger adults is concentrated in homeownership, which suffered greatly during the recession. Younger adults also have significant mortgage and consumer debts, and few liquid assets. In addition, they faced severe labor market challenges during and following the recession. But this is not just a recession story; it's a generational, more troubling story: An American born in 1970 is projected to have 40 percent less wealth over their lifetime than an American born in 1940. Clearly, some larger economic and social forces are underway, reshaping economic opportunity in the U.S.

Policy Implications

In a world where uncontrollable factors—birth year, race/ethnicity, parents—and education—a choice, but influenced by all of the above factors—appear to increasingly matter for building wealth and financial success, three policy responses hold particular promise:

1. Give greater weight to demographic factors in targeting public resources.

Although income has been the primary benchmark for safety net and tax benefits, our research suggests that age

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or birth year, race or ethnicity, and education must play a greater role in targeting scarce public resources. The U.S. has dedicated massive resources, ruled on issues such as desegregation and voting rights, reduced discrimination in housing and lending practices, built schools and universities, subsidized higher education for disadvantaged students and otherwise striven and often succeeded in helping less-educated and minority families move forward. College attendance rates have been steadily rising, and minorities now hold more elected offices than ever, for example. However, millions of these families remain economically vulnerable; in some ways, they are now even more fragile, given growing economic penalties on less-educated and minority families. Therefore, broad, ambitious efforts to invest in these families must not only continue but be strengthened.

With regard to age, the U.S. has invested less during the earlier years of life, and the country lags in per capita spending on children compared with other advanced nations. In fact, the U.S. social contract has relied on the ability of younger workers to finance the safety net of older Americans. However, because

that social contract is now threatened, and given the challenges facing younger Americans, smarter and more robust investments earlier in life are merited. For example, could we consider more of an age-based social contract, where newborns, school-aged youth and young adults starting their careers and/or families receive a public benefit to help them build human capital and net worth? These investments could be modeled on the “pay it forward” idea, where public investments in individual families (through, for example, no- or low-cost tuition plans) are paid back later in life directly through earnings or, indirectly, through greater productivity and economic growth.

2. Create ways for families to save when children are young and integrate savings plans into other early interventions.

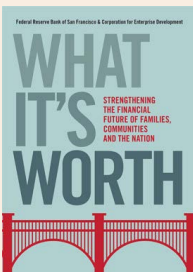
In the assets field, there is a growing body of evidence that savings accounts and assets early in life lead to better outcomes later in life. The Assets and Education Initiative finds that “early liquid assets (ones the household has when the child is between ages 2 to 10)... work with children’s academic ability to influence whether they attend college. The effect is stronger for low-income children than it is for high-income children.”⁴ Two studies using randomized trials in the SEED OK experiment in Oklahoma show that Child Development Accounts (CDAs)⁵ have a positive impact on social development for children around age 4. This effect was greatest in children in disadvantaged groups.⁶ A second study finds that CDAs increase the psychological well-being of mothers, and again the effect was greatest among disadvantaged groups.⁷

Consideration should be given to strategies that integrate CDAs and similar early asset strategies into the fabric of other interventions aimed at young children. For example, a CDA might be offered to every mother who enrolls in a prenatal health program, or to every child entering Head Start or a preschool program. Reading programs might offer an education-focused CDA. Pell grants might be “front loaded” so that income-eligible children at age 5 receive a small portion of their Pell in a CDA, which would then reduce their Pell grant at age 18 accordingly. The College Board has, in fact, advanced a similar idea. It will be difficult, in my view, for stand-alone CDA interventions to reach all economically vulnerable children. Accordingly, integrating early assets and early childhood interventions holds promise for both impact and scale.

3. Help parents and other adults build liquidity and financial assets.

Of course, we cannot build family financial health and well-being by investing only in kids and ignoring their parents and other adults. Accordingly, we should adopt a “two-generation” approach.⁸ Struggling families need a range of sound balance sheet investments, including better banking options, credit repair, more college and retirement savings, fewer debts and paths to sustainable homeownership and small-business opportunities. But one intervention in particular cuts across family balance sheets and promotes both financial stability (a family’s first priority)⁹ and economic mobility: creating liquidity.

The need for liquidity is well documented. The Federal Reserve Board’s Survey of Household Economics and Decisionmaking (SHED) finds that an unexpected expense of just \$400



Adapted from Boshara R: The Future of Building Wealth: Can Financial Capability Overcome Demographic Destiny? In *What It's Worth: Strengthening the Financial Future of Families, Communities and the Nation*, Federal Reserve Bank of San Francisco & CFED, 2015. For more information about this resource, please visit www.strongfinancialfuture.org.

would prompt nearly one-half of all households to borrow funds, sell something or simply not pay at all.¹⁰ Fed data also show that the top savings priority for families is emergency or liquid savings, yet only about half of all Americans have such savings. And CFED finds that 44 percent of households are “liquid asset poor.”¹¹

When families have more liquid savings, they can better manage their cash flows and volatility; rely less on friends, family and payday lenders to meet cash shortfalls; have better banking options; and save for education, training or a small business, as well as a home or apartment in a better neighborhood. In my view, no intervention better cuts across the health of U.S. family balance sheets—and does more to promote family stability and mobility—than building emergency savings and liquidity.

