

# INTEGRATION AND INNOVATION IN A TIME OF STRESS:

## Doing the Best for People and Place

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**O**ver the past decade, amid bubble and bust, community development has undergone a subtle but important transformation, broadening its outlook from a primary focus on investment in real estate, especially affordable housing, to include other types of real estate, such as charter schools and health clinics. But perhaps more importantly, it has broadened its outlook to encompass what goes on in those places (the quality of services); the total physical and social structure of the community (including issues such as transportation and public safety); and the physical, financial, and mental health of the people who live in those communities. As Alex von Hoffman demonstrates in his history of community development, the field has long pulsed between tighter focus, whether by geography or sector, and the search for comprehensive solutions. What may distinguish the current transformation, in which

two leading organizing principles are “integration” (focused on process) and “healthy communities” (focused on results), is the coming together of so many fields in so many places, at a time when financial strain and advances in technology encourage true innovation in solving ever-more-difficult problems.

The essays in this book look at community development from many perspectives, but several themes emerge with some regularity. Perhaps the most profound is the recognition that community development is about the entire life of the community. That recognition generates a series of important corollaries: (1) a focus on the health and well-being of individuals and families, especially children, as well as of the places in which they live; (2) the need to bring many disciplines to the table and “bust silos,” including in particular the silos of government programs; and (3) the essential role of effective participation of residents in developing and implementing the strategies that will help their communities prosper. Several of the essays explore the role of the community beyond participation in decision-making to include community ownership and control of assets.

A second theme is that community development, although still largely focused in neighborhoods, must connect those neighborhoods with the broader economy to be effective. Families can neither live well in the present nor focus on the future without a stable household income. And because the jobs that can generate a stable income are often unavailable in sufficient quantity in a particular neighborhood, that neighborhood must be effectively connected to the broader regional economy, both physically (such as through transit) and organizationally (by having a true voice in the decisions that are implemented outside the neighborhood but affect it profoundly). Connection beyond the neighborhood can also help provide access to the education needed to obtain jobs that provide a steady income, as well as to other goods, services, and amenities not available in every neighborhood. Connection is also vital if people are going to have real choice in where they want to live.

A third theme is that because funding is severely constrained, the field must find new sources of financing and put what has been available to better use, both by focusing on what works and by establishing and using new financing systems and structures. Impact investors, who are interested in values beyond simple financial return—including foundation endowments, corporations and other institutions, and individuals—may be new sources of investment, but their demands for efficient investment vehicles combined with measurable financial and social returns raise serious challenges for an industry used to relying for subsidy sources on a combination of government programs, regulation-driven bank investment, and philanthropy.

Other potential new sources of funds arise from the recognition of the broader scope of community development: the fields of health care, transportation, and energy efficiency may have new funds available for well-integrated investments that meet multiple goals. Moreover, the sector is itself a job creator, in construction and the activities (such as education, health care, and supportive housing services) that are enabled by that construction, and in its support for business development in underserved communities, and thus should be able to benefit from funding for job creation. Both impact investors and new funding sources will require innovation in capital management, to reduce both the amount of funds needed and the risk of investment. In addition, the field will need to better leverage impact investments by making the most efficient use of subsidy sources and by accessing broader markets, including the capital markets, for nonsubsidy dollars. Over the past 10 years, and through the Great Recession, community development financial institutions (CDFIs) have proven their prowess in this area, but the future will challenge them, and others, to use capital more efficiently, think more broadly, and tap new resources in order to operate at the larger scale that will be necessary.

But more money cannot be the entire answer, partly because in a time of fiscal stress and greater need coming out of the Great Recession, it is unlikely to be available, at least to the extent

needed. The field must also get better at directing money where it will be most effective. This requires collection, aggregation, and analysis of data at many levels—project and program; neighborhood, city, and region; national and international. Modern technology, including social networking, can facilitate this, especially through use of government data and open sources of private data. Several essays raise the exciting prospect that the methodologies of public health and the use of biomarkers can give us quicker and more accurate insights into the effectiveness of strategies than previously possible. But analysis is not enough. It will be essential to use the data and analysis to make difficult choices, including discontinuing programs that fail to produce results. A number of essays focus on establishing decision-making structures that improve our ability to make those choices, including the greater use of pay-for-performance funding.

A final theme is community development's need to regain the entrepreneurial spirit that characterized its early years, which it lost for a host of reasons including funder risk aversion and excessive regulation. As Federal Reserve Governor Elizabeth Duke points out in the foreword to this book, the skills of entrepreneurship—spotting opportunities, managing complexity, rapid prototyping and revision, willingness to experiment and fail, and networking—are also the skills of effective community development. This is especially critical given the variation in circumstances and challenges of lower-income communities around the country. Many of the essays build on the entrepreneurship theme.

