Investing in What Works for the Pioneer Valley

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Thank you very much for inviting me to speak to you at your annual meeting. It is truly a pleasure to be with you today. And a welcome break from Washington DC.

Chris [Sikes, CEO of Common Capital] invited me after he became intrigued with the book <u>Investing in What Works for America's Communities.</u> The book is the work of my colleagues at the Federal Reserve Bank of San Francisco and the Low Income Investment Fund—together with 36 other authors from the community development field, from the policy world (including three Cabinet Secretaries, who wrote a joint chapter) and from academia.

We're immensely pleased with the reception the book has received. We've distributed over 12,500 copies, have had more than 1.5 million social media hits, and have had 5 extremely successful conferences focused on the book—the most recent on November 8 in Cambridge. The book and its outreach have brought together people from widely varying backgrounds whose common concern is what's going on where they live and work.

<u>What Works</u> is the outgrowth of two observations. First, a recognition that, notwithstanding 100 years of community development (starting with settlement houses in Chicago), and 50 years of modern community development, starting with the reaction against urban renewal in the 1960s, the poverty level in this

country has remained stubbornly at about 15%, even before the Great Recession. That isn't to say it wouldn't have been higher without our efforts and the efforts of those who preceded us. Or that specific people and/or places haven't benefitted, but many who work in this space are extremely frustrated that we can't seem to move that needle. It doesn't help that the metrics we tend to use—housing units built, commercial space developed, charter school seats opened—are at best about physical outputs, not how people and neighborhoods have changed.

Second, we're beginning to see some things that DO appear to work. And they have a few key characteristics. They move away from a focus on real estate—which is where the field got stuck for much of the 80s and 90s—and toward simultaneous concern about what goes on in and around the real estate. How good are the schools? How vibrant is the commercial/retail activity? Is crime under control? And is the environment in which people are living helping or hurting their health?

At the same time, we're recognizing that, especially in an era of scarce resources—as if in this field there was ever anything else—really paying attention to what works and what doesn't is critical, which requires measurement, data, honest analysis and a willingness to focus resources. It also means that we need to break down funding, as well as program, silos. When spending on, for example, supportive housing for the formerly homeless, saves huge sums for the health and justice systems, if we want to keep that virtuous circle going, some of those savings are going to have to go back into housing.

An almost necessary corollary to both the focus on people AND place and on what works, is that successful efforts must be integrated. That can mean several things. In the Cincinnati area, it means that efforts relating to education are integrated at all levels, "from cradle to college," and across the entire metro area. In the Eastlake area of Atlanta, it means that schools, housing, attention to the community's social needs and even a golf course, have been integrated to completely turn around one of the city's most distressed neighborhoods. And in a 5-square mile area in Los Angeles, it is an integrated focus on all aspects of community residents' health, with special emphasis on the health of the children.

This is not an easy process. How does a community decide what challenges are most important, what to tackle first, how to decide on metrics. For example, is getting every child to be kindergarten-ready more important than making sure that every adult has a living wage? What does democracy mean in this context? What's the role of elected officials? How do communities that have had no voice gain one? Most broadly, who speaks for whom?

It might be tempting to focus on something big like "economic development," but that's probably too big to get started. By spending some time grappling with the question "what is on the critical path to economic development but is narrow enough that we can bring together the necessary people and resources to make a difference," a good place to start may come into focus. For example, the Springfield proposal to the Working Cities Challenge sponsored by the Federal Reserve Bank of Boston, Living Cities, Massachusetts Competitive Partnership and the Commonwealth of Massachusetts, focuses on increasing access to healthy and affordable food to a neighborhood without a fullservice supermarket—and in the process promoting community hiring, workforce training and all the elements of the local food supply chain.

A variation on integration is connection—that we need to think beyond the neighborhood to how neighborhoods connect to their regions, especially for jobs, but also for education, health care and access to commercial and retail facilities. This is a concept that comes much easier to people from smaller cities and rural areas than in big cities, but I think it's nevertheless worth calling out. Especially because when we talk about regions, transportation and land use planning become central, and they both operate on a scale in terms of timeline and cost, that is many times longer and larger than many of us are used to dealing with.

No single entity, public, private or philanthropic, can do this alone. Instead, what is likely to work most effectively, is the bringing together of many entities (and individuals), working on all parts of the problem. But to make such collaboration effective and sustainable over the significant timeframes needed to really make a difference, everyone must agree on what's important and how to measure it, and they need to keep in touch and learn from each other. And that, in turn, requires that someone be in charge of the collaboration—not the outcomes, but the function of keeping everyone pointed in the same direction, including making course corrections when needed.