To be most effective, these three policy recommendations must be integrated into other efforts. Although one or two interventions, including the most promising ones, are not likely to erase enormous gaps in education, earnings or wealth, they are likely to significantly reduce the financial health disparities experienced between future thrivers like Mackenzie and strugglers like Troy.

Ray Boshara is senior adviser and director of the Center for Household Financial Stability at the Federal Reserve Bank of St. Louis.

NOTES

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HAVE YOU Heard?

Federal Reserve Board Announces Community Advisory Council Members

The Fed’s new Community Advisory Council (CAC) is comprised of individuals with consumer- and community development-related expertise. Members will provide information, advice and recommendations to the Board on a wide range of policy matters and emerging issues of interest. The 15 members of the CAC were selected from a pool of candidates who responded to the Board’s public invitation to express interest in serving. CAC members will serve one-, two- or three-year staggered terms to provide the council with continuity. The first meeting of the CAC was held at the Board on Nov. 20, 2015; a summary of the meeting is available at www.federalreserve.gov/aboutthefed/cac-20151120.pdf. To learn more about the CAC and its members, visit www.federalreserve.gov/aboutthefed/cac.htm.

2016 Assets & Opportunity Scorecard Available

Released annually, CFED’s *Scorecard* explores how well residents are faring in the 50 states and the District of Columbia and assesses policies that are helping residents build and protect assets along five issue areas: Financial Assets & Income, Businesses & Jobs, Housing & Homeownership, Health Care and Education. The 2016 *Scorecard* brings together 130 policy and outcome measures to determine the ability of residents to achieve financial security. It offers the most comprehensive look available at Americans’ financial security today and their opportunities to create a more prosperous future. For more information, visit <http://assetsandopportunity.org/scorecard>.

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Neighborhood “House Economy” Teaches Youth Life Lessons

By Denise Sears

Charlie had dealt with a lot in his 11 years. His dad left when he was five and his mother worked long hours at a minimum-wage job to keep a roof over their heads. Sometimes the refrigerator was empty or the electricity was shut off when money was tight. When his mom was home, she was often tired from trying to work extra hours and distracted by financial worries. The stress from living in poverty was affecting Charlie’s behavior. He was loud and disruptive, didn’t do his schoolwork and frequently got into fights.

Life for Charlie and his family began to change when he enrolled in the Youth Development Program at

Neighborhood House, a community center serving the low-income Portland neighborhood in Louisville, Ky. This program provided him a safe environment after school; he received academic support, a hot, nutritious meal and enrichment activities that support and promote learning.

Neighborhood House’s Youth Development Program serves almost 350 at-risk youth. For the 2015 summer program, staff sought activities to encourage positive behaviors as part of vital life skills training. This resulted in a pilot program that was developed and introduced during the seven-week summer program.

Called the “House Economy,” the program provided incentives for positive behavior and introduced participants to financial budgeting. It also provided opportunities to practice math skills. The pilot initiative delivered experiential learning that taught children and teens valuable “real-life” lessons. The House Economy featured a “House Bank” and “House Store,” both of which were managed by older youth. Positive behavior earned “house bucks” and the consequence of negative actions was the loss of already earned bucks. Children tallied up their individual bucks at the end of each day and decided how to manage what they had earned. Options included using their bucks to purchase items at the House Store or depositing them in their account at the House Bank. The store, which was stocked with donations from donors and partners, offered goods in varying price ranges. Children often had their eye on one of the more

expensive items, which required them to save some of their earned bucks. They learned how to budget their earnings for the week to cover daily purchases and save for the future purchase of a coveted item at the store.

The House Economy had a positive impact on the children’s behavior, as evidenced by the increase in house bucks earned each consecutive week. One of the program participants, 14-year-old Nolan, said, “Some of the kids didn’t listen to staff and could be kind of wild before we started the House Economy. Having the chance to earn bucks for being good changed how the kids acted.”

Although originally developed as a way to encourage positive behavior, the House Economy had a much broader impact. House bucks were earned for maintaining good behavior, helping peers, volunteering for jobs (e.g., cleaning up after meals) and positive participation in reading activities. Maria Childers, the Neighborhood House education coordinator, said, “Our youth learned to ‘work’ for things they want. This is an essential life skill that will help them in all areas of their lives, both in the present – for example, schoolwork, sports teams, school clubs – and the future – getting into college, finding a job, buying a house, etc.”

Childers added that the program also provided new learning opportunities. Older teens managed the bank and store, which included setting up sales displays in the store as well as managing house bucks deposited in the bank and purchases at the store. Trusting youth to run the store and bank built



In the “House Economy” program at Neighborhood House, positive behavior is rewarded with “house bucks,” which help teach children how to budget.

a sense of responsibility and pride for teenage members. “The program developed our youth’s work ethic, which gives our kids a brighter future,” Childers said.

In addition to improving behavior and providing learning opportunities, the youth demonstrated improved understanding of budgeting and the importance of savings. Nolan saved his money all summer to buy a tablet. Participants reported that the program also gave them a greater understanding of the monetary decisions their parents face on a daily basis, which is particularly important in families with limited resources. “I understand better now when my dad says we can’t buy something because we have to save to pay our electric bill,” said DeShawn, 11. “I don’t get mad at him like I used to when we couldn’t get something I really wanted.”