The remainder of this chapter explores the problems that community development is attempting to solve and the challenges and opportunities that face the field, using the themes the authors raise to suggest future directions for the field.

## **WHAT PROBLEM IS COMMUNITY DEVELOPMENT TRYING TO SOLVE?**

The term “community development,” as this book demonstrates, means many things to its practitioners. However, it appears that the field is attempting to solve three main problems. First—and

as von Hoffman points out, first in time as well—is the goal of lifting individuals and families out of poverty. Alan Berube demonstrates that although the nature of poverty is changing, especially with respect to age, ethnicity, location, and participation in the workforce, the amount of poverty in the United States is increasing in absolute terms and in terms of the percentage of the population who live in poverty. Moreover, although poverty did decline during the economic growth of the late 1990s, it increased in the first decade of the twenty-first century during both recessions and recoveries.<sup>1</sup>

The authors highlight different aspects of this persistent poverty: Clara Miller, Ben Hecht, and Angela Glover Blackwell point to the systemic nature of poverty in the United States—poverty is no longer a matter of the poor being at the edge of a prosperous society; Peter Edelman, Shirley Franklin and David Edwards, and Blackwell focus on the particular problems of concentrated urban poverty, especially among African Americans; Secretaries Shaun Donovan, Arne Duncan, and Kathleen Sebelius (together “the Secretaries”) highlight both concentrated poverty and homelessness; Gabriella Conti and James Heckman and Ted Howard pay special attention to growing inequality; and Cynthia Mildred Duncan cites the persistent poverty of the Mississippi Delta, Appalachia, and Native American reservations and the newer poverty of the depopulating areas of the Midwest and Great Plains. Community development is in part about overcoming persistent poverty and providing individuals and families with, among other things, long-term financial stability, reduced stress, and opportunities for both forward-thinking<sup>2</sup> and intergenerational wealth transfer.

A second problem community development is attempting to solve is the creation of communities that work. The work of Purpose Built in Atlanta, the Neighborhood Centers in Houston, and the Cleveland Initiative (described in Part 2), as well as most of the

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1 For more information see <http://census.gov/hhes/www/poverty/data/historical/families.html>.

2 See Abhijit V. Banerjee and Esther Duflo, *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty* (New York: Public Affairs, 2011), p. 233.

other integrated activities that Eric Belsky and Jennifer Fauth describe in Part 1, is focused on turning individual communities into places where people, especially those of limited economic means, can live in safety and dignity and with access to economic opportunity and quality services.<sup>3</sup> Edelman, tracing the history of community development from the early 1960s, emphasizes the importance of choice, in the sense both of people being able to freely choose where to live (which discrimination and related issues continue to make challenging) and of the neighborhoods in which many lower-income people live having qualities that would make them neighborhoods of choice. Edelman, John Robert Smith and Allison Brooks, Hecht, and Blackwell point out, however, that neighborhoods exist within the context of their cities and regions, particularly when it comes to jobs, and that a healthy neighborhood is a connected neighborhood. Duncan emphasizes that for rural America, connection to urban areas and the greater region is essential to community vitality.

Miller and Hecht, as well as the Secretaries, take community development one step further, tying the field to the bigger issues of establishing a base for a far more vibrant and inclusive economy over the long term. As Miller says, those working in community development must acknowledge “the need to rebalance the economy itself so it can fulfill the traditional American promise: full livelihood, democracy, and opportunity for all.” And Blackwell, citing both disproportionate and growing poverty among African Americans and Latinos and their increasing proportion of the population, makes the case that “equity . . . has become more than a moral issue. It is now an economic imperative.”

## **WHAT ISSUES ARE PARTICULARLY CONFOUNDING FOR COMMUNITY DEVELOPMENT TODAY?**

Community development has always been about poverty, frequently concentrated urban poverty. But as Berube points out, the nature of poverty is changing. Concentrated urban poverty,

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<sup>3</sup> See also Robert J. Sampson, *Great American City: Chicago and the Enduring Neighborhood Effect* (Chicago: University of Chicago Press, 2012), p. 421.

in particular among African Americans, remains a serious problem (as Edelman, Franklin and Edwards, Blackwell, and others discuss), and in recent decades it has been compounded by increasing and persistent income inequality and an increase in severe poverty and intergenerational poverty. But Berube suggests that other dynamics are also at work: those in poverty are more heavily Latino, more suburban, more concentrated in the South and West, younger, and less connected to the workforce (and in particular to a steady job).