This is the role called "quarterback" in the book; others call it the "backbone" entity. In any case, the point is that someone needs to herd cats and keep them collaborating and moving in the same direction and to be accountable to the collective, rather than to any one organization or part of it. Think of a car—

while the sparkplugs ignite and catalyze, they can't get you anywhere without the other pieces of the car and—at least for a little while longer—a driver.

Whether that entity is public—and elected or not; private; philanthropic; or something entirely new likely depends on the focus of activity and the capacity and relationships among existing entities. Critical elements appear to be resources and staying power or longevity, connections to the community and civic infrastructure, clout within both the community and the broader city or region, and the ability to make difficult and sophisticated business and political decisions—decisions that not everyone will agree with. One cautionary note is that things seem to work best when local philanthropic funders, especially the larger ones, are on board, so that they are not funding either ideas or organizations that are not "with the program"—and indeed are encouraging those they do fund to join in.

In sum, we now understand that effective community development has four key elements:

> Integrated, comprehensive strategies that combine human development with physical and economic development
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> Data and measurement that guide integrated strategies toward common goals and focus resources and effort on what works
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> Connection between neighborhoods and communities and the regional economies within which they exist

> Collaboration across networks of organizations, with a backbone or quarterback bringing them together and keeping them headed in the same direction—the direction <u>they</u> have decided to go in.

So what does this mean for you? My first observation is that if it resonates, you can probably figure out much better than I can tell you how to use some of these ideas to make the work you're doing better. I know that many of you in Springfield and in Holyoke are already working together, and are looking forward to getting extra resources, connections and support from the Working Cities Challenge. But, based on work that others have been doing, let me suggest a couple of important observations to start with.

The first thing is that a community has to want to make things happen. That sounds like a variation on the old psychiatrist joke about a light bulb needing to want to change, but it's far more serious than that. Pretty often the catalyst is an event that gets some group of reasonably influential people—who can come from many parts of the civic structure—so frustrated with the path they're on that they conclude "anything is better than this."

But by itself, that's probably not enough. Someone or some organization that's respected and/or has money and influence and the ability to bring people together needs to champion the change. In Chattanooga, it was Mayor, now Senator, Bob Corker. In East Lake in Atlanta it was a local developer and philanthropist, Tom Cousins, who got frustrated with spending money on problems that didn't seem to improve. In Houston, it was a 100 year old organization, Neighborhood Centers, Inc., with a dynamic new leader, Angela Blanchard. In short, this is the quarterback.

The third starter element is, not surprisingly, money. But this isn't project money. This is the resources needed to enable the quarterback to bring people together to deal with some very difficult issues and to establish processes so that those who are working on similar parts of the problem are regularly in touch with each other, and all the parts come together often enough, using shared measures, to see the progress toward the agreed upon goal and celebrate success. While it is misleading and disingenuous to say that progress can be made without new money, much of the money involved comes from refocusing existing expenditures.

Some of that is the hard outcome of focusing on what works and moving money from uses that don't. But figuring out how to make resources do more work is also part of the answer.

Programmatic leverage is possible. A community that is working toward a common goal of increasing high school graduation rates, will find it reasonable to move funds used for remedial reading in middle school to more forward-looking uses, such as early childhood engagement, as they begin to meet a subsidiary goal of every child being able to read in the third grade.

And then there are new resources. The Affordable Care Act, with its Affordable Care Organizations (or ACOs), which are paid based on the health of clients, not on medical services rendered, creates additional opportunities to tap into different funding streams to accomplish community goals. The ACOs are one example of "pay for success" financing structures that can capture downstream government savings to fund upstream community investments.

And for years, community development financial institutions like Common Capital have been engaging in financial leverage of public and philanthropic resources. Individual resources, from people interested in accomplishing social benefit while earning a modest return, are also coming on line in some communities. Community Capital's Community First Fund is a good example of this kind of individual financing.

Investing in What Works for America's Communities is a call to action to all of us. It is a call to work together; to focus the entire community's attention on defining and achieving a specified critical outcome that will make a major difference—and then to do it again and again. The work before you is challenging, but in meeting that challenge you, your family, your neighborhood, your city and your country will become better able to make the most of the opportunities of the years ahead.