



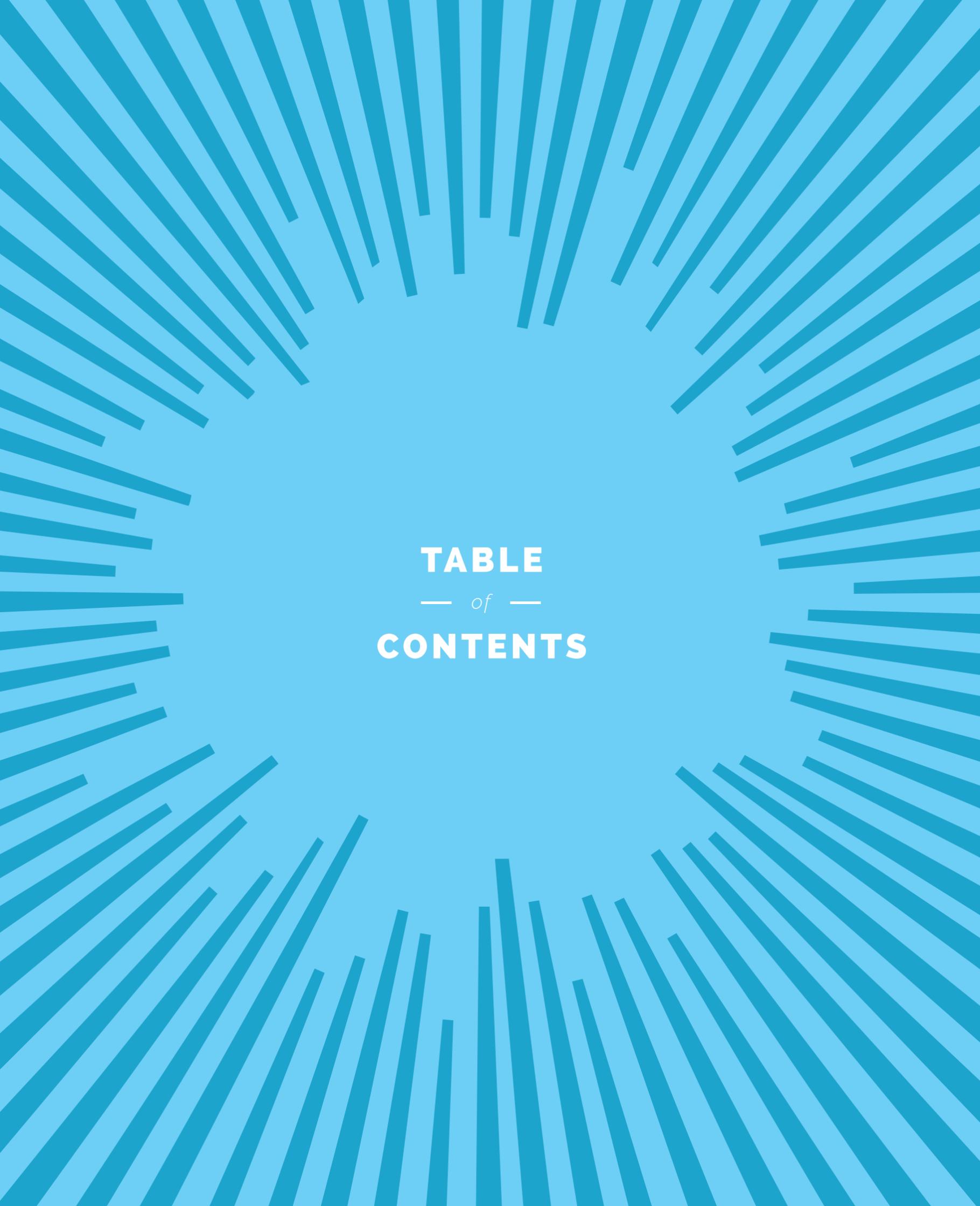
**CLOSING**  
— *the* —  
**RACIAL GAPS**

Together We Can



**CLOSING**  
— *the* —  
**RACIAL GAPS**

Together We Can

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WE MUST FUND AND INVEST IN ACTIVITIES THAT MORE  
DIRECTLY CONTRIBUTE TOWARDS INCREASING INDIVIDUAL  
INCOME AND WEALTH FOR PEOPLE OF COLOR.



- BEN HECHT



## **BEN HECHT**

PRESIDENT & CEO  
LIVING CITIES

@BENHECHT

### **Dear Friends,**

In 1991, Living Cities (formerly the National Community Development Initiative) was founded on a simple but powerful idea—that by working together, visionary foundations and financial institutions could genuinely transform the trajectory of American cities. In our first fifteen years, our unique collaborative achieved tremendous success in terms of helping to bring the community development industry to scale. By 2006, we had invested more than \$540 million in twenty-three cities to build or renovate over 140,000 homes and other community facilities. Working with our core partners at the time, Local Initiatives Support Corporation (LISC) and Enterprise Community Partners, we leveraged the resources of our member institutions 29:1. But, in terms of ensuring equitable access to opportunity, this work was necessary but not sufficient.

I joined Living Cities as President nine years ago with the charge of building on the success of the organization's community development work with a focus on both neighborhood and systems transformation. Today, Living Cities deploys a unique blend of grants, loans and influence to re-engineer obsolete systems and connect low-income people to economic opportunity. We support cities in their efforts to boldly fight poverty by:

#### **Helping leaders to achieve audacious, lasting change for low-income people.**

We help local business, government, philanthropic and community leaders, who are impatient with incremental

change, to align their efforts in new and more impactful ways. Through our support of the Integration Initiative, the Boston Fed's Working Cities Challenge and StriveTogether, more than 100 cities are now on the road to achieving dramatically better results for low-income people, faster than ever before. They are using data, disaggregated by race, geography and income, to confront disparities and transform the long-broken education, workforce and economic development systems that perpetuate them.

#### **Resourcing social change work in smarter ways.**

We use Living Cities' direct investment – now totaling more than \$2 billion – to attract other public, private and philanthropic dollars, and aggregate the resources needed to drive meaningful change. In 2011, when no one would lend in Detroit, Living Cities' \$4 million loan to jumpstart housing and commercial redevelopment not only generated hope and energy for the city's future, but also spurred an additional \$55 million of private sector investment. Our \$40 million Catalyst Fund has been recognized as one of the world's top 50 impact investing funds for six consecutive years.

#### **Strengthening local government to better serve residents.**

We work with local government leaders who understand that cities must play an outsized role in improving the lives of low-income people. They are creating a culture of innovation, and using data and technology to evaluate results and reimagine government's relationship with residents. For example, New Orleans is implementing creative approaches to ensure that the city's poorest



## BECAUSE COLLABORATION IS IN OUR DNA, WE ARE NOT SETTING OUT TO DESIGN SOLUTIONS ON OUR OWN. INDEED, THIS COMPENDIUM HIGHLIGHTS ONGOING EFFORTS ACROSS THE COUNTRY.

residents have access to healthcare. We are supporting their efforts to encourage the more than 30,000 New Orleanians who have registered for healthcare coverage but have never used it to take advantage of the services they need to stay healthy.

**Spreading the best ideas and practices to speed the pace of change nationwide.** We document the most promising practices taking place around the country and circulate them across our trusted networks and growing base of social media followers. We've seen firsthand the hunger in the field for resources and solutions that are truly impactful; when we offered an online, self-directed, five- part course on community engagement, 2,600 people participated. Our networks are only growing, with 500 new people joining the ranks of our more than 50,000 Twitter followers every week. But so much more needs to be done.

It has been over 50 years since Martin Luther King Jr.'s "I have a Dream" speech and the declaration of the War on Poverty. And yet, countless studies, along with events of national significance such as the events we recently witnessed in Dallas and Baton Rouge and the emergence of the Black Lives Matter movement have made crystal clear that we all need to do much more to address racial inequities and to close the racial opportunity gaps.

Despite the progress that the social sector has made-- in affordable housing, education, health, asset building, strengthening families and even building a movement for change-- in many areas, racial disparities have actually

grown over the last twenty-five years. This reality, combined with America's imminent transformation into a majority non-white nation, creates not only a moral imperative but an economic one as well. Despite this long-term trend, **society and the social sector has too often taken a neutral stance regarding the role of race in inequality of outcomes, instead of openly acknowledging structural and systemic racism and the disproportionate impacts of policies and practices on people of color.** For all of these reasons, we have focused the agenda of our 25th Anniversary events and this compendium around these two themes:

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### **RACE, OPPORTUNITY AND US CITIES**

**&**

### **HARNESSING CAPITAL TO CLOSE THE RACIAL OPPORTUNITY GAPS**

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Our focus on the role of capital as part of the solution has always been at the heart of Living Cities. Much of this work, however, has been focused on the built environment in specific neighborhoods where markets were failing. But, over the past fifteen years, it's become apparent that the market failures have expanded to the larger economy, reflected in stagnant wages, losses of higher paying jobs, falling business start-up rates and a growing wealth gap. The largely place-based interventions and tools that we've built over the past twenty five years are now grossly inadequate for closing gaps in the income and wealth of low-income Americans, especially those of color.

Because collaboration is in our DNA, we are not setting out to design solutions on our own. Indeed, this compendium highlights ongoing efforts across the country-- from transforming education, cradle to career, to ensuring that health outcomes are not dictated by the color of peoples' skin-- that show promise of contributing to closing the racial opportunity gaps. These essays, contributed by our members, grantees, partners, and many other leaders, give us great hope that, together, we can do this.

Thank you for being a part of the Living Cities' family over these twenty five years and for celebrating this milestone with us.

Ben Hecht

A handwritten signature in black ink, appearing to read "Ben Hecht", with a stylized flourish at the end.

President & CEO, Living Cities



The background of the central section is a solid blue rectangle. It is decorated with numerous diagonal stripes in a lighter shade of blue, which appear to be floating or layered around the central text.

**A SIGNATURE MOMENT**

— *for* —

**ADVANCING RACIAL  
EQUITY IN AMERICA'S  
CITIES**



WILL WE EVER FINALLY ALL SHARE IN THE DREAM?



- DR. RAPHAEL BOSTIC

# LIVING CITIES: A SIGNATURE MOMENT FOR ADVANCING RACIAL EQUITY IN AMERICA'S CITIES



## **BEN HECHT & NADIA OWUSU**

PRESIDENT & CEO; ASSISTANT DIRECTOR, STRATEGIC  
COMMUNICATIONS & STORYTELLING  
LIVING CITIES

@BENHECHT @NADIAOWUSU1

At Living Cities, we envision America's cities as places where all citizens have equal access to economic opportunity. This has been our vision—and contributing to it has been our mission—since our founding 25 years ago. As a collaborative of leading foundations and financial institutions, working together, we have been able to help build hundreds of thousands of homes, grocery stores, and schools; shape billions of dollars in local and federal funding programs; and improve the lives of millions of low-income people. But, it is only in the last three years that we have been explicit about just who remains disproportionately disconnected from opportunity.

In 2013, as people and institutions reflected on our progress in the 50 years since Martin Luther King Jr.'s "I have a Dream" speech and the declaration of the War on Poverty, a multitude of studies were released that illuminated how dramatic a role race continues to play in determining people's life chances in America. This data, along with events of national significance such as the Trayvon Martin case that sparked a huge amount of conversation, debate, and media coverage around issues of race, also registered intensely within our own organization. Members of staff began to question our race-neutral approach and mission statement, and raised these concerns with senior leadership. After a period of internal dialogue, we began to pore over the data and to explore the issues publicly on our blog, through social media, and through a learning agenda, including examining how institutions like ours have sustained inequities. This self-interrogation was not comfortable. The process has, at times, been challenging

and messy. It has required us to surface some difficult truths about the past, to work hard to better understand present realities, and to consider how we, and all institutions working for a more equitable world, must change to meet the needs of the future.

### **The Past: Successes and Challenges**

We are incredibly proud of the successes that we and others in the community development field have accomplished to date. But, in terms of ensuring equitable access to opportunity, this work has been necessary but not sufficient.