Duncan adds that although some rural poverty has been persistent, other rural areas have fallen into poverty as changes in agricultural and natural resources technology have combined with the lack of employment opportunities to depopulate whole regions. Each of these changes challenges some of the existing responses to poverty alleviation. In particular, the increasing number of poor people in suburbs, especially those beyond transit systems, makes service delivery more difficult and reduces the effectiveness of some of the old and new tools of community development, such as concentrated redevelopment of a single neighborhood.<sup>4</sup> There may be opportunities to learn from rural America, where, as Duncan points out, poverty has always been exacerbated by distance and lack of concentrated resources.

Moreover, the Great Recession has amplified the challenges of poverty. Not only have individuals been affected by lost income from unemployment but, as Jennifer Tescher writes, the recession has resulted in depleted balance sheets (in particular, the loss of home equity and savings) and a reduced ability to access financial services in general, including credit. These problems have been especially acute in the African American and Latino communities.<sup>5</sup> Berube and Miller discuss additional impacts on individuals

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4 See also Matthew Soursourian, “Suburbanization of Poverty in the Bay Area” (San Francisco: Federal Reserve Bank of San Francisco, January 2012).

5 See Pew Research Center, “Wealth Gaps Rise to Record Highs Between Whites, Blacks and Hispanics” (Washington, DC: Author, July 2011); Debbie Bocian et al., “Lost Ground, 2011: Disparities in Mortgage Lending and Foreclosures” (Durham, NC: Center for Responsible Lending, November 2011); and Ray Boshara, Testimony to the United States Senate, Federal Reserve Bank of St. Louis, October 2011, available at <http://stlouisfed.org/publications/br/articles/?id=2208>.

of long-term unemployment, including its psychological impact and the increasing mismatch between an unemployed worker's skills and the needs of potential new employers.

The Great Recession has also greatly harmed lower-income communities, including some that had made significant progress during the previous 30 years. House prices have collapsed and are showing no sign of recovery in many lower-income communities, record levels of vacant and foreclosed homes have attracted speculative buyers with little interest in the continued health of the community, and rental vacancies (especially for lower rent and larger apartments) are down while demand is up. As former Assistant Secretary for Policy Development and Research at the Department of Housing and Urban Development Raphael Bostic put it, in many places “there is no functioning real estate market.”<sup>6</sup> This situation has in turn ignited a debate about one of the major tenets of community development: the value of homeownership. Whereas some have questioned whether both the country and the field have put excessive emphasis on homeownership as the key to “the American Dream,” others have pointed out that lower-income homeowners with well-designed loans, in particular long-term fixed-rate mortgages, were generally able to weather the recession successfully and to provide important stability to their communities.<sup>7</sup>

A related challenge is the uncertain state of the housing finance system. With Fannie Mae and Freddie Mac in conservatorship, more than 90 percent of home mortgage loans backed in some

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6 Raphael Bostic, “The Future of Affordable Housing” (panel presentation at the National Interagency Community Reinvestment Conference in Seattle, WA, March 25–28, 2012) and slides presented at that panel, available at [http://frbsf.org/community/seattle2012/presentations/CommunityDevelopment\\_Track/FutureofAffordableHousing.cfm](http://frbsf.org/community/seattle2012/presentations/CommunityDevelopment_Track/FutureofAffordableHousing.cfm). See also US Census Bureau, “Residential Vacancies and Homeownership in the First Quarter 2012,” April 30, 2012.

7 See Lei Ding et al., “Risky Borrowers or Risky Mortgages: Disaggregating Effects Using Propensity Score Models” (Durham: Center for Community Capital, University of North Carolina, May 2010); Mark R. Lindblad, Kim Manturuk, and Roberto Quercia, “Sense of Community and Informal Social Control Among Lower-Income Households: The Role of Homeownership and Collective Efficacy in Reducing Subjective Neighborhood Crime and Disorder” (Durham Center for Community Capital, University of North Carolina, March 2012).

way by the government, a moribund market for private securities backed by mortgages, regulatory uncertainty, and mortgage originations drastically down both in general and among lower-income borrowers,<sup>8</sup> the future of housing finance—especially for affordable housing, whether ownership or rental—is less clear than at any time since the 1930s. Although one of the major breakthroughs in community development over the past 10 years has been to consistently broaden the field’s interest beyond housing, as Sister Lillian Murphy and Janet Falk point out in their essay, “the need for quality, affordable housing is still a crucial part of the equation.” Unless and until the housing finance issue is settled in a way that continues to support affordability, real progress in rebuilding stable mixed-income communities, especially in the communities hard hit by the recession and in newly-attractive city centers where rebuilding can lead to the displacement of long-time residents, will be especially difficult.