The summer pilot demonstrated that the House Economy reinforces good behaviors and positively impacts staff-youth relationships. The lessons learned by participants extended well beyond financial literacy. The program taught them life lessons about responsibility and built their self-esteem. The success of the pilot has led to the incorporation of the House Economy into the year-round curriculum of the Youth Development Program.

Charlie’s behavior has improved not only at Neighborhood House but at home as well, according to his grateful mom. He is more committed to school and feels confident his grades will improve this semester. The House Economy is a prime example of the impressive return an investment in today’s youth can yield.

Denise Sears is director of development and communications at Neighborhood House in Louisville, Ky.

Exploring Innovation in Community Development Webinars

This webinar series from the Community Development department at the St. Louis Fed allows community development professionals from across the Eighth Federal Reserve District to connect with industry experts to hear and discuss current developments and initiatives. Topics vary and are of interest to economic development professionals, financial institution representatives, community advocates and policymakers. Recent sessions include:

- **Part 1 – Connecting Hard-to-Serve Populations with Jobs: Promising Practices for Successful Reentry**
- **Part 2 – Connecting Hard-to-Serve Populations with Jobs: Breaking Down Barriers for Youth Unemployment**

Both the audio and the presentation for all sessions are archived at https://bsr.stlouisfed.org/EI_CDAudioConference.

8 From the Eighth Audio Podcast

8 From the Eighth is a podcast series from the Community Development department at the St. Louis Fed. Through interviews consisting of eight questions with experts, listeners learn about current community development challenges—and successes—in the Eighth District, helping them to understand both the problems and the solutions. Podcasts cover a variety of topics, including innovative strategies and emerging trends related to community development. A recent podcast is:

- **The High Cost to Bank or Not to Bank: Perspectives from a Professor/Check Casher** — Lisa J. Servon (The New School)

Visit www.stlouisfed.org/community-development/multimedia/audio to listen to this and other archived podcasts from the St. Louis Fed.

Transforming U.S. Workforce Development Policies for the 21st Century

This new book, produced in partnership by the Federal Reserve banks of Atlanta and Kansas City along with Rutgers University’s John J. Heldrich Center for Workforce Development, explores how new policies and practices can meet the changing needs of workers, businesses and their communities. It includes contributions from more than 65 leading scholars

and practitioners engaged in workforce development. Download the book or individual chapters at kansascityfed.org/transformworkforce.

Scaling U.S. Community Investing: The Investor-Product Interface

This in-depth report on the U.S. Community Investing (USCI) field from the Global Impact Investing Network (GIIN) includes both a landscape study of USCI as well as recommendations regarding how to scale it. Learn more and download the report at <https://thegiin.org/knowledge/publication/usci>.

Identifying Opportunity Occupations in the Nation’s Largest Metropolitan Economies

Are there well-paying jobs for workers with less education than a 4-year college degree? What are those jobs? How do employer preferences differ from education requirements for good jobs? This new report, produced jointly by the Philadelphia, Atlanta and Cleveland Federal Reserve banks, addresses these and other questions about employment opportunities in the nation’s 100 largest metro areas. For more information, visit <http://ow.ly/S07lf>.

Great Expectations: Mission Preservation and Financial Performance in Impact Investing

This report provides evidence that investment managers can align impact goals with financial expectations without sacrificing performance. To read the report, visit http://socialimpact.wharton.upenn.edu/wp-content/uploads/2015/10/Wharton_Social_Impact_10.13-PagesFINAL.pdf.

2015 Landscape Report: Quantifying Missouri’s Nonprofit Sector

This report from Nonprofit Missouri describes the scope and impact of the state’s nonprofit industry within a broader economic perspective. Download the report at www.nonprofitmissouri.org/landscape.

Foundation Maps

Designed and created by the Forum for Regional Association of Grantmakers and the Foundation Center, this is an interactive and continually updated map—which goes down to the neighborhood level—with information on how many grants have been allocated, who the recipients are, what type of work is being funded, etc. Search the map at <https://maps.foundationcenter.org>.

Grassroots Neighborhood Revitalization in Hyde Park

By Michael C. Eggleston

In the spring of 2012, Todd Wiley had been looking for work for nearly four years, ever since he was laid off due to downsizing at Metro, St. Louis' public transit organization. Despite continually searching and completing numerous job



Top: Todd Wiley plans to use the skills and experience learned at Sun Ministries to become an entrepreneur.

Bottom: Sun Cafe hires employees who are homeless, recovered addicts and former convicts.

applications, he had nothing to show for it. For those living in Hyde Park in North St. Louis, this is not entirely surprising; the unemployment rate for this neighborhood is 29 percent,¹ roughly 1 out of every 3 people over the age of 16. Something that surely contributed to Wiley's inability to find employment was the fact that he is an ex-offender. Needless to say, his job prospects were not promising when he walked out to pick up the newspaper one morning, only to find a publication by an organization he had never heard of before—Sun Ministries. But that's when things began to change for him.