By 1991, the year of Living Cities' founding, America had made a great deal of progress in terms of civil rights and social justice. The Civil Rights Movement of the 1960s and 1970s led to the end of Jim Crow; secured the outlawing of racial discrimination in education, employment and housing; and ensured the right to vote for people of color. Yet, despite profound improvements in educational attainment and economic opportunities for people of color, a substantial race gap between white and non-white Americans remained. Racial inequities persisted across all opportunity indicators, including education, jobs, criminal justice, housing, public infrastructure and health. Meanwhile, the world was changing in dramatic ways. Notions of community were redefined by revolutionary forces of change— primarily, globalization and the internet—that reshaped the world and America's place in it. Despite the heady successes in the community development sector, our work did not have the effect that many of us intended:

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## THE FACT THAT THE THE RACIAL WEALTH GAP HAS WIDENED RATHER THAN NARROWED SINCE THE 1960S IS PARTICULARLY TROUBLING GIVEN THAT WE CANNOT END INTERGENERATIONAL POVERTY (...)

a material impact on the number of Americans living in poverty. Our focus had been on a singular strategy and unit of change—the community—but we knew that, to get better results, we needed to integrate opportunity, geography, connectivity and systems innovation.

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### Current Realities

In 2007, acknowledging these forces, Living Cities made an extraordinary pivot, shifting from a core focus on community development to a multidisciplinary focus on both neighborhood and system transformation. The organization adopted a broader, more integrative agenda that was focused on harnessing what we had learned to build a new type of urban practice, addressing a range of both physical and human capital issues, from affordable housing creation along transit corridors; to reimagining education, cradle to career; to youth recidivism, entrepreneurship and workforce development.

This shift addressed the pressing need to focus on systems rather than programs, on cities rather than just neighborhoods as units of change. However, it did not address the racial gaps. It did not even explicitly acknowledge racial gaps as a problem yet to be solved. But, inequities in America are not natural. Nor did they happen by accident. The racial opportunity gaps are not the result of inadvertent faults or flaws in our systems. Rather, they have been created and perpetuated by our governments and society. During the Civil Rights Movement, laws and policies were passed that outlawed overt acts of discrimination, but the consequences of history are difficult to erase and structures

and systems replicate insidious patterns of exclusion. Our country's history of redlining and discrimination in mortgage lending has kept millions of low-income people of color from building wealth through homeownership. And unfortunately, the many successes of the community development industry in scaling affordable housing have been offset by ongoing rental housing discrimination. The fact that the the racial wealth gap has widened rather than narrowed since the 1960s is particularly troubling given that we cannot end intergenerational poverty without ensuring that low-income people can grow wealth. The Pew Center reports that the median wealth of white households is 20 times that of African-American households and 18 times that of Hispanic households. And, this gap exists regardless of education level — the median wealth of African-American families in which the head of household graduated from college is less than the median wealth of white families whose head of household dropped out of high school.

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**IT IS ABUNDANTLY CLEAR THAT WE HAVE NOT ACHIEVED A "POST-RACIAL" SOCIETY, AND RACE-NEUTRAL OR 'COLOR-BLIND' APPROACHES ENABLE RACIAL INEQUITIES.**

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This is the conclusion that our staff came to after grappling with our history and the reality that we are standing on the precipice of a transformation to a majority-minority nation. In fact, this transformation has already occurred in many

of our cities and metropolitan areas, where two-thirds of our citizens live. There, the under-18 population already achieved majority non-white status as early as 2008. If we do not dramatically change current trajectories, that majority will be significantly poorer, less educated, and less free (due to mass incarceration) than today's majority. This will have far-reaching implications for our nation's economic growth and security. Explicitly addressing racial inequities is the only way forward.

### The Future

So, what will it take to change our deeply racialized systems and to expand opportunity for the next generation? We believe that there are three key changes that institutions—public, private, and philanthropic—can and must make:

#### Apply a racial equity lens to everything we do

At Living Cities, we completed a racial equity assessment of our core operations, policies, practices, strategies and investments. This meant taking a hard look in the mirror and considering how we were inadvertently perpetuating inequities or placing undue burdens on people of color.

Racial equity cannot be an 'add-on.' It must be core to who we are and what we do. This work is never finished and must be carried out with rigor. It means clearly articulating and understanding the intersecting forces of implicit and explicit bias, and individual, institutional and structural racism. And, it means making the use of racial equity tools course-of-business as we consider new partnerships, grants, investments and hires. One tool, developed by Race Forward, that we have made use of consists of asking these five questions consistently:

- Are all racial/ethnic groups who are affected by the policy/practice/decision at the table?
- How will the proposed policy/practice/decision affect each group?
- How will the proposed policy/practice/decision be perceived by each group?
- Does the policy/practice/decision worsen or ignore existing disparities?

■ Based on the above responses, what revisions are needed in the policy/practice/decision under discussion? Every institution is complicit in creating and sustaining racial inequities. Applying a racial equity and inclusion lens supports institutions to make the changes necessary be part of the solution.

#### Be data-driven

Disaggregating data to understand disparities enables institutions and communities to make informed decisions so that we are not just raising the bar, but also closing the gaps. It's crucial then, to collect good data, disaggregated by race. While this insight might seem self-evident, the road to taking an explicit focus on disaggregating data by race is not always easy. Data is often not available. People might be scared to make it public as it has often been used as a way to punish rather than to continuously improve. The scale of inequities, once revealed in plain numbers, can feel overwhelming. But, we must hold ourselves accountable to doing it despite the difficulties. It is the difference between aspirations and impact. For this reason, we have worked with our partners, StriveTogether, to make a focus on eliminating disparities, including publicly disaggregating data, a non-negotiable for communities that want to become "proof points" to demonstrate the power and promise of the StriveTogether network's cradle-to-career collective impact approach to transforming education systems.

#### Partner broadly and engage community

At Living Cities, as a collaborative of eighteen leading foundations and financial institutions, collaboration is in our DNA. We believe that those working for social change should not see other institutions as the "competition." The competition is poverty and inequality. Therefore, we work closely with our member institutions, our grantees, and many other strategic partners to capitalize on the strengths and expertise of our networks. For example, our initiative, Racial Equity Here, resulting from a Living Cities task force convened in response to Freddie Gray's death, brought together cross-sector leaders from our member institutions to create a new vehicle for action against the still-present

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effects of structural racism in U.S. cities. Racial Equity Here is a partnership with the Government Alliance on Race and Equity (GARE), a project of the Center for Social Inclusion and the Haas Institute for a Fair and Inclusive Society, that is providing technical support and coaching to five cities – Albuquerque, Austin, Grand Rapids, Louisville and Philadelphia – as they analyze how their operations impact people of color and devise actionable solutions. And, more and more, we are intentionally seeking a new way forward for working with the communities we serve. We are excited about the growing public will and movement building to create the environment that enables large-scale change. Today, there is a growing intolerance for our nation's racialized inequality of income and access to opportunity – and a willingness to act that is reminiscent of the Civil Rights Movement. From Black Lives Matter, to the fights for minimum wage, this is a signature moment in history. We must seek ways to partner with, support, and supplement these efforts.

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**DESPITE THE CURRENT TONE OF OUR NATIONAL ELECTORAL POLITICS, WE ARE SEEING MORE AND MORE CITIES, INSTITUTIONS AND INDIVIDUALS EXPLICITLY COMMITTING TO ADVANCING AND ACHIEVING RACIAL EQUITY. THE ESSAYS IN THIS SERIES SPEAK TO WHAT WE CAN LEARN FROM THE PAST AND HOW, TOGETHER, WE CAN DO THIS.**

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THE SCARCITY OF ENTREPRENEURS OF COLOR IN THE TECH SECTOR, BIO SCIENCES AND OTHER GROWING AREAS OF THE ECONOMY SHOULD BE ALARMING.



- PHIL HENDERSON

# BEYOND AFFORDABLE HOUSING: CREATING OPPORTUNITIES IN EVERY COMMUNITY



**ANGELA GLOVER BLACKWELL**

PRESIDENT AND CEO  
POLICYLINK

Fresh ideas, new collaborations, and important policy changes are advancing affordable housing as a platform for connecting residents to opportunity. However, re-thinking affordable housing without making a front-and-center commitment to eliminating the barriers of racism will get us nowhere. All too often the nation's history of racial exclusion repeats itself.

Nearly 30 years ago I attended a community development conference focused on replacing decrepit housing in poor, mostly Black inner-city neighborhoods with attractive, affordable dwellings. The leaders in the room saw housing rehabilitation and new construction as the way to revitalize poor communities and improve the lives of the people who lived there. I was uncomfortable with the discussion and began asking: Why would community developers build housing in communities cut off from good schools, jobs, transportation, parks — the resources that people need to thrive and succeed? Is better housing the answer to inequality and injustice?

When I raised these issues, the response was not positive but more like, "Who let her in?" And it was not just the mostly White community development leaders who pushed back. Black leaders and residents resisted my questioning the efficacy of focusing on rebuilding housing in severely depressed neighborhoods as the way to improve life outcomes. I decided to educate myself more about community development and find a better way to express my concern.

Safe, high-quality affordable housing is, of course, a basic human need. In 21st century America, it is unacceptable that something so important for health, comfort, financial security, and neighborhood stability remains out of reach for millions of low-income people and people of color. But decades of well-intentioned yet misguided community development efforts have shown that to be equitable, housing must be more than affordable. It must connect people to opportunities that enable them to participate, prosper, and achieve their full potential.

Community leaders and developers, philanthropists, investors, and leaders at all levels of government understand this today. The field is weaving together smart policies in housing, health, education, and economic development to create strong, resilient, inclusive, prosperous communities. This shift in focus — from building affordable housing to building equitable communities of opportunity with affordable housing as the centerpiece — is the most significant mark of progress in community development policy and practice in the past 25 years.

Unfortunately, the turnabout happened too slowly, and the lessons were learned at great cost to millions of people who deserved better. The nation invested billions of dollars in housing in inner-city neighborhoods stripped of opportunity, without making the concomitant commitment to transform those communities into places that offer residents prospects for upward mobility. Federal policy supported this myopic, ultimately harmful approach. While many community leaders recognized the limits of housing strategies divorced

from catalytic, comprehensive, equitable development strategies, financing was not available for big, bold-stroke inner-city initiatives. Subsidies and tax credits were available for housing, period, so that's what got built. Market conditions, limitations on federal funds and tax credits, and resistance from many suburbs steered most new affordable housing to poor neighborhoods.

As a result, patterns of neighborhood racial segregation and the concentration of poverty not only persisted but also expanded. These patterns mock the American dream.

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**ECONOMIST RAJ CHETTY HAS SHOWN THAT GROWING UP IN A REGION WITH GREATER OPPORTUNITY AND INCLUSION IS CRITICAL IN IMPROVING THE ODDS FOR LIFELONG SUCCESS. IN TODAY'S SEGREGATED AMERICA, THE PROBABILITY OF ADVANCING FROM THE BOTTOM FIFTH OF THE INCOME LADDER TO THE TOP FIFTH, THE CLASSIC RAGS-TO-RICHES TRAJECTORY, IS ONLY 7.5 PERCENT, FAR LOWER THAN IN OTHER DEVELOPED COUNTRIES.**

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The good news is that fresh ideas, new collaborations, and important policy changes are advancing affordable housing as a platform for connecting residents to opportunity. Private-public partnerships around the country are leveraging investments in housing, grocery stores, green infrastructure, public transit, and other resources to create healthy, opportunity-rich neighborhoods. The Obama Administration's groundbreaking Affirmatively Furthering Fair Housing rule, last year's Supreme Court ruling on exclusionary housing policies, and determined organizing by communities make this a historic moment to re-imagine housing infrastructure as a launchpad to opportunity and shared prosperity.