Community development also faces significant fiscal challenges. At the federal level, the twin challenges of a growing deficit and political gridlock threaten four critical sources of support for community development—funds to support construction of, for example, affordable rental housing; operating subsidies; tax credit programs for low-income housing and for facilities and commercial development in low-income communities; and support for innovation. Although there may be new sources of federal funding (such as from the Affordable Care Act), and the Obama administration has tried to protect community development programs and make them more efficient through such integrative efforts as Choice Neighborhoods and Promise Neighborhoods, there is little doubt they are under threat. The threat is both direct, through a reduction in appropriations, and indirect, such as through tax reform that might lower the tax rate or do away with the Low Income Housing Tax Credit and New Markets Tax Credit, both of which are important to community development finance. The challenges at the federal level are replicated and amplified at the state and local levels, where both

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<sup>8</sup> For more information see [http://federalreserve.gov/pubs/bulletin/2011/pdf/2010\\_HMDA\\_final.pdf](http://federalreserve.gov/pubs/bulletin/2011/pdf/2010_HMDA_final.pdf).

funds specifically targeted to lower-income communities and monies to support broader infrastructure development, upkeep, and basic services (such as police, fire, and schools) have been hard hit by a stagnant economy, reduced property values and property tax revenues, and reduced transfers from the federal and state government, at a time when the demand for services is increasing.<sup>9</sup>

Although government and philanthropic support has always been critical to community development—especially to provide scarce equity, credit enhancement, and operating support—most of the money that flows into community development real estate projects comes from banks subject to the Community Reinvestment Act (CRA), which is also under severe pressure. The number of banks in the United States has declined by 40 percent since 1995, when the regulations governing the CRA were last seriously revised. Moreover, the 10 largest banks now hold 43 percent of system assets and the 100 largest hold 79 percent.<sup>10</sup> This means that not only are there fewer institutions subject to the CRA, but those that remain have less local knowledge and decision-making is further removed from communities. These changes have been exacerbated by increased capital and regulatory demands on the remaining banks, often resulting in diminished funds for community development.

Finally, banks are finding it more difficult to get CRA credit for targeting funds to the communities and investments most in need because the CRA regulations, adopted before the wave of coast-to-coast mergers and acquisitions that have transformed the banking system, are outdated for today's needs. And, as Antony Bugg-Levine points out, the CRA is less important to bank senior management in a world in which regulators are more focused on safety and soundness. The financial stresses on banks aren't over, especially for smaller institutions that serve lower-income and

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<sup>9</sup> See Conner Dougherty, "States' Tax Collections Inch Upward," *Wall Street Journal*, April 19, 2012. Available at [http://online.wsj.com/article/SB10001424052702303513404577354161334500688.html?mod=WSJ\\_economy\\_LeftTopHighlights](http://online.wsj.com/article/SB10001424052702303513404577354161334500688.html?mod=WSJ_economy_LeftTopHighlights).

<sup>10</sup> Details available at [FDIC.gov](http://FDIC.gov).

minority communities. There were more than 400 bank failures from 2008 through 2011, and as of the end of March 2012, there were still 772 banks on the “problem institutions” list.<sup>11</sup>

## WHAT TOOLS DOES COMMUNITY DEVELOPMENT HAVE TO RESPOND TO THESE CHALLENGES?

The essential building blocks of community development are physical, human, and financial capital. Each is changing in ways that will continue to evolve over the next several decades. With respect to physical capital—in many ways what community development has been focused on for much of the past 30 years—affordable housing continues to be critical. With the housing and housing finance markets in continuing disarray, the Low Income Housing Tax Credit threatened, and (as Murphy and Falk point out) the business model of most nonprofit affordable housing developers unsustainable, this will be more of a challenge than it would have appeared eight to 10 years ago.

What’s more, as the essays in this book make clear, healthy communities demand more than housing. Franklin and Edwards’ description of Purpose Built’s work in Atlanta emphasizes the need to integrate mixed-income housing with high-quality cradle-to-career education and supportive public services. The work of Neighborhood Centers, Inc. in Houston, which Blanchard describes, focuses largely on empowering a community to work together to discern and accomplish its goals, but the physical structure that holds it all together in the end is a “bricks and mortar” multipurpose community center. Others emphasize the broader nature of the built environment, including the structure of the community to encourage a healthy lifestyle (Risa Lavizzo-Mourey, Nancy Adler), the connection of the community to transit and to anchor institutions (Smith and Brooks, Howard), and the integration of the community into the broader regional economy (Edelman, Hecht, Smith and Brooks, Duncan, Blackwell).

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<sup>11</sup> FDIC Quarterly Banking Profile, first quarter 2012, p. 4 available at <http://www2.fdic.gov/qbp/2012mar/qbp.pdf>.