Not long after calling Terry Goodwin—who founded and leads Sun Ministries—Wiley had a job doing maintenance work on apartment buildings in the neighborhood. He was incredibly grateful for the employment opportunity. Fast forward 3-plus years. Wiley still has his job doing maintenance work, but he has also learned woodworking skills and has spent time working in Sun Cafe, a neighborhood restaurant owned and operated by Sun Ministries. His future plans include starting his own business painting commercial and residential properties.

Just six years after Goodwin moved his family to Hyde Park and started the ministry, it boasts five social enterprises—all with the goal of building foundational work experience, job skills, spiritual growth and education for individuals who have barriers to employment. While there isn't a specific list, common barriers for neighborhood residents include long-term unemployment, low educational attainment, drug addiction recovery,

former incarceration, and cognitive and/or physical disabilities. The five components of the ministry's program, called Narrow Gate, include: 1) financial capability; 2) remedial education; 3) spiritual growth; 4) job training; and 5) social skills. The ministry is providing employment opportunities to 23 neighborhood residents, each of whom has at least one employment barrier. And the organization is just scratching the surface in terms of need, as the ministry receives about 30 job applications from neighborhood residents every week.

When Goodwin and his wife moved into the predominantly African-American, lower-income neighborhood of Hyde Park in 2009 from the predominantly white, affluent community of O'Fallon, Mo., they were not sure what their specific role would be. They only knew that they were being called to serve in an action-oriented way. Shortly thereafter, the ministry began its first social enterprise—making and selling messenger and tote bags. From that initial enterprise sprouted:

- a woodshop, where they taught themselves to make tables and chairs from the wood of old shipping pallets—the products are sold to restaurants and individuals;
- Sun Cafe, which serves as a neighborhood meeting place to build community in addition to serving as a restaurant and coffee shop;
- a maintenance business, providing services for the neighborhood's apartment buildings that are owned by Duffe-Nuernberger Realty (affiliated with ND Consulting Group); and

- a landscaping business, providing lawn care for ND Consulting Group's apartment buildings.

While Sun Ministries' accomplishments in such a short amount of time, without any public funding, are impressive, the obvious question is whether this great work will continue. By all accounts, the most likely answer is yes. That is due to 1) strong passion and leadership from Goodwin and his family, who are leading the ministry; 2) strong partnerships with ND Consulting Group and social service providers in the neighborhood; and 3) a healthy balance sheet. While not all of the ministry's social enterprises are profitable, the majority of them are. Annual revenue and profit for 2015 are projected to be \$600,000 and \$100,000, respectively. In the first quarter of 2016, the ministry will open its sixth social enterprise in the neighborhood—a bazaar where used and repurposed items will be sold. Additionally, future plans include converting an old police station into a community and business hub with a visual and performing arts center; a social enterprise that would acquire, repair and sell cars to residents; and a newly expanded home for the ministry's woodshop.

For more information about Sun Ministries, grab some coffee at Sun Cafe. Otherwise, visit them online at www.sunministries.org.

Michael C. Eggleston is a senior community development specialist at the Federal Reserve Bank of St. Louis.

ENDNOTE

- 1 Census Bureau, American Community Survey 5-year Estimate (2010-2014)

Collaboration: The Key to Champion Community Investments' Success

By Rex Duncan

A friend of mine from Murphysboro, Ill., is fond of the old saying, "If you want to go fast, go alone. If you want to go far, go with others." After my initial dismissiveness of yet another motivational adage, I could see the passion for "going far" in his eyes and knew he meant business. Since I first heard him say it, I've repeated the maxim a hundred times to others and to myself. More importantly, I've taken it to heart.

Champion Community Investments—The Beginning

With the assistance of some great folks in Rural Development at the U.S. Department of Agriculture (USDA), we launched Southern Illinois Coal Belt Champion Community Inc. (doing business as Champion Community Investments, or CCI) in 2002. Originally, we were an applicant for federal Empowerment Zone status, but we lost out in the final round. In the process, though, those of us on the planning committee—who hailed from three rural counties and several small towns—found that we liked and respected each other immensely and that perhaps we shouldn't let this defeat stand in our way.

With that shared commitment, we formed as a nonprofit 501(c)(3)

corporation with missions of economic and community development. CCI originally served three counties—Perry, Franklin and Williamson. In 2010, Jackson and Jefferson counties were added. One of our lending programs also includes White, Hamilton, Gallatin, Saline, Pope, Hardin and Randolph counties.

In the beginning, there were times when we met more as a social opportunity while searching for tangible work. By 2005, we had launched Connect SI, an initiative that would become a 20-county project built around collaboration and broadband connectivity. Today, because of the collaboration between the telecommunications industry and units of local, state and federal governments, the region is wired for global success. The city of Carbondale—home of Southern Illinois University Carbondale—is a "gigabit city." Fiber-to-the-home projects extend even into the Shawnee National Forest.

From Business Loans to CDFI Status

In 2006, CCI made its first business loan after USDA fueled our interest with a \$94,500 grant to start a revolving loan program. We quickly lent out that fund and landed our first intermediary

>> *continued on Page 10*

“They took a chance on me when no one else would look at my business plan for this venture. After five years and more than 20 percent annual growth, I think we’re all happy with the results.”