Structural racism is the biggest obstacle to seizing the moment. Re-thinking affordable housing without making a front-and-center commitment to eliminating the barriers of

racism will get us nowhere. All too often the nation's history of racial exclusion repeats itself. It's happening today as families struggle to recover from the mortgage crisis and the Great Recession, as housing prices skyrocket in newly chic urban communities and housing insecurity grows, and as poor and working families, people of color especially, are displaced from revitalized neighborhoods and shunted again to disinvested communities, this time in aging suburbs.

Equity — just and fair inclusion into a society in which all can participate, prosper, and reach their full potential — must be the primary driver of action and policy that integrates affordable housing, health, and inclusive economic development. With leadership rooted in equity, all communities can thrive. And all Americans can live in a place where they feel safe and connected to opportunities.

# LACK OF SECTION 8 IS NOT JUST ABOUT POVERTY: IT'S ABOUT RACE



**MICHAEL BODAKEN**  
PRESIDENT  
NATIONAL HOUSING TRUST

@MICHAELBODAKEN

Early studies show that providing permanent housing actually reduces public costs associated with meeting the needs of the homeless. We estimate that providing Housing Choice Vouchers for the 3.1 million extremely-low-income households in need would save approximately \$44 billion per year.

It is accepted wisdom, supported by loads of research, that stable, affordable housing is a platform for attaining better health, accessing education, and finding good jobs—in other words, for leading a better life. Some, not all, federal housing programs have successfully provided decent housing to very low-income households. Quite possibly the most successful programs are “project-” and “tenant-” based Section 8 assistance. Although effective at meeting housing needs, we will see how insufficient federal budget allocations on Section 8 have led to housing and racial injustice.

At the National Housing Trust, we have used project-based Section 8 assistance to help preserve affordable rental housing for over 25 years. Project-based Section 8 has been a successful public-private partnership which helps provide affordable housing to very low-income households. Today, however, I want to talk about tenant-based Section 8 assistance. Tenant-based Section 8 vouchers, commonly known as Housing Choice Vouchers, are provided directly to very low-income residents to find an affordable home in the private market.

Over 3 million extremely low-income senior, disabled and family households reside in project- or tenant-based Section 8-assisted housing in every nook and cranny in the U.S. The public policy lesson: With public support, the private market is an excellent vehicle for the delivery of affordable housing. You might presume that such a successful, market-based program would deliver basic housing affordability for eligible households. But you should always check your assumptions. Being eligible for Section 8 does not guarantee that a poor household receives Section 8 assistance. Securing Section 8 assistance is more akin to winning a lottery. The odds are definitely against you. Less than one in four households actually receives Section 8 assistance. Put another way, 74 percent of U.S. households who are eligible do not receive Section 8 assistance. More likely, the household is placed on a very long Godot-like “wait list.” And the household waits. And waits. And waits. The average wait time on such a list is years. Not months. Years.

According to HUD's Picture of Subsidized Households, a renter household that used a voucher in 2015 had waited more than two years on average to move into a unit, with the wait time in the San Diego metro area as long as seven years! Waiting lists in Cleveland, Detroit and the Washington, D.C. metropolitan area are about two years, while the wait in Los Angeles is four years.

This lack of universal application of Section 8 is obviously a housing injustice. According to the U.S. Census Bureau's

American Community Survey (ACS), 20.7 million U.S. renter households are cost-burdened, spending more than 30 percent of their income on housing. This number represents slightly more than half of all renter households. But there is another pernicious outcome of the lack of Section 8 resources for every eligible household. Lack of Section 8 fuels inequality and works a racial injustice. In 2014, one out of every 3.6 black households in metropolitan areas was extremely low income, a rate 2.2 times higher than white households. (Source: 2010-2014 ACS 5-Year Public Use Microdata Sample).

The lack of Section 8 consigns them to waiting...and waiting...more often than not never receiving the housing assistance that would help them reach their potential.

The obvious answer: universal vouchers. The Bipartisan Policy Commission (BPC) has recommended making federal rental assistance available to all eligible extremely-low-income households (with incomes at or below 30 percent of Area Median Income) who apply.

According to the BPC, the cost of making vouchers an entitlement, like food stamps or Social Security, is approximately \$22.5 billion, to serve 3.1 million additional extremely low-income households.

However, the BPC cost estimate for universal vouchers did not take into account the savings that accrue from a universal voucher approach. More research is needed, but early studies show that providing permanent housing actually reduces public costs associated with meeting the needs of the homeless. For example, researchers in Los Angeles found that providing permanent supportive housing to homeless individuals produced net monthly savings of public costs at \$1,190 per resident per month, or \$14,280 annually. Three-quarters of the cost savings was attributed to a reduction in the use of health services.

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**BASED ON THESE FINDINGS, WE ESTIMATE THAT PROVIDING HOUSING CHOICE VOUCHERS FOR THE 3.1 MILLION EXTREMELY-LOW-INCOME HOUSEHOLDS IN NEED WOULD SAVE APPROXIMATELY \$44 BILLION PER YEAR.**

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The nation would reap tremendous benefits. Not only would we be housing our lowest income citizens, but we'd be providing stable housing for millions of minority households opening the door for them to access education, steady jobs, health care, and opportunities for a brighter future. Seems like a pretty good idea.

# THE BLACK HISTORY OF HOUSING IN AMERICA: HOW THE DREAM WAS DEFERRED



## RAPHAEL BOSTIC

PROFESSOR & CHAIR, DEPT. OF GOVERNANCE, MGMT. & THE POLICY PROCESS  
UNIVERSITY OF SOUTHERN CALIFORNIA'S PRICE SCHOOL OF PUBLIC POLICY

@RAPHAELBOSTIC

**Understanding the persistent black-white wealth gap requires an analysis of decades-old policies. Learning from our history can help us change the future.**

If you want to understand the black-white wealth gap, it helps to know the story of William J. Levitt. The son of a real estate attorney, Levitt grew up in Brooklyn and went to New York University. In the first year of the Great Depression, his father started a real-estate development company and put William in charge. This inheritance would be providential. When the United States entered World War II, William Levitt joined the Navy. He served honorably and came home to the family business. There had never been a better time to build middle-class houses. Young veterans flooded into the market, ready to start their own families, and the government supported them with home loans guaranteed by the G.I. Bill, the FHA, Fannie Mae, and other programs created by the Roosevelt and Truman administrations. The Baby Boom created a demand for bigger homes, and postwar prosperity made it possible for millions of Americans to afford them. Levitt seized the opportunity. The first "Levittown" appeared in 1947 on Long Island. It featured nearly identical houses built in assembly-line fashion. It was efficient and affordable, and it worked. Thousands of Americans bought up Levitt homes from New York down through Pennsylvania and New Jersey. Years later, Levitt would be called "the father of modern suburbia." William Levitt took over sole control of Levitt & Sons in 1954, and until that point, it didn't seem to be a problem that he refused to sell a single house to a black family.

All across America, exclusionary zoning kept blacks out of white neighborhoods, and where it didn't, the white neighborhoods put restrictive covenants in the deeds to the same effect. Even in the absence of legal constraints, real estate brokers steered blacks into poorer neighborhoods. The National Association of Real Estate Boards explicitly instructed their members to keep blacks out of white neighborhoods.

And if they overcame all those obstacles and found a house they could actually buy, blacks found it nearly impossible to get the mortgage they needed to afford it. The FHA drew a red line around black neighborhoods to warn banks not to lend there. Their appraisal manuals told them to stay away from "inharmonious racial groups." Out of 67,000 mortgages insured by the G.I. bill, less than 100 went to blacks. Now the thing you have to understand—the absolutely crucial part of the story that seems to be lost on half the nation—is that this is not ancient history. Racial steering still happens today. According to one study, it happens in the majority of cases. The FHA may have gotten rid of redlining after the Civil Rights Act of 1968, but Bill Dedman won a Pulitzer Prize over two decades later in 1989 for uncovering how prevalent it still was at private banks. Even more recently, during the early 2000s, it was those same neighborhoods, the ones that couldn't get mortgages for so long, that subprime lenders preyed upon with loans they knew the borrowers didn't understand and that many of those borrowers wouldn't repay.

They called it "reverse redlining." Investigative reporter

Michael W. Hudson interviewed salesmen at the biggest lenders who said that they targeted elderly black widows who were "very trusting" and easy to dupe. Angelo Mozilo, chief executive of the behemoth Countrywide Financial, admitted behind closed doors that he was trying to close the minority lending gap with "the most dangerous product in existence." He even predicted that his customers "are going to experience a payment shock which is going to be difficult if not impossible for them to manage." Insider accounts have revealed similar stories throughout the industry.

The result was a complete obliteration of the gains that black households had made in closing the wealth gap over the last three decades.

But even if none of that were true—even if landlords didn't discriminate against black-sounding names (which they do) and even if banks didn't start redlining again after the Great Recession (which they did)—even if all bias were suddenly erased from the system, deep racial inequality would not go away because wealth is sticky and self-reinforcing. It doesn't just get passed from generation to generation. It accumulates—as it did for William J. Levitt, who built a \$100 million fortune through his family business. Economists have found that intergenerational transfers—both during the parents' lifetime and after their death—account for at least half of the average American family's wealth.

By excluding blacks from Levittown, white households weren't just denying them a house. They were denying access to the most effective source of wealth generation in the modern world. Homeownership accrues wealth faster than most retirement accounts, and with a fixed-rate mortgage, it's less volatile and easier to access than the stock market. It has literally built the American middle class. Langston Hughes famously asked of the black experience in America, "What happens to a dream deferred?" Lorraine Hansberry interpreted the question as referring to restrictive covenants, and her answer, in the form of the play *A Raisin in the Sun*, became an instant classic. It resonated with us

because we know, deep down in our American bones, that home matters. We know that home is wealth. That home is family. That home is freedom.

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**BUT I WONDER, 65 YEARS AFTER HUGHES PUBLISHED THAT POEM, WHETHER WE CAN FAIRLY SAY THAT THE DREAM WAS DEFERRED. BECAUSE CALLING IT DEFERRED MEANS THE DREAM WILL BE REALIZED IN THE FUTURE. WILL WE EVER FINALLY ALL SHARE IN THE DREAM?**

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A version of this post originally appeared on Home Matters.

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## THREE KEY STEPS TO ADDRESS DISPARITIES AND ADVANCE EQUITY



**JEFF EDMONDSON**

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**The communities in the StriveTogether Cradle to Career Network have uncovered three key steps to working smarter in order to address disparities.**

Across the country, the most vulnerable children continue to be at the greatest risk. In the social sector in general, and in education specifically, reports regularly point to the significant disparities we face as a nation. Far too often these reports that disaggregate data in a host of different ways lead us to admire the problem instead of pointing us to meaningful solutions. When the practitioners who have the most connection to children beyond their families – the often overworked and underpaid early childhood providers, teachers, and non-profit or social service staff – read these kinds of reports that focus on problems over solutions, they hear one very clear and very loud message: work harder! Fortunately, community partners working together to orchestrate high-quality collective impact initiatives offer a different solution that calls out to everyone in any given community, not just the practitioners: work smarter. These communities focused on quality collective impact have uncovered three key steps to working smarter in order to address disparities: a) helping partners see they are the system they hope to change, b) having the courage to uncover and confront disparities, and c) using data to change how partners across sectors work each and every day.

Looking across communities implementing quality collective impact work, there is no question the first step requires

partners to embrace that they are embarking on a systemic rather than programmatic approach to change. What does that mean in real world terms? First, partners need a completely new way of thinking about how to organize to support, in the case of StriveTogether, the success of children. They need a new mental model. This new mental model should put the kids at the center of our work instead of the institutions. They should think about how we meet the unique needs of individual children, particularly those who are the most vulnerable, instead of assuming children should fit into the siloed way educational institutions and siloed services are organized.

Equally important in embracing this more systemic approach, community partners must also own the reality that they are the system. Rather than thinking of the idea of "systems change" as something distant or separate from themselves, it requires they start to see the role they play in making the system what it is today and, in accordance, how they can change it by changing their own behavior each and every day.