Beyond physical capital, healthy communities focus on human capital—improving the quality of life for lower-income people, whether focused specifically on a place or not. As Federal Reserve Governor Elizabeth Duke writes in her foreword, “At one time, policy discussions revolved around whether community development was about people or places. I would argue that the debate is over and both sides won.” Thus, as both Conti and Heckman and Jack Shonkoff and James Radner state in their essays, interventions to ensure early childhood health and the development of social and character skills are critically effective in improving outcomes for children, families, and communities. Ingrid Gould Ellen focuses on the importance of public safety in part simply because people care about it, but also because crime destroys the fabric of the neighborhood and increases individual and family stress. Tescher points out that quality financial services are key to moving families beyond a cash economy and enabling them to build both a financial cushion and a strong credit history. And several authors, including Miller, Howard, Edelman, Hecht, the Secretaries and Blackwell, focus on the importance of jobs that provide a stable income and security.

Finally, healthy communities need financial capital. For individuals, as Tescher states, this means having financial services—including transactions, savings, investing, and borrowing—that are well-priced, well-designed, well-marketed, and accessible. Technology such as smartphones and unconventional distribution channels such as nonprofit organizations like the AARP and retailers like Wal-Mart may complement (and in some cases supersede) traditional banks and credit unions.

Healthy communities also need access to new forms of capital and to make better use of what is available. During the past 50 years, several thousand community development corporations (CDCs) have developed, acquired, and managed more than a million units of affordable housing. Murphy and Falk find that in an era of reduced federal funds, the CDC business model is outdated and unsustainable. They call for a new model that allows for innovation, collaboration, and diversification and

that is sustained to a far greater extent by low-cost enterprise funding instead of the project-based funding on which the current model is based.

At the same time, CDFIs, including nonprofit loan funds and credit unions and for-profit banks dedicated to working in lower-income neighborhoods, have grown increasingly sophisticated at accessing and using public and philanthropic funds to leverage private money, largely from banks, to support housing, facilities, and economic development. CDFIs largely came through the recession in relatively strong financial condition. But as Bugg-Levine and others point out, their ability to access the larger pools of capital necessary to bring greater scale to their activities—including social impact investors and new sources of public funds—will depend on enhancing their efficiency, transparency,<sup>12</sup> and ability to demonstrate impact. This will likely require industry consolidation, or at least far more robust networks of shared services, and, according to Mark Pinsky, focus on a brand that emphasizes strength, effectiveness, and “solution,” rather than “community development.”

Technology can also help increase access to capital. Before 2008, community development was beginning to find ways to tap the broader capital markets through securitization; as Hecht suggests, this may once again become possible. But beyond that, social networks enabled by technology may provide access to capital for community development through techniques ranging from person-to-person lending to the type of equity fundraising authorized by the recently enacted Jumpstart Our Business Startups (JOBS) Act. Focusing on foundations, both Miller and Lavizzo-Mourey assert that to be effective, foundations supporting community development will need to use more—perhaps all—of

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12 See Michael Swack, Jack Northrup, and Eric Hangen, “CDFI Industry Analysis Summary Report” (Durham, NH: Carsey Institute, Spring 2012). Available at <http://cdfifund.gov/docs/CBI/2012/Carsey%20Report%20PR%20042512.pdf>. This report, which studied 282 CDFI loan funds as well as CDFI credit unions and banks, concludes that CDFI loan funds are not most efficiently leveraging their capital and that “inadequate data and non-standardized auditing practices may present a barrier to CDFI capitalization.”

their financial and human assets and intellectual capital to support their mission, in better collaboration with others.

Although only Paul Grogan and Blackwell take on the issue of policy advocacy directly, it will be impossible for community development to retain and gain increased access to the public monies and systems (such as the CRA) on which it has relied unless those involved in the field, including those in communities, make their needs known and voices heard. This encompasses advocacy to ensure that the outcomes of deficit reduction and tax reform, banking regulation and land use planning, health care reform and energy efficiency, enhance the country's ability to serve its entire population. While many authors assert the need for increased direct funding for community development, Mark Calabria argues that programmatic funding for community development may in fact be holding communities back from choosing to do what is in their own best interests, and that a more market-based solution is needed.

## WHAT STRATEGIES CAN COMMUNITY DEVELOPMENT USE?

The essays in this book suggest a series of strategies that will be essential if the field is to accomplish its goals relating to poverty, community, and the broader economy. Key concepts are that solutions must be integrated, broadly collaborative, data-driven and focused on what works, and entrepreneurial.