– Mark Robinson, Owner, Bus to Chicago

“To see a thought transform into a successful business has been a humbling experience and that could not have been accomplished without the startup money that we received from this incredible organization.”

– Mark Novoa, Owner, GroundFX Flooring

“Champion Community Investments embodies the spirit of regional cooperation. Sharing a passion for southern Illinois and a mutual respect for one another is a strong platform for strengthening our economy one business at a time.”

– Kathy Lively, CCI Board Member and CEO, Man-Tra-Con Corp.

“Champion Community Investments is truly a regional economic development success story in southern Illinois. CCI brings together economic development organizations from five counties and promotes collaboration among those organizations to assist small businesses throughout the region.”

– Jeff Doherty, CCI Board Member and Executive Director, Jackson Growth Alliance

Collaboration: The Key to CCI's Success

>> *continued from Page 9*

Relending Program (IRP) loan of \$300,000. That first IRP has been followed by three more million-dollar IRPs and two rounds of Rural Micro-entrepreneur Assistance Program (RMAP) loans of \$500,000 each.

In 2013, CCI was recognized by the U.S. Treasury Department as a community development financial institution (CDFI), the only non-profit CDFI south of Springfield. The organization also received a \$600,000 Small and Emerging CDFI Assistance grant to further our lending and investment abilities. The grant has offered CCI the ability to leverage additional lending resources as well as to consider business funding alternatives—including equity investing—that couldn't have been offered previously. Furthermore, the CDFI designation has put CCI on the radar of larger regional and national commercial banks.

Since that first loan in 2006, CCI has closed on 85 loans with an aggregate principal value of \$4.8 million, \$8.4 million in private-sector injection and over \$13 million in total project value. We have worked extensively with area banks to provide gap financing to help complete worthy projects. CCI has also worked with other area 501(c)(3)s to further economic regional development.

This cooperative structure works well for our funding resources, who prefer to fund collaborative organizations with regional footprints. Several towns and counties in the organization's service area now defer business lending to CCI. Handing that task off to a regional entity also

removes the politics that sometimes play into local lending decisions. As competition increases for government resources, CCI has earned and maintained the respect of federal partners who seek reliable intermediaries.

What Makes CCI Work?

What makes this all click is that the CCI directors work so well together. They aren't bankers or financial types. They are mostly economic and community development professionals who find creative ways to overcome bureaucratic and political friction. They recognize and take smart risks that have kept the organization's losses and bad debt ratio very low. They disagree respectfully and don't push buttons. They delight in the success of the businesses we help, whether they are located in their respective counties or not. In the process, all feel more at home as citizens of southern Illinois.

CCI is pretty short-staffed. I am a part-time executive director. Our treasurer—also a member of the board of directors—serves as our loan officer. Our directors are our best faces in their communities. We have at least two directors from each of our five core counties. In many ways, they are the most effective marketing arm of CCI. The directors have taken an active role in promoting the corporation as well as advocating for loan applicants from their constituent areas. In considering loan applications, they ask tough, challenging questions. Other times they encourage us to take risks that conventional lenders might disdain. They have learned how to be discerning lenders who effectively balance our nonprofit mission with common sense.

During CCI's life, we have seen other collaborative efforts rise and fall. The ones that work seem to feature strong, inclusive, servant leadership. Collaborative leaders must be able to communicate a vision, work with and through others to champion that vision, and be there for both the successes and the inevitable bumps in the road. They have to be willing to roll up their sleeves and be seen as team members who are willing to get their hands dirty on occasion. Collaborative leadership isn't for wallflowers.

When others look at CCI, they are quick to attribute our success to numbers—millions lent and millions more in projects leveraged, or the infinitesimal bad debt ratio, or the incredibly small number of write-offs.

I know better. Our success is driven by directors from Franklin County who support projects in Williamson County. CCI is successful because a director from Mount Vernon advocates for a project in Carbondale, 50 miles away. CCI succeeds because its board is composed of smart people who see themselves as citizens of a larger community that needs our help.

To the CCI Board of Directors, on behalf of grateful businesses throughout the region and well over 150 working southern Illinoisans, I extend my sincere appreciation. Thank you for your vision and willingness to work, think and succeed together. Because of your teamwork, CCI is going far.

CDAC MEMBER SPOTLIGHT



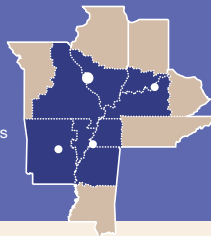
Rex Duncan serves as executive director for Champion Community Investments (CCI), a 501(c)(3) nonprofit community development financial institution (CDFI) that provides economic and community development support in five southern Illinois counties. He served as president of the Board of Directors of CCI starting in 2004 and became the organization's first executive director in November 2015. Duncan retired from Southern Illinois University Carbondale in 2014, having worked as the director of Community Development and Outreach

in the Office of Economic and Regional Development. He holds a bachelor's degree in business from Eastern Illinois University and a master's in workforce education from Southern Illinois University Carbondale. He is a member of the Community Development Advisory Council (CDAC) for the Federal Reserve Bank of St. Louis and is a former mayor of his hometown of Du Quoin, Ill.