Once this perspective has been established or even seeded among a few dedicated partners who are willing to model this new way of thinking means in their everyday work, the next step is to commit collectively to common goals. There are a few common metrics in any given community on key social issues that are the essential "vital signs" of success. All of the over 65 communities in the Cradle to Career Network

have agreed on six outcome areas: Kindergarten readiness, early grade reading, middle grade math, high school graduation, college enrollment, and degree/certification completion. There are certainly other outcome areas a community may want to adopt based on their local context, but landing on a set of common measures that must improve is fundamentally critical.

But simply identifying the outcomes is not enough: the partners must then agree to report annually on progress and disaggregate data to unmask the disparities that certainly exist. We have seen communities who are performing in the upper quartile nationally on key educational metrics come face to face with the reality that their overall success masks some of the most dramatic disparities in the country. The inequity they uncover by looking at differences in performance based on race, class, and culture becomes a burning platform for action and forces them to completely rethink how they are working to address systemic and institutional racism that plagues their work individually and collectively.

And while the work outlined above is not easy, the third step is where the truly hard work begins for designing a completely new system for meeting the needs of the most disadvantaged children. At this point communities must start using data proactively at the child level – not the community or school level– to reorient how they approach their work every day. In practical terms, this means an early childhood center working together with primary care physicians to make sure all the basic needs of each child are met, especially those from high poverty home environments. It means schools working with social services to ensure mental and physical health issues that contribute to educational performance are addressed. It means higher education institutions hiring social workers who are willing to partner with employment services to make sure first generation college students have the knowledge and know-

how to get a high paying job. And in every case, it means the public and private investors changing how they make decisions to incentivize and encourage the use of data for the realignment of service provision to meet the needs of our most vulnerable students.

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**WE CAN CHANGE THE OUTCOME AND ELIMINATE DISPARITIES BY WORKING SMARTER, NOT HARDER. IT WON'T BE EASY. IT WILL BE MESSY AND, AS A RESULT, TAKE TIME. BUT I KNOW WE CAN MAKE IT HAPPEN.**

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# US DIVERSITY EXPLOSION IS A REASON FOR OPTIMISM



**WILLIAM H. FREY**

SENIOR FELLOW @ METROPOLITAN POLICY PROGRAM  
BROOKINGS INSTITUTION

As the waves from the nation's "Diversity Explosion" ripple out, young generations of new minorities—Hispanics, Asians, and multiracial American—are interacting with older minorities and white Americans in their pursuit of opportunities in a country that is in dire need of more youth. As the management textbooks might say, the growth of young, new minority populations from recent immigration and somewhat higher fertility is providing the country with a "just in time" demographic infusion as the largely white U.S. population continues to age.

Even though great disparities exist in wealth, income and education between white and minority Americans, I think these demographic shifts are a reason for optimism. Opportunities will increase when the institutional players across our country—politicians, civic leaders, nonprofit leaders, and employers—recognize the potential of this new, more diverse generation. Not least is the benefit to Social Security and other entitlement programs: In contrast to the population of labor-force age in Japan, Germany, Italy, and the United Kingdom—countries with generally older populations, lower fertility, and lower immigration—the U.S. labor-force-age population is projected to grow more than 5 percent between 2010 and 2030. Yet were it not for new minorities, the country's labor force would decline by 8 percent. Moreover, within the labor force, new minorities add needed youthfulness that brings with it innovation and an entrepreneurial spirit. Projections of the labor force show that in 2030, 54 percent of new minorities will be under age

40, compared to well under half of the rest of the labor force population.

But the benefit from the Diversity Explosion is not certain. To ensure we harness the power of our demographic shifts we need to:

— Pay attention to the needs of the next generation. We need to provide education supports, pathways to the middle class, job training, and federal as well as local support for families.

— Consider how to support the places where minorities are moving but haven't been before to make sure people access the opportunities they need.

— Ensure that communities and the nation understand the consequences of the fact that, increasingly, the older generation and younger generation seem to vote much differently.

Some may look at these projections and worry about the increased division in our country. But I think that we're going to change in the future and be open to racial diversity is precisely because of this sharp demographic transformation that we're undergoing. When the civil rights laws were passed in the 1960s, only 15 percent of the population was racial minorities.

These minorities were mostly blacks and they were mostly

living in segregated cities. When the 2020 Census is taken, more than 40 percent of the population is going to be racial minorities. They are going to be voting, running for office, and they will be established members of different industries and different communities.

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**IF WE ARE ABLE TO OFFER EQUALITY OF OPPORTUNITY TO ALL AMERICANS, WE CAN FULLY HARNESS THE POTENTIAL OF THIS NEW GENERATION AND CONTINUE THE US'S COMPETITIVENESS ON THE GLOBAL STAGE.**

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This blog is adapted from two blogs that appeared on Brookings.org: U.S. Diversity Explosion Is a Reason for Optimism and New minority growth is occurring 'just in time'.



LIKE HEALTHY ECO-SYSTEMS IN THE NATURAL WORLD, THE  
COMMUNITY DEVELOPMENT ECO-SYSTEM NEEDS DIVERSITY,  
REDUNDANCY, SYMBIOSIS.



- JOE KRIESBERG

# CREATING A HEALTH COMMUNITY DEVELOPMENT ECO-SYSTEM



**JOE KRIESBERG**

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**Structural racism is a pollutant that threatens the community development eco-system. How can we confront and defeat this dangerous pollutant?**

"Too many Community Development Corporations have abandoned their roots and don't empower local residents," said one Community Development Corporations (CDC) leader, noting that the professionals on staff were driving the agenda, not residents. "That's unfair" said another, who added "we have to attract investments from banks and work with City Hall to get things done". This was the summer of 1993, at my very first MACDC board meeting. This particular debate – and various versions of it – has animated community development for the past 25 years. As our movement's founding father, Mel King, often asks "in whose interest" are we working? Having just graduated from law school and starting a career in community development, I wondered what precisely I had walked into.

The debate manifests itself around three related but distinct tensions faced by CDCs across the country:

- Should we focus our efforts on places or on people?
- Should we adopt a comprehensive approach to or specialize in a single area so we can achieve greater scale and impact?
- How do we balance power between professional community developers and resident leaders?

At the core of these tensions is structural and institutional racism. Historical and persistent racism has resulted in a

professional class that is much whiter than the residents in our neighborhoods. The places where we work are highly segregated by race and income. People-based strategies, then, must overcome centuries of intentional and institutionalized disadvantage.

These tensions have become even more difficult to navigate over time as community development work has become increasingly complex, as private developers and new non-profits enter the space, as neighborhood demographics have changed (and sometimes changed again) and as new immigrants add even more layers to the dynamics of race, class, culture, and language.

While these tensions are challenging, they can also push us to develop more creative and durable approaches. At MACDC, we have rejected the notion that any of these questions can be answered. Rather we live with the tensions and recognize that different answers can and must co-exist – and that they can change over time and in different places. We do this by thinking of our field as an eco-system of connected organizations and people, rather than a collection of individual organizations. This allows some organizations to focus on place, others on people and still others on both. It means we need some organizations taking a comprehensive view, while others specialize in highly complex disciplines. We need organizations that are truly resident-led to hold accountable those that are governed largely by professionals. We need a variety of iterations and permutations that combine these elements in different ways.

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## STRUCTURAL RACISM IS A POLLUTANT THAT THREATENS THE COMMUNITY DEVELOPMENT ECO- SYSTEM. HOW CAN WE CONFRONT AND DEFEAT THIS DANGEROUS POLLUTANT?

Like healthy eco-systems in the natural world, the community development eco-system needs diversity, redundancy, symbiosis. And while the different elements of the system must work together and support each other, they cannot and should not be centrally controlled. Efforts to create a highly efficient “delivery system” are doomed to fail. Instead, interactions and collaboration should be organic. Competition is good too. And some organizations must die so that others can live and the system can flourish. Evolution and adaptation are essential and inevitable. And finally we must always remember that local eco systems are heavily impacted by global trends, whether they be climate change or world financial markets.

In my mind, structural racism is a pollutant that threatens the community development eco-system. I wish I could say it is an invasive species brought in from another place, but sadly it has been here for centuries. Because of its longevity, the pollutant has become symbiotic with the system itself—it has become engrained in and inured to everything we do.

So how can our eco-system confront and defeat this dangerous pollutant?

I certainly don't presume to have the answer to this challenging question, but over the past many years we have been working in Massachusetts to find some answers.

First, the community development field must unapologetically affirm our core values and remain true to them. For MACDC, we define these values as: (1) lifting

community voice and power; (2) fighting for racial equity; and (3) standing for economic justice.

Second, the field must have the capacity to meaningfully engage local residents to ensure that they are driving the agenda. This means that community residents are the subject of the sentence - not the object and that “demand-driven” community development balances out the supply side approach. In my view, this can only happen if the community development eco-system includes high-functioning, local, resident-led organizations – what we typically call community development corporations. We also need many other types of high functioning groups – government agencies at all levels; large non-profits, anchor institutions, foundations, private businesses, schools, health centers, lawyers, architects, social workers and others. CDCs need to be part of the system. And while CDCs should see their role as providing a vehicle for community voice, it is important that community-controlled institutions actually own some of the community assets we create.

Third, all the players in the system need to be experts at collaboration. As Paul Grogan, President of the Boston Foundation, often says, community developers need to have collaboration in their DNA. Collaboration is discussed so often that it can sound trite, but all of us know organizations that do it well and organizations that don't.

Fourth, our field must explicitly confront racism both in the community and in our field. We need to diversify the professional and volunteer leadership in our field; we need to join with other racial justice organizations to challenge

racial inequities; we need to speak out against local voices that promote exclusion; and we need to directly confront the challenges of working in multi-ethnic and multi-lingual places.

At MACDC we have launched several efforts over the past ten years that seek to strengthen our ecosystem:

— Alliance: Changing the Face of Community Development by Confronting Racism seeks to promote more people of color in our field through mentoring, education, and dialogue about racism.

— The Mel King Institute for Community Building provides high quality, local training to professional and volunteer community developers in four areas — real estate development, economic development, community organizing and planning, and community governance. The Institutes seeks to ensure that local CDCs and other players in our system have the skills they need to succeed in the 21st century.

— Formal, state certification system for CDCs, modeled after then federal CDFI program which creates standards for community accountability and enhances the credibility of the field.

— Community Investment Tax Credit (CITC) as a tool to drive private philanthropy to high performing CDCs. The CITC provides a 50% donation tax credit to individuals, foundations, businesses and others who donate to CDCs. In 2014, it generated \$4.7 million in flexible private funding for CDCs and in 2015 it generated \$8.3 million. Long-term we expect it to generate \$12 million per year to support resident-led, comprehensive community development.

These programs are gaining traction in Massachusetts and could be replicated in different states.

However, we know that these program and our current efforts are insufficient. We need to continue looking for new tools, programs, initiatives and policies. The definition of community development has evolved over time, growing larger and more inclusive. It has gone beyond housing, blight removal and business development. We are tackling

issues such as youth development, arts and culture, health, transportation and other issues. I worry sometimes it is growing too big and too unwieldy. At the same time, we need to ask: what is the role of community development in addressing our nation's structural racism? What's our role in dealing with police-community relations? Criminal Justice reform? Education? Fair Housing? Gentrification?

**I DON'T PRESUME TO KNOW HOW TO ANSWER THESE QUESTIONS. AND THOSE ANSWERS WILL LIKELY VARY AROUND THE COUNTRY. BUT NOW IS THE TIME TO MOBILIZE THE COMMUNITY DEVELOPMENT ECO-SYSTEM IN SEARCH OF ANSWERS.**

## BRINGING EQUALITY TO HEALTH



**RISA LAVIZZO-MOUREY**

PRESIDENT AND CEO  
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Racial segregation restricts access to such health-promoting resources as stable housing, healthy food choices, quality schools, job opportunities, and safe streets and parks. In fact, racism itself is a health risk. We know what the problem is. Now, let's get to work solving it.

In America, health outcomes are far too often dictated by the color of your skin. There is an almost 40 percent gap between the quality of care received by whites and African-Americans in the United States, and the disparity persists even when insurance status, education levels, and income are taken into account. That accounts for much of the U.S. life expectancy gap of 3.4 years between whites and blacks.