In Part 1, Belsky and Fauth discuss the increasing focus on integrated community development, ranging from the highly directive strategies of Purpose Built and the Harlem Children's Zone to the more resident-driven Neighborhood Centers and LISC's Better Communities Initiative. As von Hoffman makes clear, "comprehensive" community development strategies have a long history. What distinguishes the newer strategies is a conscious effort to understand the linkages among, for example, housing, health, education, public safety, and economic development, and to tackle them in a manner that strengthens them in concert. As the Secretaries put it, "As community developers

have long recognized, the problems that contribute to poverty are very much interconnected. While poverty cannot be explained as merely a consequence of housing, education and health, each poses unique challenges to low-income families at the community level and none can be understood independently of one another.” Blanchard says “real transformation comes from an integrated, focused approach to neighborhood transformation, not from an ‘either/or’ set of choices like housing or school, health or financial, infrastructure or immigration,” whereas Lavizzo-Mourey states that “what we’ve learned is that factors that are integral to poverty—such as insufficient education, inadequate housing, racism, and food insecurity—are also indicators of poor health.” Edelman, Franklin and Edwards, and others also stress the need for integrated solutions. Similarly, Bugg-Levine emphasizes the need to integrate financing strategies, involving both human and financial capital and focused on solving problems, with investment as one tool rather than the focus of action.

Integration of necessity requires collaboration across many disciplines, types of programs, and funding sources, and among a wide range of stakeholders, from residents to the most powerful actors in a community or region. Xavier Briggs and Phillip Thompson call for “deep democracy” or “empowerment 2.0,” collective problem-solving that “hinges on developing and using ‘civic capacity’ with and beyond the government” to ensure sustained effort, trust, and “the creative exchange of ideas.” Radner and Shonkoff emphasize the need for broad-based collaboration, including in particular for community involvement in both goal setting and strategy development. Blanchard summarizes this line of thought: “The people are the asset. . . . Community development is about unlocking that asset, releasing the potential of people to move forward together.” Briggs and Thompson and Howard extend this concept to community control over capital through, for example, worker-owned businesses and greater accountability for owners, managers, and users of capital, a concept also present in Blackwell’s focus on equity.

“One table” collaboration requires facing issues such as determining who is at the table, finding local leadership and keeping it relevant, the impact of race and poverty on effective participation, and the extent to which organizations or individuals will be at the table. Calabria raises the question whether it is possible to accomplish this in a manner that is not captured by elites who act in their own interest even when they think they are acting in the community interest. Calabria suggests that neighborhoods might in fact be better off with fewer participation requirements, but also less discretion on the part of officials and more reliance on rules and the market to make investment decisions.

However residents make their views known, integration requires new relationships among more institutional players.<sup>13</sup> The Secretaries point to integration initiatives across the country, under the umbrellas of the Neighborhood Revitalization Initiative and Strong Cities, Strong Communities. Hecht, citing Living Cities’ Integration Initiative, stresses the need for a systematic change in approach, rebuilding the civic infrastructure, systems innovation, engaging the private market by focusing on shared value, and using “big data,” social media, and distributed leadership to make it all happen. Smith and Brooks, focusing on transportation systems, which are typically large in geography, cost, and time, state that collaboration and integration across disciplines and timelines is essential, especially to influence both transportation infrastructure and the location decisions of major employers. Howard looks at the same issue from a slightly different perspective, discussing how “anchor institutions” in a community, such as universities and hospitals, can become drivers of major change in collaboration with both the community and civic and philanthropic leadership.

Several of the essays note that notwithstanding the expenditure of trillions of dollars to help low-income communities, poverty has not declined in either rate or numbers. As Edelman and others point out, much has indeed been accomplished. But our ability to

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<sup>13</sup> See also John Kania and Mark Kramer, “Collective Impact.” *Stanford Social Innovation Review* (Winter 2011).

fully understand the impact of the accomplishments of community development—affordable housing units, charter school seats, health clinic spaces, square feet of commercial space, and similar metrics—on the lives of those living in the communities has been limited. One of the major goals of the new community development efforts, aided by significant advances in information technology, life sciences, and other fields, has been to collect, analyze, and use data to drive investment to activities with the greatest impact, a point emphasized by Conti and Heckman, Lavizzo-Mourey, Smith and Brooks, and Murphy and Falk. Although there are concerns, some of which Belsky and Fauth raise, that too great a focus on metrics can disadvantage the small (including the rural), the new and difficult to achieve, and things that take a long time to accomplish, the pressure to demonstrate impact suggests the value of developing strategies to overcome these concerns.