CDAC members are experts in community and economic development and financial education. They complement the information developed through outreach by the Eighth District's Community Development staff and suggest ways that the St. Louis Fed might support local efforts. A list of current members is available at www.stlouisfed.org/community-development/about-us/community-development-advisory-council.

SPANNING the Region

The region served by the Federal Reserve Bank of St. Louis encompasses all of Arkansas and parts of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.



St. Louis Selected for Technical Assistance Scholarship Program

The Center for Community Progress launched the competitive Technical Assistance Scholarship Program (TASP) in 2014 to find and support today's pioneers in the work to reclaim and revitalize problem properties. The program seeks out "changemakers" who are ready to effect positive change on the ground and shape the national field of practice. St. Louis was chosen as a recipient of the third round of TASP aid based on a range of criteria, including the potential for innovation that other cities can learn from, demonstrated leadership to implement reform and the overall scale of vacancy challenges as well as need for outside assistance. Technical assistance will focus on evaluating the property tax foreclosure process for the city of St. Louis. It will analyze the adequacy of existing systems for enforcing delinquent property taxes, as well as how to improve the processes through which the local land bank acquires properties. Read more at www.communityprogress.net.

DRA Partners with Mississippi Mayors to Support Infrastructure Improvements in the Delta

The Delta Regional Authority (DRA) is partnering with the Mississippi Conference of Black Mayors (MCBM) to provide technical assistance to MCBM members to help identify and obtain funding opportunities for local infrastructure needs. The Connecting Our Communities to Opportunities (COCO) program will provide one-on-one technical assistance training to successfully locate and manage funds to repair and update water and sewer systems. For more information, visit <http://dra.gov/newsroom/press-release/delta-regional-authority-partners-with-mississippi-mayors-to-support-infras>.

Initiative to Expand Access to Capital for Minority- and Women-Owned Businesses

HOPE Enterprise Corp. was one of three community development financial institutions (CDFIs) nationwide selected to launch the Wells Fargo Works for Small Business: Diverse Community Capital program. Through the program, HOPE will receive a \$2-million grant to support the organization's commercial lending, outreach and technical assistance programs for minority- and women-owned and -led small businesses. Over the next three years, Wells Fargo will invest \$75 million directly into CDFIs that serve businesses led by diverse leaders. Learn more about the program at www.wellsfargo.com/com/financing/real-estate/community-lending-investment/cdfi.



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How Housing and Health Care Nonprofits Can Increase Access to Medical Residential Services

By Tim Bolding, Amy Schaflein and Anna Gattuso

Learn how expanding quality housing services and saving financial resources is providing Tennesseans with the chance to both receive medical care and stay in the community.

Jacobsville Join In!

By Jennifer Mason Evans

This comprehensive community development initiative has established a resident-led quality-of-life process for the Jacobsville community.

Calendar – Expanded content



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<https://www.stlouisfed.org/publications/bridges/winter-2015-2016/how-housing-and-health-care-nonprofits-can-increase-access-to-medical-residential-services>

How Housing and Health Care Nonprofits Can Increase Access to Medical Residential Services

Tim Bolding, Amy Schaftlein, Anna Gattuso

With 1.3 million residents on Medicaid, the state of Tennessee spends a lot of money providing the high-quality health care that all residents deserve. According to the latest annual report (2011-2012) from TennCare, Tennessee's Medicaid program, the organization had a yearly budget of more than \$10 billion, with over \$5.5 billion paid for flat-fee medical, behavioral and long-term services and over \$770 million paid for intellectual disability services. These numbers include provisions for more than 20,000 recipients to live in skilled nursing facilities and over 8,000 to receive home- and community-based services. With tens of thousands to serve, saving on costs through innovative solutions becomes ever more vital.

TennCare has traditionally provided medical care for the state's sick and elderly residents largely by paying for nursing home care. Recent work by United Housing Inc. (UHI), in partnership with Meritan Inc. and Shelby Residential and Vocational Services (SRVS), demonstrated a way to provide comprehensive health care at a lower cost per patient. The work shows how expanding quality housing services helps Tennesseans gain by saving financial resources. Additionally, this has helped organizations offer a medical residential health care option that is a less expensive alternative to the way things have been done in the recent past, providing Tennesseans with the chance to both receive medical care and stay in the community.

In its 21 years, UHI has helped over 4,000 families buy or keep their homes. The organization emphasizes collaborative efforts to meet the particular market, culture and needs of a community, and has a record of success in housing development and homeownership counseling in the Midsouth. UHI has established networks of collaboration in this region among residents and institutions, as well as investment and support from many national and federal programs and sources. These relationships and this expertise have positioned UHI to play a leading role in helping Shelby County, which includes Memphis, stabilize the area's most threatened neighborhoods through programs like home rehab construction and financial literacy classes. All UHI housing is designed to be affordable to people whose income levels are less than 120 percent of median household income for the area. The organization's work with SRVS and Meritan provides housing to a different population—those with special needs living below 50 percent of the area median income.

Medical residential housing keeps individuals in the community and can save money.

Graphic courtesy of United Housing Inc.