But this gap also reflects disparities that exist far beyond health care. Racial segregation restricts access to such health-promoting resources as stable housing, healthy food choices, quality schools, job opportunities, and safe streets and parks. In fact, racism itself is a health risk. Most African-Americans report discrimination as a chronic stressor -- the constant need to "brace yourself" for the possibility of being treated differently simply wears one down.

Eliminating racial and economic barriers is central to RWJF's vision of building a Culture of Health where all Americans have the opportunity to live their healthiest life possible, no matter the color of their skin or their economic status. But change is not happening fast enough. To

speed things up, RWJF is seeking out new partnerships from all sectors, and encouraging collaborations between groups that might not have thought of working together. Our country's core values include fairness and equal opportunity; achieving those requires inclusive, creative thinking, not only at the national level but city by city, neighborhood by neighborhood. That calls for a joint effort by government, businesses, health providers, community organizations, law enforcement, and educators.

There are already a number of creative solutions to region-specific problems in place. Take a look at Everett, MA; Kansas City, MO; Brownsville, TX; Spartanburg County, SC; or the Menominee Nation, WI. These communities are setting up job training programs, improving high school graduation rates, building safe parks and bike paths, opening grocery stores in food deserts, placing clinics in areas with few health care resources, creating a fairer juvenile justice system, and helping families raise healthy children. They represent just a few of the towns and cities recognized by RWJF's Culture of Health Prize, awarded each year to as many as 10 communities for improving the lives of all their residents through cross-sector collaborations.

To make sure such efforts are replicated across the U.S., RWJF and the Reinvestment Fund launched Invest Health, an initiative that brings together diverse leaders from mid-sized U.S. cities who are coming up with innovative solutions

to entrenched poverty, poor health, and a lack of investment. In January 2106 Invest Health awarded \$3 million to 50 cities to support programs to create affordable housing, safe places to play and exercise, and quality jobs. Teams from the selected cities will also have access to faculty advisors and coaches, and share what they've learned with a broader group of stakeholders.

RWJF is also proud to be a part of Living Cities' programs to promote equity in our cities. One example is Racial Equity Here, which supports five cities committed to improving racial equity through a range of collaborative programs. Albuquerque, Austin, Grand Rapids, Louisville, and Philadelphia will focus on increasing opportunities for youth and young adults ages 16 to 24 who are disproportionately out of school or work.

Philadelphia is already proving that collaboration can bring change. Philadelphia is the poorest of the 10 largest U.S. cities, the fourth most segregated, and for many years, one of the unhealthiest. But over the past several years non-traditional partners from the public and private sectors came together to address these issues. Among their accomplishments: the city made all indoor and outdoor public spaces smoke-free; put in place a comprehensive nutrition-labeling law for chain restaurants; added more than 30 miles of bike lanes and 18 miles of trails; rewrote its development plan and zoning code with an eye toward healthier neighborhoods; adopted healthier food standards for all city-run facilities; worked with more than 900 corner stores, restaurants and farmers' markets to sell healthy, affordable food; mounted media campaigns aimed at reducing the consumption of soda and salt; removed unhealthy drinks from school vending machines and fried foods from cafeterias; and passed a municipal tax on sugary beverages. Philadelphia's childhood obesity rate has fallen 6.5 percent since 2006 as a result, including relatively large

reductions among African American and Asian children -- one of the very few U.S. communities to see such a decline.

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**THIS FEELS LIKE A PIVOTAL MOMENT TO ME. DISPARITIES AND INEQUITY ARE AMONG THE DEFINING ISSUES FOR OUR NATION RIGHT NOW, AND MOVEMENTS TO ADDRESS THEM ARE GAINING MOMENTUM. WE KNOW WHAT THE PROBLEM IS. NOW, LET'S GET TO WORK SOLVING IT.**

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# CROSSING THE GREAT DIVIDE: BUILDING ASSETS AND WEALTH FOR ALL



**ANDREA LEVERE**

PRESIDENT

CORPORATION FOR ENTERPRISE DEVELOPMENT

@ALEVERE

**"But it's all right, 'cause it's all white... I ain't talking about rich, I'm talking about wealth."**

Chris Rock, 2004

Sometimes the most vivid truths are spoken by the most unlikely suspects. Since its founding 36 years ago, CFED has pursued a mission to reduce wealth inequality, although we didn't know it was called that until 25 years ago (what timing!) when Michael Sherraden introduced asset building as the next approach to poverty alleviation in his book, *Assets and the Poor*. While the creation of the social safety net was one of the crowning achievements of the 20th century, the economic changes of our time demand more if we expect to help families stabilize their financial lives and escape the cycle of poverty.

The asset-building approach was grounded in the belief that a household needs knowledge of and access to affordable financial products and services to build the savings and economic cushion that enable upward mobility. Policies that protect consumers in the financial marketplace and encourage savings and investment among low-income households can work in conjunction with traditional antipoverty programs to help families get ahead. The core insight that "it's not just what you earn, but also what you own" led to our view that the task ahead was to "turn the safety net into a ladder" by building a field of practitioners, crafting policies, engaging private markets, and collecting the data that diagnosed the challenges and delivered evidence of what worked.

CFED's partnership with Living Cities led to pivotal report in 2011 titled *Building Economic Security in America's Cities: New Municipal Strategies for Asset Building and Financial Empowerment*. This report chronicled the innovative approaches of a growing number of cities in advancing economic security and opportunity through offices of financial empowerment, innovations ranging from access to banking to credit building, and the use of municipal regulation to restrict predatory financial practices. The enduring gift of this report was the design of the Household Financial Security Framework which illustrated how personal behavior and aspirations, financial structures and systems, public policy and economic trends all interact to create the complex financial lives that we all live and how cities can align services and partners to build financial security in a comprehensive way. Five years later, this framework still guides the work of cities, states and nonprofit organizations.

Another leap came with the creation of the Liquid Asset Poverty metric which measures the ability of a household to exist at the poverty level for three months if its main source of income is disrupted. Today, 44% or almost half of US households live in liquid asset poverty, with rates much higher in many of our major cities. This number has changed the political conversation; rather than focusing on "those poor people" as a problem we now understand that more than half of the population faces some level of financial insecurity every day and is part of a broader community seeking solutions.

Yet despite the success of many of our asset-building programs and policies, the current level of income and wealth inequality has increased to levels not seen since the Depression. While Americans of all backgrounds have experienced significant losses of wealth since the recent recession, Americans of color have suffered the most. They are 2.1 times more likely than white households to live below the federal poverty line and 1.7 times more likely than whites to lack the savings needed to weather an unexpected financial crisis. Today, the gap between the average wealth of White households and Black and Latino households exceeds \$500,000.

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**A REPORT ISSUED BY CFED AND THE INSTITUTE FOR POLICY STUDIES LAST MONTH REVEALED THE STUNNING NEWS THAT IF THE AVERAGE BLACK AND LATINO FAMILY WEALTH INCREASED AT THE SAME RATE IT HAS OVER THE PAST 30 YEARS, IT WOULD TAKE BLACKS 228 YEARS AND LATINOS 84 YEARS TO GENERATE THE SAME AMOUNT OF WEALTH WHITE FAMILIES HAVE TODAY.**

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And this sobering reality brings us back to the prophetic words of our favorite comic-turned economist, Chris Rock. The challenge ahead is to proactively address the racial wealth divide through community-based and policy solutions that reduce this inequality at the national, state and local levels. While much of this inequality is the result of centuries of racist policies, our current tax code expands economic inequality every day through subsidies for homeownership, savings and investments, retirement and higher education that return almost \$147,000 annually to the top 0.1% while the average benefit for those making less than \$50,000 was barely \$150. We need to flip the tax code

while we place racial equity at the center of our strategy to revitalize cities and build financial well-being for their residents. I can imagine no organization better prepared to rise to this challenge than Living Cities as it celebrates its 25th anniversary.

# CONNECTING STUDENTS OF COLOR TO 21ST CENTURY JOB MARKET DEMANDS



**MICHAEL L. LOMAX**  
PRESIDENT AND CEO  
UNCF

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Public schools are no longer legally segregated, *de facto* segregation—segregation caused by housing patterns—is greater today than it was a half century ago, and research shows that schools with predominantly black and brown student populations offer students less preparation for college coursework and college success.

Ask most people about racial discrimination and education and they'll bring up *Brown v. Board of Education*, Little Rock Central High School, and Southern governors standing in the doors of segregated colleges: all the milestones in the struggle to break down the legal barriers that blocked African Americans and other students of color from getting a good education. And indeed, by the early 1990s, the local, state and federal laws that for more than a century had barred what Frederick Douglass called the path from slavery to freedom—education—were no longer on the books.

Although the legal obstacles to equal education had been overcome, other barriers appeared in their place. Where once a high school diploma and a strong work ethic had been qualification enough for jobs that would support families and communities, by the turn of the 21st century, most fast-growing, well-paid jobs required at least a college degree. Where once a four-year college education at a state university was within the reach of most moderate- and many low-income American families, the steady reduction in state support for higher education forced most families to incur debt to pay the cost of college. Where once the federal Pell

Grant paid for 76 percent of the cost of attending college, by 2015 the maximum Pell Grant paid less than one-third of the average cost of college.

But increased cost has not been the only major barrier to getting a good education. Although public schools are no longer legally segregated, *de facto* segregation—segregation caused by housing patterns—is greater today than it was a half century ago, and research shows that schools with predominantly black and brown student populations offer students less preparation for college coursework and college success.

In recent years, moreover, what was once a matter of social justice has become as well a matter of our country's economic competitiveness. Consigning students of color to the disadvantages of an inadequate education has always been wrong. But with America's population and workforce trending majority-minority by mid-century, the economy needs more college graduates of color—or risk losing jobs to other countries.

It doesn't have to be this way. Students of color can not only succeed in school, they can soar. An independent study of the KIPP (Knowledge is Power Program) national network of charter schools (on whose board of directors I sit), which serves predominantly minority communities, found that "network-wide, KIPP schools have positive, statistically significant, and educationally meaningful impacts on student

achievement." The low-income students of color who received scholarships from UNCF's own Gates Millennium Scholars Program had an average five-year graduation rate of 82 percent, significantly higher than the overall national graduation rate and comparable to that of students from higher income families.

How can we replicate these outcomes on a national level? We need to take both long- and short-term action. Long term, we need to restore the purchasing power of Pell Grants. We also need to take the lessons learned from school reformers in places like New York, Washington, Denver, Chicago and New Orleans: aim for more excellent teachers in more predominantly minority classrooms, more parental choice, more accountability for teacher and student performance.

Short-term changes are important, too: No child should have to delay his or her education until public school systems solve all their problems.

At elementary and secondary school levels, we should emulate KIPP's example, not because charter schools can ever replace public school systems, but to give parents of color right-now alternatives to schools that have failed their children. Longer school days, weeks and years: there's ground to be made up. And a focus like KIPP's on high school graduation not as an end in itself, but as a springboard to the college degree that the 21st-century job market demands.

And at the college level, replicate some lessons that the UNCF Gates Millennium Scholars Program taught us. That as important as it is to help students pay the cost of going to college, student aid must be more than a check. UNCF's Gates Scholars had the graduation rates they did because in addition to paying for their education, the program provided the academic and social support that low-income

students, many of whom are the first in their families to attend college, need and that students from higher income families take for granted.

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**THE HEROES WHO STRUGGLED FOR CIVIL RIGHTS  
IN EDUCATION DREAMED OF A COUNTRY IN WHICH  
EVERY AMERICAN, NOT JUST SOME AMERICANS,  
RECEIVED A GOOD EDUCATION. IT'S NOT TOO LATE TO  
MAKE THAT DREAM COME TRUE.**

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WE CAN'T SIMPLY DO MORE OF THE SAME IF WE HOPE TO WRESTLE DOWN THE HOUSING AFFORDABILITY CRISIS. FORTUNATELY, OVER THE LAST 25 YEARS WE'VE LEARNED SOME VALUABLE LESSONS, AND THEY POINT TO HOW WE CAN TAKE OUR IMPACT TO A NEW LEVEL.