Adler's essay makes some useful suggestions. Saying that it is time to test the link between community development and health outcomes, Adler focuses on the need to agree on data measures and research protocols and to establish databases that are of wide use. Adler recognizes the challenges this presents but points out that existing data sets and focusing on biomarkers and risk factors can reduce cost and overcome the problem that the impacts of community development activities may be slow to manifest themselves other than through health indicators, a point that Radner and Shonkoff also make. For example, Adler states that one widely asked survey question—"How would you rate your health relative to others your age?"—is extremely good at predicting actual health outcomes, and may be a key to measuring at least a portion of the impact of community development activities.

Pulling these strategies together successfully requires competencies beyond the professionalism, especially concerning investment, that has been the hallmark of successful community development for the past 30 years. Sister Lillian Murphy of Mercy Housing, one of the field's most effective and successful

practitioners, flatly asserts that the current business model, at least for producers and managers of affordable housing, “is not sustainable” and that a paradigm shift is needed “to develop a system that allows housing developers—those with a holistic, community approach to housing, including the commitment to long-term ownership—to get to scale.” She says the new model should allow for flexibility and diversification, encourage innovation, be funded at the enterprise level, encourage collaborations across sectors, promote public/private/nonprofit partnerships, and develop comprehensive impact measurement. Blanchard, Belsky and Fauth, Grogan, Pinsky and others echo this need for financially strong, highly competent institutions that can do the work of community development.

Other authors join in the call for elements of entrepreneurship—experimentation; rapid prototyping (including testing and modifying interventions in short cycles); networking and knowledge sharing; and dealing effectively with complexity, conflict, and the difficulty of replication. Whether, to what extent, and how entrepreneurship and enhanced institutional scale can emerge simultaneously in the field are major questions for the future.

Scale is made even harder by a theme that runs just under the surface of much of this book: there is immense variability among communities, reflecting different needs, different resources and opportunities, and different strategies that will likely be successful. The most extreme differences may be between the community development needs of rural areas that Duncan discusses and those of the urban neighborhoods that most of the other authors examine. But the differences don’t end there. As Howard and Berube suggest, major central cities, even those hardest hit by the Great Recession, have resources that are lacking in smaller cities and suburbs. Areas that came through the recession relatively unscathed have the opportunity to focus beyond rebuilding communities devastated by foreclosures and vacancies. But even within a city or metropolitan area, individual neighborhoods are subject to immense variability.<sup>14</sup>

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14 Sampson, *Great American City*.

These differences must necessarily lead to different strategies for community development, even within the common themes of integration and collaboration, connection, focus on what works, and entrepreneurship. For example, Franklin and Edwards are careful to point out that although Purpose Built's highly successful intervention at East Lake in Atlanta is replicable, successful replication is most likely in a community that has some of East Lake's characteristics, particularly the opportunity to completely rebuild a significant amount of mixed-income housing and to establish a neighborhood-targeted high-quality educational system. The Parkside-Kenilworth Promise Neighborhood in Washington, DC, for example, has had difficulty replicating Purpose Built's success in part because open enrollment in the District of Columbia's schools means that half the neighborhood children attend school elsewhere and half the children in local schools are from out of the neighborhood.<sup>15</sup> As Hecht points out, the "one table" collaborations that Living Cities has undertaken have focused on different needs in different places, such as equitable transit-oriented development in the Twin Cities and the Bay Area, education in Cincinnati, and energy efficiency in Portland, OR. Living Cities has also discovered that each area has a different "capital absorption capacity," which they define as "the ability of communities to make effective use of different forms of capital to provide needed goods and services to underserved communities."<sup>16</sup>

## SOURCES OF OPPORTUNITY

Although the challenges for community development are daunting, new opportunities will come from greater awareness of the issues community development tackles, new forms and sources of capital, and the focus on energy efficiency and environmental sustainability. Not long ago, there was little discussion of income inequality and less understanding of the

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15 Jennifer Comey et al., "Bringing Promise to Washington, DC, The DC Promise Neighborhood Initiative" (Washington, DC: Urban Institute, January 2012).

16 "The Capital Absorption Capacity of Places, A Research Agenda and Framework," Living Cities and Initiative for Responsible Investment, 2012. Available at <http://livingcities.org/knowledge/media/?id=74>.

wide and widening gap between rich and poor and the long-term income stagnation and more recent loss of wealth that has exacerbated the condition of those in the bottom half of the income distribution. The Occupy movement has been instrumental in changing that and in substantially raising awareness of both poverty and inequality. At the same time, the work of the Robert Wood Johnson Foundation on healthy communities and the Harlem Children's Zone, James Heckman, and others on early childhood development has put the community—both social and physical—into the ongoing discussions in those fields. Integrated strategies at the federal, regional, and local levels, such as Choice Neighborhoods, Living Cities' Integration Initiative, and Cleveland's Greater University Circle Initiative, have significantly broadened awareness of the usefulness of community development to a broad array of programs and goals that benefit lower-income populations within the context of benefitting the broader community. The field's greater interest in measuring impact and telling its story is likely to result in greater awareness and greater understanding of what community development can and cannot accomplish.