Partnerships with SRVS and Meritan: Beginnings

After longtime UHI supporter Henry Varnell put Executive Director Tim Bolding in touch with SRVS CEO Tyler Hampton, the two realized that they shared an area of service: single-family housing. UHI and SRVS

United Housing has done 17 homes for Med-Res agencies to date.

17 Medical Residential (Med-Res) Houses



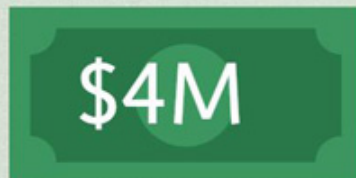
■ First 17 Homes (100%)

3 people live in each house.



With these houses, TennCare can save up to **\$80,000** per person per year.

In total, these 17 Med-Res houses can save



per year for Tennessee.

immediately partnered to renovate seven houses that would be owned by SRVS. After success with this program, an additional opportunity to collaborate with Meritan became available through new funding for additional accessible homes. UHI and other NeighborWorks America organizations in the state are preparing a pilot with TennCare to take this model to scale. When finished, this new state initiative will feature medical residential housing through connecting nonprofit builders in the NeighborWorks network with organizations providing medical residential service. UHI has been able to use its experience as an affordable housing leader to further the mission of two organizations doing worthy work.

SRVS and Meritan

SRVS has a unique model in which three individuals live together in a single-family residential home that has

been retrofitted to comply with the federal Americans with Disabilities Act (ADA) access guidelines. Features include wheelchair ramps, lowered cabinets and accessible restrooms. In this way, SRVS gives people with cognitive or physical disabilities the opportunity to maintain some independence while receiving top-quality medical care. Meritan has a similar model, more focused on senior care; the UHI-Meritan partnership has yielded four completed homes with more underway. Melanie Keller, president of Meritan, introduced UHI to the term "medical residential." Keller, a registered nurse with a master's degree in public health, embodies the cross-section between running a good business and giving people the compassionate care they deserve. She has been able to take this philosophy to scale in her tenure at Meritan. It was an easy decision for UHI to collaborate with Meritan, just as it was with SRVS.

Meritan's clients have a wide range of developmental disabilities, including autism, cerebral palsy, age- and accident-related illnesses and physical disabilities, and Down syndrome. In addition to the primary diagnosis of a developmental disability, many of their clients also have mobility issues and limited vision, hearing and speech. Medical Residential Services (MRS) are provided in a home where all residents require direct skilled

nursing services as well as habilitative services and supports that enable an individual to acquire, retain or improve skills necessary to reside in a community-based setting. MRS must be ordered by an individual's physician, physician assistant or nurse practitioner who has documented the medical necessity of the services, specifying the nature and frequency of the nursing services. The individual who receives MRS requires direct skilled nursing services on a daily basis and at a level that cannot for practical purposes be provided through two or fewer daily skilled nursing visits. All of these services can be provided in the home by licensed nurses. SRVS and Meritan provide additional services, ensuring that residents obtain their Supplemental Security Income (SSI) and food stamps, get to their medical appointments on time, meet social needs through daily interaction and other supportive services that they may need.

Economic Impact and Social Enterprise

The ultimate results of this statewide program would include savings on a large scale for TennCare by providing community-based health care for Tennesseans while incorporating the expertise of participating nonprofit housing developers across the state. Similarly, MRS providers would benefit from new state contracts. What started as seven homes using \$1 million in Neighborhood Stabilization Program funds has since produced 17 homes created by UHI working with SRVS and Meritan; 51 people have been able to remain in the community.

In addition to providing superior care for its residents, TennCare is able to realize significant savings. The partnership between UHI, Meritan and SRVS benefits not just these health care organizations, the residents and TennCare; generating income through an already developed area of expertise means that UHI earns revenue for doing what it already knows how to do.

Partnerships like these are beneficial to nonprofit organizations but are not always easy to achieve. NeighborWorks America has provided support to expand through capacity building and information sharing among housing-based nonprofits; they encourage each organization to develop strategies that pull the best from the public and private sectors. Through the planning process with TennCare, we hope to establish and encourage relationships between Tennessee NeighborWorks organizations and health care service providers throughout the state.

For more information, please contact Tim Bolding at tbolding@uhinc.org.

Tim Bolding is the executor director, Amy Schaflein is the director of development + communications and Anna Gattuso is the communications and grants coordinator at United Housing Inc. in Memphis, Tenn.



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<https://www.stlouisfed.org/publications/bridges/winter-2015-2016/jacobsville-join-in>

Jacobsville Join In!

Jennifer Mason Evans

The mission of ECHO Housing Corp., founded in 1991, is to create affordable housing, provide supportive services and promote community development. Our vision is a community where everyone has a place to call home and the opportunity to thrive. Commissioned by the city of Evansville, Ind., ECHO and some community partners launched a comprehensive community development initiative in 2012—Jacobsville Join In (JJI)—to establish a resident-led quality-of-life (QoL) process for the Jacobsville community.

Jacobsville Vision:

As a vibrant, “hip and cool” neighborhood where relationships flourish, Jacobsville will serve as a model for other neighborhoods, offering ample opportunities to build relationships, foster strong families, and establish “roots” in Jacobsville leading to well-maintained homes and businesses, transportation choices, educational opportunities for youth and adults, new and exciting retail establishments and restaurants, and safe and attractive public spaces. We are Jacobsville. Join In.