- TERRY LUDWIG

# OPPORTUNITY BEGINS AT HOME: HOW THE LAST 25 YEARS IN AFFORDABLE HOUSING CAN INFORM THE NEXT 25 YEARS

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**TERRI LUDWIG**

CEO

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We can't simply do more of the same if we hope to wrestle down the housing affordability crisis. Fortunately, over the last 25 years we've learned some valuable lessons, and they point to how we can take our impact to a new level.

More than ever before, we understand just how much place matters. Where we live determines our access to opportunity in life – to rewarding jobs, quality education, nutritious food, effective health services, convenient public transportation and other resources necessary to thrive.

At the center of this ecosystem — at the center of our place — is our home.

My organization, Enterprise Community Partners, was founded on the belief that a home is the “first rung” on the ladder of opportunity. For low-income families, not only does housing have by far the biggest impact on their pocketbooks, often crowding out other critical expenditures like groceries or gas to get to work, but it provides the essential platform for growth. Your family's health, your connection to quality employment, your child's ability to study – these things are extraordinarily difficult without a stable home.

The story of affordable housing in the U.S. over the last 25 years is one of tremendous progress. Our field has provided millions of affordable homes that, for an untold number of low-income people, have meant a springboard out of poverty. We should be proud of that.

Yet despite this progress, the affordable housing challenge continues to grow. At this moment, 11 million renter households — whose incomes are typically half those of homeowners — are housing insecure, either homeless or paying more than half their income each month on rent (meaning they are often just a paycheck away from homelessness). This constitutes a full-blown crisis.

And it is not merely an issue of scale. We can't ignore the disproportionate effect of this crisis. Look at virtually any major city in America and you'll find persistent patterns of residential segregation, where poverty continues to be heavily concentrated along racial lines – this despite a half-century having passed since the seminal Fair Housing Act deemed housing discrimination illegal.

We can't simply do more of the same if we hope to wrestle down the housing affordability crisis. Fortunately, over the last 25 years we've learned some valuable lessons, and they point to how we can take our impact to a new level. Here are three significant lessons that I believe should carry us into the future:

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We must continue to activate the markets. We have already seen how innovative financial tools, such as targeted tax credits, can be a force for positive impact. We should build on this success.

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To reverse pernicious patterns of segregation, we

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## THE LAST 25 YEARS HAVE CONTINUALLY REINFORCED THAT THE CHALLENGES FACING OUR COMMUNITIES ARE DEEPLY, INTRICATELY INTERWOVEN.

need a balanced ("both/and") approach to community development: both providing ways for low-income people to move into opportunity-rich neighborhoods and investing in distressed neighborhoods.

— We need truly cross-sector solutions. The sectors that provide opportunity -- including health, education, housing and transportation -- need to align objectives and approaches. Our challenges are integrated, so our solutions must be, too.

### ACTIVATING THE MARKETS FOR SOCIAL GOOD

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For the last three decades, affordable rental homes for low-income families have been created almost exclusively through a unique and powerful financial tool: the Low Income Housing Tax Credit (LIHTC). LIHTC, which was created in part by Enterprise founder Jim Rouse, is an undeniable success story in public-private partnerships, having financed virtually all of the country's affordable housing construction since the late-1980s — nearly 2.8 million affordable homes and counting.

LIHTC is valuable not only for its successes, but as a guide for the future. In short, LIHTC is a federal policy program that incentivizes private investors to invest in affordable housing — something they otherwise would not do because of the unfavorable economics. Investors not only receive financial returns on their investment but are also able to claim tax credits — a dollar-for-dollar reduction in their tax liability

— after the housing is developed and kept affordable for at least 15 years. This pay-for-performance model infuses market discipline, unlocks dramatically more capital, and ensures that the federal government only pays when the desired outcome is achieved.

Encouragingly, other similar social investment tools have emerged over the last few years, such as the New Markets Tax Credit and social impact bonds (SIBs). They too demonstrate the power of activating the markets for social good, pointing to how we can unlock dramatically more capital for communities that need it.

### A BALANCED APPROACH TO COMMUNITY DEVELOPMENT

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The debate about how to fight poverty in America is often presented as a choice. Should we focus on revitalizing distressed communities, or should we work to help low-income families move into higher-income neighborhoods with more immediate opportunities like good schools and jobs? The answer? Both.

The "choice" has always been a false one. This debate was reignited last year amid two landmark events. The first: a Supreme Court ruling on disparate impact which affirmed that housing policies that segregate minority groups — even unintentionally — can be ruled illegal. The second: the Obama administration's Affirmatively Furthering Fair Housing

rule, requiring state and local governments to actively combat segregation.

These events breathe new life into our ability to reverse residential segregation in America, almost fifty years after the passing of the Fair Housing Act. But we need a balanced — “both/and” — approach. The good news is we already have tools to do it, such as housing vouchers that provide low-income individuals a degree of mobility and tools like LIHTC and the New Markets Tax Credit, which draw investment into historically underinvested communities. Now we just need the collective will to strengthen and expand these tools.

## **INTEGRATED, CROSS-SECTOR SOLUTIONS**

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The last 25 years have continually reinforced that the challenges facing our communities are deeply, intricately interwoven. Poor quality housing leads to poor health; limited transit means poor access to jobs; housing instability leads to poor school performance. No problem is entirely isolated. We need integrated solutions, with all sectors at the table.

For Enterprise's part, while housing continues to be at the core of our work, we now use a more comprehensive “opportunity” lens in our work. This is guided by our emerging “Opportunity Index” — a tool that maps how opportunity-rich a given community is (i.e., the availability of affordable housing, quality education, employment, etc.), enabling us to develop more targeted solutions with partners where there are clearly identified needs. At the heart of the index is technology and data: a way of aggregating open-sourced, trending, resident-fed information that reveals the specific needs of a given community. More than anything, though, we see the index as a platform for networked collaboration, empowering us all to align our objectives for exponentially greater impact. In another 25 years, when we look around and see thriving,

integrated neighborhoods across the United States, I believe it will be because we all brought everything (and everyone) to the table: innovative financial tools to unlock capital in underserved communities; an inclusive, “both/and” approach to reversing the cycle of concentrated poverty; and a platform for cross-sector collaboration.

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**OPPORTUNITY IS NOT DEPENDENT ON ANY ONE RESOURCE — NOT HOUSING ALONE, NOR EDUCATION OR HEALTH — BUT ON ALL OF THESE ESSENTIAL COMPONENTS FOR A FULFILLING LIFE WORKING TOGETHER.**

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# CONNECTING OUR YOUTHS TO OUR COLLECTIVE FUTURE



**PATRICK T. MCCARTHY**  
PRESIDENT AND CEO  
THE ANNIE E. CASEY FOUNDATION

To ensure that all young people become productive adults, we need to actively seek out, identify and confront policies and behaviors that – intentionally or not – sideline youth of color from pathways to opportunity and, simultaneously, we need to invest in and expand the things that help them succeed.

"Our two-year study of 16-24 year olds has convinced us that, as young Americans navigate the passage from youth to adulthood, far too many flounder and ultimately fail in their efforts. Although rich in material resources, our society seems unable to ensure that all our youth will mature into young men and women able to face their futures with a sense of confidence and security."

So argues The Forgotten Half, a seminal report by William T. Grant Foundation, published in 1988, a few years before Living Cities was founded.

Subsequent reports and calls for action reflect the increasingly difficult passage many young people continue to face. In 2003, the William and Flora Hewlett Foundation published *Connected by 25*, documenting the poor outcomes for young people who do not complete high school, are involved with the juvenile justice system, spend time in foster care and/or are young, unmarried mothers.

In 2012, the White House Council on Community Solutions estimated that one in six young people ages 16 to 24 are disconnected and could ultimately cost taxpayers \$1.6 trillion over their lifetimes in foregone revenues and increased costs for social supports. Also in 2012, The Annie E. Casey Foundation published *Youth and Work: Restoring*

*Teen and Young Adult Connections to Opportunity*. The report noted that changes in the broader economy were making it more and more difficult for young people to get attached to the workforce.

These reports and calls for action have achieved some gains. Several recommendations from *The Forgotten Half* were included in the Carl D. Perkins Vocational and Applied Technology Education Act which reduced divisions between academic and vocational education and built stronger connections between high schools and community colleges. Responding to some of the issues raised in *Connected by 25*, the Fostering Connections Act in 2008 authorized expanding foster care to 21, to help provide more support to vulnerable youth during their transition to adulthood. There have been many public and private initiatives launched to focus on helping more young people back onto the path to opportunity. For instance, *Achieving the Dream*, founded in 2004 by the Lumina Foundation and seven others now is working with 200 institutions of higher education, and the Opportunity Youth Incentive Fund launched by the Aspen Institute in 2012 to carry on the work of the White House Council on Community Solutions now is working in 21 communities. In 2003, the Youth Transition Funders Group published a guide for funders based on *Connected by 25*, updated in 2013, and has continued to facilitate learning and action by more than 100 funders focused on successful futures for youth and young adults.

Since the publication of *The Forgotten Half* and the founding of Living Cities, most measures of youth well-being have improved. Eighty-six percent of high school graduates now attend college within the eight years following high school.

The teen birth rate has decreased by 60% and the rate of high school students not graduating on time also has decreased markedly, by 31%. Youth incarceration over the past decade has decreased 53% and placements in foster care also have decreased.

That's the good news. The stark and alarming bad news is that the employment rate for young adults is at the lowest level since World War II. Only about half of young people ages 16 to 24 held jobs in 2011. More than 5 million young people ages 16 – 24 remain out of school and out of work. While some of them will find their way back on track, we know that many will continue to have only tenuous ties to the workforce, and many will struggle to form and provide for stable families. Approximately sixteen percent of them are already parents caring for children, increasing the odds that their challenges will continue over to the next generation. Disconnected youth are not a population that has been hidden from view. It is not an issue that has lacked attention from important public or private sector institutions. It is not a challenge for which we have been unable to identify policy changes, practice improvements or program innovations.

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**BUT STILL WE AS A SOCIETY ARE WRITING OFF MILLIONS OF YOUNG PEOPLE AND WE ARE DOING SO TO THE DETRIMENT OF THEIR LIVES AND OUR COLLECTIVE FUTURES.**

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So what are we missing? In short, as in so much of American life, we have failed to face up to the impact of race and racism on their daily lives and on their futures. A conscious, deliberate, and thoughtful focus on racial equity has been largely lacking from our strategies and thinking.

More than half of disconnected youth are of color. For most of them, becoming disconnected from opportunity is not a sudden development. Their disconnection reflects the deeply entrenched and perniciously powerful effects of longstanding policies, practices and behaviors that exclude people of color from opportunity and make it difficult for families to give their children the futures they deserve.

Moreover, youth of color are much more likely to become involved in systems that function as off ramps from opportunity, virtual pipelines to disconnection. Youth who spend time in foster care are significantly more likely to also spend some time neither employed nor in school as young adults, and one study estimated that as many as 45% of all disconnected youth have been involved in the justice system.

To ensure that all young people become productive adults, we need to actively seek out, identify and confront policies and behaviors that – intentionally or not – sideline youth of color from pathways to opportunity and, simultaneously, we need to invest in and expand the things that help them succeed.

That means zeroing in on supports for young people involved in the juvenile justice or child welfare systems and young people of color. It means redoubling our efforts to reduce the pipeline by decreasing the number of youth who are incarcerated as well as reforming our approach to juvenile justice to place a stronger emphasis on helping young people acquire the skills, experiences and credentials that will prepare them for work. It means bringing together strong but isolated efforts to create pathways to opportunity with mentors and coaches who can help young people navigate those pathways.

Every analysis from the mid-80s onward has noted that young people of color do worse than their white counterparts. But as progress is being made for some youth, we have not yet built the will to do what it takes to ensure that all youth become productive adults. Absent specific actions targeted to achieve equitable outcomes, youth of color will get left further and further behind and their children will start even further behind. Our aspirations to be a nation of equity and opportunity will be impossible to achieve if we do not intentionally and aggressively act to ensure that all young people are on a path to a productive adulthood.