Although the field is under significant financial pressure from traditional sources, there are also opportunities in potential new sources of capital. As discussed above, CDFIs came through the recession in relatively strong condition, and several statutory changes, most notably those in the Small Business Jobs Act of 2010, including the CDFI bond guarantee program,<sup>17</sup> create an opportunity for significantly more well-priced capital to flow into CDFIs. In addition, and most visibly in the Starbucks Create Jobs for USA initiative,<sup>18</sup> corporations other than banks and local anchor institutions have begun to take an interest in helping to finance, as Pinsky puts it, disciplined and effective solutions to community problems. Whereas some impact investors, such as the F. B. Heron Foundation, with its focus on equity investment

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17 See Pub. L. 111-240 (September 27, 2010); see especially section 1134.

18 For more information see <http://starbucks.com/responsibility/community/create-jobs-for-usa-program>.

and its breakthrough strategy of using all its financial resources for mission accomplishment, as described by Miller, will be interested in enterprise-based equity investment, others will focus their attention on specific projects. Structures such as performance bonds may be useful to ensure that the projects “work,” but these structures are still in the exploratory stage and will not necessarily focus funds on areas most in need, especially when those needs are less susceptible to impact measurement within a reasonable time.<sup>19</sup>

Finally, as Howard and Duncan point out, the interest in energy efficiency and environmental sustainability opens some new opportunities for community development in both urban and rural America. To start, both strategies have the possibility to significantly reduce both capital and operating costs and improve quality of life in low-income communities, as the work of the Enterprise Green Communities and others have demonstrated.<sup>20</sup> And Duncan cites opportunities in energy, “ecosystem services,” and local food production as three potential rural development strategies. A critically important role for community development as this opportunity develops will be to ensure that the costs and benefits are shared equitably; if improvements in technology or transportation merely serve to displace lower-income residents or communities or to increase their cost of living, the field will have not only squandered an opportunity but failed those who depend on it.

## EMERGING MODELS

How does all of this fit together? That is the topic of the next chapter, but the essays in this book describe a number of strategies that fit the emerging themes in community development.

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19 See Jeffrey B. Liebman, “Social Impact Bonds: A Promising New Financing Model to Accelerate Social Innovation and Improve Government Performance” (Washington, DC: Center for American Progress, February 2011). Available at [http://payforsuccess.org/sites/default/files/social\\_impact\\_bonds\\_-\\_a\\_promising\\_new\\_financing\\_model.pdf](http://payforsuccess.org/sites/default/files/social_impact_bonds_-_a_promising_new_financing_model.pdf); see also Nonprofit Finance Fund, Pay for Success Initiative, available at <http://nonprofitfinancefund.org/pay-for-success>.

20 For more information see <http://enterprisecommunity.com/solutions-and-innovation/enterprise-green-communities>.

First, there are the intensely community-oriented programs, with an integrated focus. These include Purpose Built, Neighborhood Centers, the Harlem Children’s Zone, Promise Neighborhoods, Choice Neighborhoods, and LISC’s Better Communities Initiative. In each case, the focus is on a specific neighborhood of relatively small size. But in each case, the program is designed to respond in an integrated fashion to a broad range of community needs and opportunities. The anchor institution based strategies that Howard describes also fit into this group, with the additional focus of community ownership of the community’s capital, including through cooperatives.

A second group of strategies involves cross-agency coordination and “one table” to break through silos of both substance and strategy. Although Strive is focused solely on education, it is a broad initiative involving a large geography; public, private, and philanthropic entities; and those engaged in education of every type and at all levels. Some of the tables set by Living Cities’ Integration Initiative are similar, such as the transportation-oriented work in the Twin Cities, but others, as in Detroit, are broader. The federal programs encouraging this trend, such as the Neighborhood Revitalization Initiative and Strong Cities, Strong Communities (both described by the Secretaries), focus on bringing together federal, regional, and local officials with a wide range of responsibilities to break barriers to effectively meeting community needs and sparking economic development.

Finally, we cannot forget that one reason the community development field has accomplished so much over the past 30 years is because of the presence of institutions—both direct providers and intermediaries—with strong finances and highly competent and innovative staff. As Murphy and Falk (with respect to CDCs), Grogan (with respect to national intermediaries), and Bugg-Levine and Pinsky (with respect to CDFIs) point out, these institutions will continue to be critical to the field. Ensuring they have a business model that is consistent with new challenges and new opportunities is key.

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