Jacobsville is located north of downtown Evansville and is a core urban neighborhood. It is comprised of 336 city blocks and is the largest and most densely populated neighborhood in Evansville, with nearly 7,000 residents and an estimated 8,000 jobs. The neighborhood has a rich history, unique culture and iconic landmarks, including the North Main Street business corridor, Garvin Park, Bosse Field and Willard Library. Despite these assets, Jacobsville has been plagued by high crime rates and drug activity, blight and urban decay, high poverty rates, a lack of major public financial investment, and low neighborhood bonding and a feeling of helplessness in residents.

As described by the Indiana Association for Community Economic Development (IACED), facilitators to the Jacobsville QoL plan development, a QoL plan is a way for a neighborhood to define and document a vision for the future rooted in its assets, available resources and the passion of local residents and stakeholders. Because it was developed by Jacobsville residents and stakeholders, they have “skin in the game” and engage in implementing the plan and improving the quality of life in the neighborhood. The QoL plan establishes a way for locals to hold each other accountable through actions with performance measures. Coordinating across topical areas for a specific neighborhood, the plan ensures that projects are rooted in a common vision rather than individual endeavors that don’t build toward success for the community. It can also be used to leverage external resources, primarily power (political) and capital (money).

IACED uses principles of comprehensive community development and healthy neighborhoods in the QoL process, including civic, social, physical and economic factors. The aim is for people living, working and raising families in the community to take part in the development of the plan. The Jacobsville process had

three phases: organize, decide and act. Residents participated through interviews, visioning, goal setting and storytelling.

The first phase, “organize,” included bringing the neighborhood together and empowering residents. It involved developing relationships and learning about people’s concerns and passions through a series of one-on-one interviews—not to solve problems, identify needs or share information, but to listen to what people who live in and are stakeholders in the neighborhood thought about their community and learn what they were passionate about.

The second stage, “decide,” developed the Jacobsville vision at a neighborhood workshop (see box). From the vision, working groups were established; group members were trained to develop goals and action plans that included specific activities, responsible parties, time lines and performance measures. The outcome of their work formed the Jacobsville QoL plan, which established a way for residents and stakeholders to hold each other accountable. Coordinating across six key themes (Housing, Safety/Cleanliness, Business Corridors, Youth/Education, Employment and Infrastructure/Parks), the plan ensured that projects were rooted in a common vision for the neighborhood’s success.

“Act”—the final stage of the process—included going public with the QoL plan through a rollout celebration and doing the hard work of implementing the plan. It continually involves monitoring the progress of the plan and evaluating whether changes are needed to be successful. Jacobsville work groups now meet monthly to develop and implement action steps to achieve goals on topics that are important to the neighborhood.



During the Quality of Life Plan rollout, Melissa Tines announces the goals developed by her work group to improve safety and cleanliness in the neighborhood.

While the QoL plan was being developed, JJI established a community-driven fund to show potential investors that residents and stakeholders were 100 percent vested in the neighborhood vision. Locals provided their thoughts and ideas, “TWO Cents,” to develop their own vision and goals for the neighborhood, as well as two cents (pennies) to demonstrate their financial commitment. The goal was to collect \$304.66; the aim was not to have the most money, but to have the most vested community. We collected two cents to represent every resident and stakeholder in the neighborhood—about 30,466 pennies! The funds collected will be used toward a future community project and as leverage to attract additional funding to implement the quality of life plan.

How did we come up with the numbers? Here is the math...

6,973 residents
+ 8,000 jobs
+ 260 commercial properties
= 15,233 individuals
x \$0.02
= \$304.66 (30,466 pennies)

To build on the QoL process, JJI also offers early action grants for people and organizations to foster community pride and spirit. Early actions are opportunities for small improvements to be made in Jacobsville that demonstrate progress. Grants for these small projects, called “Awesome Ideas,” encourage anyone and everyone to submit an application for a project idea that could help improve the neighborhood. Since 2013, JJI has given \$15,000 in the form of small grants (\$250 to \$1,000 each) to individuals, businesses and organizations. Grant projects range from litter cleanups and block parties to leadership development.



Before (top) and after photos of the North Main Street Community mural, designed by artist Artur Silva. Photographed fabric swatches from residents were compiled into the mural design, which was sketched and painted by local artists and neighborhood volunteers on the 128-foot warehouse wall.

To further community engagement and build on the momentum of the QoL process, JJI organizes neighborhood gatherings, offering opportunities for resident involvement at every level. The gatherings have included crockpot dinners at the JJI office, neighborhood walks and special events like neighborhood Christmas caroling and painting a 128-foot community mural. The engagement activities have opened gateways for community collaboration by encouraging resident bonds. As our role grows in the Jacobsville neighborhood, we will continue to see that the people and structures are in place to create coherence and integrity, engaging people to work together and empowering people to become change-agents for their neighborhood.

JJI maintains a conveniently located office that serves as home base for the initiative's staff and as a place people can come to meet, share ideas and learn about JJI.

Jennifer Mason Evans is the community mobilizer for Jacobsville Join In and ECHO's Byrne Criminal Justice Innovation program project director.