# OPENING THE BRIDGE TO OPPORTUNITY THROUGH EDUCATION



## JILL NISHI

DIRECTOR OF STRATEGY, PLANNING & MANAGEMENT AND  
CHIEF OF STAFF, U.S. PROGRAM  
BILL & MELINDA GATES FOUNDATION

@JILLNISHI

**Our work to date has taught us the imperative of deep and deliberate engagement with educators — particularly teachers — but also parents and communities, as full partners in achieving our shared goals of a dramatically improved education system.**

The Bill & Melinda Gates Foundation was founded in 2000 with the belief that all lives have equal value. In the United States, our primary goal is to ensure that our country's education system serves as a bridge that can carry every student from Pre-K through high school and successfully prepare them for college and careers.

Against this goal, we are seeing signs of momentum as the result of the hard work of students, teachers, parents, school leaders, policy makers and our partners over the past fifteen years. In 2014, the high school graduation rate reached an all-time high of 82 percent. Approximately four out of every five students graduated with a high school diploma within four years of entering the ninth grade. We also know that the most recent gains in the graduation rate were driven primarily by increases of greater than five percent in graduation rates for Hispanic students, African American students, and English Language Learners, compared to the three years prior (2010-11).

However, despite this progress— there are still too many students who are not prepared to be successful after high school graduation. Today, only 40 percent of students

graduate college-ready and for Hispanic and African American students, this rate falls to 25 percent and 12 percent, respectively.

In response, the foundation's investments in K-12 education have supported state adoption of the Common Core State Standards – a set of rigorous benchmarks for what students should know and be able to do, grade over grade, and ultimately graduate from high school prepared for college or postsecondary education. In addition, we are also investing in the development of tools and curriculum to help teachers implement these standards in their classrooms and provide them with the support they need.

Today, the Common Core has been adopted by 42 states, the District of Columbia, and, four U.S. territories. The benefits of high, consistent standards are becoming increasingly clear. Kentucky, the first state to implement the Common Core, has seen a six percent increase in college readiness since 2011; DC Public Schools is observing meaningful increases in their National Education Assessment Progress (NAEP) scores; and the states of New York , New Jersey , Delaware , and Washington also recently reported upticks in student achievement. While these early results hold promise we know there is substantial work to be done.

As we forge ahead, the foundation is committed to using lessons learned in our work to continuously improve. We've learned how important it is to ensure that we accurately

gauge the resources and support necessary for new policies to work in our states, districts, and schools. Similarly, our work to date has taught us the imperative of deep and deliberate engagement with educators—particularly teachers—but also parents and communities, as full partners in achieving our shared goals of a dramatically improved education system.

We will also build on what we've seen work well: the use of data to support instructional improvement and ultimately student achievement; a nonpartisan approach to driving change that welcomes partners, insights and contributions from throughout and across the education sector; and a core belief in the value and power of transparency in our work.

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**WITH THESE AS OUR GUIDING PRINCIPLES, THE BILL & MELINDA GATES FOUNDATION WILL CONTINUE TO SUPPORT THE WORK OF OUR PARTNERS IN EDUCATION, AND HELP SET THE TABLE FOR ANOTHER 25 YEARS OF PROGRESS AND THE PROMISE OF EDUCATION TO SERVE AS A BRIDGE TO OPPORTUNITY FOR ALL STUDENTS.**

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## REMARKABLE PROGRESS IN JUVENILE JUSTICE REFORM, BUT NOT FOR ALL KIDS



### NICK TURNER & SCARLET NEATH

PRESIDENT AT THE VERA INST. OF JUSTICE &  
SENIOR COMMUNICATIONS ASSOC. AT THE VERA INST. OF JUSTICE

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Twenty-five years ago, the overall crime rate in the United States was reaching its peak. We didn't know it at the time, of course, and the tough-on-crime movement spurred punitive policies well into the next decade. Today, there is near-consensus among the American public and policymakers that the cost of mass incarceration has been too high—particularly for low-income communities of color. This shift represents a sea change in public opinion, and policy change is slowly but surely following. But truly stemming the flow of people to prisons and jails will take significant, dedicated effort by policymakers at all levels of government.

One clear success stands out when looking back at how we have used incarceration over the past 25 years: the dramatic reduction in the number of young people sent to juvenile prisons. At the height of the tough-in-crime movement, America braced itself against an impending flood of a new kind of young criminal — “superpredators” not capable of remorse or rehabilitation. States passed harsher sentencing laws to try more young people as adults, and constructed more secure juvenile prisons. But the anticipated wave of youth crime never came, and once the fear—and well, let's say it, fear mongering—dissipated, juvenile justice systems across the country began a return to the premise on which they were founded: kids are different from adults, and how we respond to their misbehavior should reflect that difference. This time, that common sense idea was reinforced by measurable cost savings, improved outcomes, and neuroscience.

An encouraging indicator of the possibility of reform in the adult system, the juvenile justice system now in fact responds differently than it did a quarter-century ago. From 2003-2013, the rate of young people being locked up fell by 47%, by The Sentencing Project outlined earlier this year. Notably, every single state witnessed a drop in its juvenile incarceration rate, including the 19 states where it fell by more than half.

This is a remarkable achievement, especially in light of calls to cut the prison population by half (see the missions of #cut50 or JustLeadershipUSA). But it would be a mistake to take these impressive statistics at face value and not look at the kids who are still getting locked up. While the overall incarceration rate plummeted, the racial disparities within the juvenile justice system did not improve—in fact, they got worse. In the same 10-year period, the racial gap between black and white young people in prison increased by 15%—in 2003, black kids were 3.7 times as likely as white kids to be behind bars, and by 2013, that ratio had grown to 4.3.

How did this happen? While racial disparities exist throughout different points of the juvenile justice system—just as in the adult system—research points to arrests as a key factor in the disproportionate treatment of black youth. While black and white kids are “roughly as likely to get into fights, carry weapons, steal property, use and sell illicit substances, and commit status offenses, like skipping school,” The Sentencing Project report explains, “black

teenagers are far more likely than their white peers to be arrested across a range of offenses." While arrests of youths in general have fallen as the incarceration rate dropped, they declined at a slower rate for black kids: in 2013, black youth were 129% more likely to be arrested than their white peers, up from 85% ten years prior.

These trends are even more pronounced in certain cities. The New York City Mayor's Office recently released a Disparity Report showing that while rates of misdemeanor arrests declined for white boys by 72% from 2004-2014, they increased for black boys by 36%.

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**TODAY, BLACK BOYS IN NEW YORK CITY ARE 17.3 TIMES MORE LIKELY TO BE ARRESTED FOR A MISDEMEANOR THAN WHITE BOYS. THESE DISPARITIES IN ARREST RATES HELP EXPLAIN WHY THE DROP IN INCARCERATION RATES FOR NEW YORK CITY KIDS HAS BEEN SO UNEVEN: FROM 2002-2014, IT DROPPED BY 84% FOR WHITE BOYS, BUT ONLY 36% FOR BLACK BOYS.**

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These recent examples of data-driven analysis are critical to understanding, and eventually eliminating, the racial and ethnic disparities in juvenile justice. They join a deepening knowledge base—the federal government has mandated states to report data on racial disparities in their juvenile justice systems for decades. But as some very wise voices are pointing out in Burns Institute report, "Repairing the Breach", it is hardly enough to document these disparities—we must also acknowledge and understand our nation's history of racial bias that underlies them in order to solve them. The current national conversation on criminal justice reform opens up an opportunity to turn the tide on mass incarceration and improve economic outcomes for low-income Americans, especially those of color. Taking a close

look at the juvenile justice system's evolution in the last 25 years exemplifies the promise and the unfulfilled promise of such reform. It is a poignant reminder that even when we have made notable progress in the delivery of justice, we must continually examine this progress to see if it has affected all Americans equally—and if it has not, we can pat ourselves on the back for a minute but then immediately double down on the hard work of securing equal justice.

There is much to be learned from our recent history in juvenile justice. We need to incorporate recognition of the role of structural and systemic racism in reform efforts from the very beginning.

# GETTING COMFORTABLE BEING UNCOMFORTABLE



**SARAH ROSEN WARTELL**

PRESIDENT  
URBAN INSTITUTE

@SWARTELL

Living Cities' evolution over the last 25 years reflects the field's maturing understanding of what works for connecting people to opportunity and transforming systems so that residents and their neighborhoods can thrive. Best practice today requires understanding the dynamics of place, working across sectors, building integrated data-systems, and facilitating research-practice partnerships to measure progress and continuously inform strategy. Most importantly, it requires us, to quote Bryan Stevenson, to "get comfortable being uncomfortable." We must explicitly confront enduring racial barriers not only in the communities where we invest but also in our own organizations and modes of work.

## UNDERSTANDING HOW PLACE MATTERS

A growing body of evidence is helping us to understand better the mechanisms by which place can support or impede social and economic mobility. Looking simply at the income of neighborhood residents does little to tell you whether the place is a sinkhole that traps generations in poverty, or a **springboard** that offers opportunity within the neighborhood and connects people to mechanisms of mobility beyond its borders. As we utilize powerful new research to hone in on factors that seem to best determine the future of low-income children, the stale debate about whether to invest in people or places now seems silly. Both are needed. We are quickly building stronger evidence in determining the most important individual supports and community investments necessary to overcome trauma and

poverty. We are guided by new information around how a network of social supports can sustain families who have moved to higher opportunity neighborhoods, ensuring that they are able to thrive.

Still, with ever more knowledge of the impact of isolated poverty and trauma on children, we have to confront hard choices: do we have enough resources to transform all the places where children face overwhelming odds or do we offer more choices in opportunity-rich communities? Resident voices are necessary to guide these hard choices.

## COMPARATIVE ADVANTAGE IN CROSS-SILO COLLABORATION

A critical lesson of the last 25 years is that capital is key but insufficient as a stand-alone remedy. Affordable housing cannot be successful without transit access. Workforce training cannot be successful without accessible childcare – the cautionary lessons of single intervention are well known. However, "one-stop shop" solutions are too often found playing roles where specialized actors might do better. Additionally, new organizations sent by funders to implement these solutions without community knowledge or legitimacy may only create frustration. Today, we know communities make progress when authentic leaders, national and local intermediaries, and community providers each bring their comparative advantage to the table and receive resources to support the difficult and time-consuming work of collaboration.

## DATA-DRIVEN PRACTICE

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Shared data, common measures, and insights from integrated data can provide glue for collaboration. The costs of integrated data systems are falling and practices are improving. There was a time where researchers arrived in a neighborhood, collected data for a single study, disseminated results, and were frustrated that too few of their insights made their way into practice. Now, newer models have emerged for research-practice partnerships in which lasting relationships are forged, relevant questions are framed together, information systems are designed not simply for reporting but to provide ongoing insights for continuous improvement, information from other systems is merged, and trust is built between providers and researchers. Community development actors are joining these efforts, starting often with partnerships between housing providers and school or health systems. The future holds exciting solutions if funding for the required infrastructure can keep pace with the ever-increasing opportunities for building out knowledge systems.

## CONFRONTING OUR OWN RACIAL BLINDERS

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Like many white Americans, the last two years have knocked me out of complacency about racial progress – a complacency people of color within our society have never had the luxury to experience. In the community development field, being comfortable in our complacency has meant that neighborhood strategies to expand opportunity rarely considered explicitly the racial barriers that would limit their effect. What should a housing or infrastructure investment strategy for those places include to begin to tear down structures built up over decades? What role will community voices play in shaping the strategy? Will investors engage and support a diverse group of local leaders in planning and execution? What does the leadership look like in the community-based institutions that

are empowered by these investments? **An explicit strategy of removing racial barriers must be at the core of “a new urban practice.”**

To start, that means looking hard at the make-up of our own institutions. Tackling structural racism in our work requires a broader understanding of relevant experience and competencies in our own hiring. Research increasingly tells us that innovation emerges when different people combine their insights.

# THE STATE UNIVERSITY OF NEW YORK: EXECUTING CHANGE TO DRIVE COLLECTIVE IMPACT



**NANCY L. ZIMPHER**  
CHANCELLOR  
THE STATE UNIVERSITY OF NEW YORK

It probably doesn't come as news to anyone reading this that our country is facing a shortage of adults prepared to fill the medium- and high-skill jobs that support a healthy economy and a strong middle class.

To take New York State as an example, right now about 46 percent of adult New Yorkers have a college degree, but we are fast climbing to the point where about 70 percent of jobs in the state will require the knowledge and skills developed through higher education. So there's a gap. And we need to close it.

At The State University of New York there's a line we often repeat: We teach the students who come to college, ready to learn or not. If they come unprepared to take on college work, they must spend time taking remedial courses, where they get bogged down in non-credit-bearing classes. It's costly, students get discouraged, and they are all too likely drop out.

Moreover, SUNY also trains 25 percent of the state's entire teacher workforce, graduating 5,000 new teachers each year. This means we teach the teachers who also come to us as students, also ready for college or not. And because excellent teachers are the number-one in-school factor that determines student success, it's a massive responsibility on SUNY's shoulders to get that training right—to make sure we are not only making the best teachers, but that we are linking them up with the communities that need them most.

So here is the crux of the matter, the intersection of need

and fact: New York, like every state, needs to prepare legions of adults who can succeed in a wide range of careers, including teaching. But the hard fact is too many students, because of where they were born or the schooling available to them, don't have access to the opportunities and support they need to succeed.

In New York there are two stories to tell about education success. In 2015 the four-year high school graduation rate rose to 78.1 percent from 76.4 percent the year before, edging in the right direction, closer to the new national average, which, at 82 percent is at an all-time high. Still, about 7 percent of students who entered ninth grade in New York State in 2011—about 14,590 students—dropped out of high school. Black and Hispanic students, representing the fastest-growing segments of the population, are at greater risk than White students for dropping out. Among the 2011 cohort, 65 percent of Black and Hispanic students graduated high school on time compared to 88 percent among their White counterparts. Sixty-four percent of high-school dropouts in New York come from economically disadvantaged homes. And this is nothing to say of the college enrollment and completion rates. Year by year, as a cohort advances, the numbers fall off, resulting in just about a quarter of those 100 high school freshman going on to earn a college degree with six years after finishing high school. The college enrollment and completion numbers are even lower in economically challenged urban areas of the state, where large or majority portions of the student populations are made up of Black and Hispanic students. With numbers like this, New York, which is a little ahead of

the middle of the pack for state college graduation rates, needs to do better if we're going to close the gap between where we are and where we need to be.

## SUNY AS CHANGE LEADER

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Driven by our core mission to provide every New Yorker with the opportunity for a world-class higher education, we at SUNY have taken on a challenge. We have committed to becoming the change leader New York needs to create the **collective impact** necessary to improve student outcomes from cradle to career. We decided that it was on us, that it was our responsibility as the largest comprehensive public university system in the nation, to step up, survey the entire, vast education landscape and see where higher education could do more and better to ensure that every student has the opportunity and the support to succeed in school and life.

In striving to meet these goals, we created the New York Cradle to Career Alliance, SUNY's statewide collective-impact driver, in partnership with StriveTogether, the country's premier thought and action leader on creating collective impact in cradle-to-career education. Together, the more than a dozen local partnerships form the country's first statewide partnership of this kind.

In their 2011 article published in the **Stanford Social Innovation Review**, John Kania and Mark Kramer define collective impact as, "The commitment of a group of important actors from different sectors to a common agenda for solving specific social problems." It takes an admission on the part of stakeholders throughout the community—beyond education to include from government, business and industry, philanthropy, the social sector—that our most challenging social issues are shared social issues. That as a society we rise and fall together, and because of that we have the shared responsibility to learn and employ new ways to lift everyone up.

To do this kind of work—to clearly identify and articulate the challenge at hand; to assemble the right players at the table; to create and continually work toward a common agenda;

to establish a real, shared sense of responsibility; to collect and use data to make the best decisions about how to move forward; to keep the stakeholders coming back to the table in the face of conflict, frustration, and other commitments—all this takes discipline, patience, trust building, and creating a mindset shift among those participating in the work. This doesn't happen overnight. It's slow, hard work. But, as Kania and Kramer demonstrate in their 2011 piece and in another that followed in 2013, it also may prove to be the most promising way forward in solving some of our society's most daunting problems—health care, environmental issues, homelessness—and in the education sector, improving critical outcomes from kindergarten through college, such as kindergarten readiness, fourth-grade reading achievement, high school graduation rates, and college enrollment and completion, to name a few.

To begin to change so we can collectively meet these needs, we need leaders who understand the science of change, systems that are change-oriented and more adaptive, a culture of data-driven decision making across entities, and a renewed commitment to working together across sectors to scale up change. By improving our ability to adapt, we improve our ability to impact.

This is exactly what SUNY is doing at an unprecedented scale, and we hope that this work, this approach, can serve as a model for other states and systems that need to create the same kind of change.



The background of the slide is a solid blue color. It is decorated with numerous light blue diagonal stripes of varying lengths and orientations, primarily concentrated along the left and right edges, creating a dynamic, modern feel.

**A SIGNATURE MOMENT**  
— *for* —  
**HARNESSING CAPITALISM  
AND PRIVATE CAPITAL TO  
ADDRESS RACIAL  
OPPORTUNITY GAPS**

# LIVING CITIES: A SIGNATURE MOMENT FOR HARNESSING CAPITALISM AND PRIVATE CAPITAL TO ADDRESS RACIAL OPPORTUNITY GAPS



**BEN HECHT**  
PRESIDENT & CEO  
LIVING CITIES

@BENHECHT

Capitalism and private capital have always played a central role in Living Cities' strategies. While an increasing number of foundations are intentionally blending grants and investments together to drive social change today, Living Cities has been doing it since our inception in 1991. With foundations and financial institutions making up our membership and governing body, we have always looked for new ways to use precious grant dollars to unlock market forces and more plentiful private capital for good. As we commit, as a collaborative, to closing the racial income and wealth gaps, we must expand our experimentation and investments in harnessing the forces of capitalism and the scale that private capital enables towards those ends.

## **Much Success: Billions into the Built Environment**

Since its inception in the decades after World War II, the community development sector in the United States has emphasized the primacy of place. According to this theory, poverty was largely considered to be a side effect of geographic isolation and disinvestment – if you can address market failures in a limited number of neighborhoods, you will dramatically improve the economic conditions of a huge number of the nation's low-income people who live there. With that theory of change, an ecosystem that could change the built environment, at scale, was intentionally created through the passage of a number of sophisticated tools and policies, such as the Low Income Housing Tax Credit (LIHTC) and the Community Reinvestment Act (CRA), growth

of sophisticated organizations, such as LISC, Enterprise, LIIF, and TRF, and the emergence of a supporting cast of local, regional and national actors, public and private.

Using a cornerstone of American capitalism, real estate development and finance, this ecosystem has been able to attract hundreds of billions of dollars in private equity, debt from traditional financial institutions and government, as well as philanthropic grants and loans, and produced more than 2.5 million units of affordable rental housing across the country. Living Cities and its member institutions played important roles in the build-out of that ecosystem. In fact, two organizations, LISC and Enterprise, Living Cities' primary partners in our first fifteen years, together have raised more than \$20 billion (leveraged many times over), helped build or rehab more than 500,000 units of housing and developed millions of square feet of retail, community and educational space nationwide.

## **Much to Do: The Realities of Today's Disparities**

However, while so many of us were honing our abilities to harness the tools of capitalism and private capital to transform the built environment, a lot changed in the macro economy. An increasingly global trading system accelerated the globalization of the U.S. economy with profound impacts on neighborhoods and low-income people. It further reduced the role that low-income neighborhoods could play in the economic lives of their residents by moving jobs not just out of the neighborhood

to the suburbs, as had happened in the 1970s and 1980s, but out of the country.

Today, in fact, we know that the market failures that we need to address to increase the income and wealth of low income people, especially those of color, are occurring well beyond the built environment in specific neighborhoods. Transforming targeted neighborhoods is necessary but not sufficient if our goal is to transform the economic well-being of the people who live there. Take, for example, San Francisco, one of our Integration Initiative cities where we are partnering with the collective effort of Hope SF. The unemployment rate in the city of San Francisco was 3% in May 2016. However, in the four neighborhoods that are part of the HOPE SF initiative which are made up of majority non-white residents, the unemployment rate is 70%. Transforming the neighborhoods alone will not lead to an increase in income or wealth for those residents. We must be able to connect HOPE SF residents to jobs that provide income and build wealth.

Not only must low-income people be connected to jobs, but those jobs need to be created. However, changes in the macro-economy are impacting how jobs are created in the 21st century. Our economy used to be driven by young companies (firms no more than 5 years old) who were being formed faster than others failed, and producing a lot of jobs. In fact, over much of the past twenty five years, business 'births' outnumbered business 'deaths' and firms less than five years old accounted for substantially all of the net new jobs created in the country.

But that has changed. The number of start-ups has fallen by nearly half between 1978 and 2011. Start-up rates were lower between 2009 and 2011 than they were between 1978 and 1980 in every state and Metropolitan Statistical Area except one. In 2013, business 'deaths' exceeded business 'births'

for the first time in thirty years; reaching a milestone that we have been approaching for years. As if that wasn't enough, the start-ups that are surviving are creating fewer employees. In 1982, 75% of all five-year old firms had fewer than 10 employees, and 12% had 20 or more employees. In 2010, the number of new but small companies grew to 80% while the companies with 20 or more employees shrunk to 8%.

There is a direct correlation between this reality and the fact that that lending to entrepreneurs has shrunk significantly. According to Rework America, an initiative by Markle Foundation President Zoe Baird and Starbucks CEO Howard Schultz:

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**WHETHER IT IS A LOCAL RESTAURANT, A CORNER COFFEE SHOP, OR A MANUFACTURER THAT EMPLOYS 200 EMPLOYEES, MOST SMALL BUSINESSES ... ARE EXPERIENCING A SIGNIFICANT SHORTAGE OF CAPITAL. MORE THAN 35 PERCENT OF THEM NAME ACCESS TO FINANCING AND CREDIT AS A MAJOR IMPEDIMENT TO GROWTH.**

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The data is compelling. Small business loans made up 51% of loan value on bank balance sheets in 1995. By 2013, that number was down to only 29%. In fact, the overall flow of credit has shifted significantly toward household and consumer credit. Rework cited the most comprehensive study to date on this shift which concluded

To a large extent the core business model of banks in the advanced economies today resembles that of real estate funds: banks are borrowing (short) from the public and capital markets to invest (long) into assets linked to real estate... The intermediation of household savings for

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## A RECENT SURVEY FOUND THAT PEOPLE OF COLOR HAVE A NICKEL OF WEALTH FOR EVERY DOLLAR OF WEALTH OWNED BY A WHITE HOUSEHOLD.

productive investment in the business sector— the standard textbook role of the financial sector— constitutes only a minor share of the business of banking today, even though it was a central part of that business in the 19th and early 20th centuries. In the boom years in America after 1945, private capital accumulated rapidly. Back then, if people and firms had capital to invest, loans to businesses were a dominant form of credit.

Data also shows that women and people of color have been all but shut out from positions of power, when it comes to providing capital. Despite people of color making up over 30% of the population today and women over 50% of the population, they are rarely the ones making funding decisions or getting capital for their businesses. Recent data shows that on average senior investment teams in leading venture funds have 1% black or hispanic staff and 8% women. This is important because we know that they are more likely to lend to borrowers who look like themselves. Therefore, it's no surprise that a study last year by Babson College found that just 2.7 percent of the 6,517 companies that received venture funding from 2011 to 2013 had women CEOs.

Meanwhile, while 11 percent of Americans are African-American, only 1 percent of venture-backed companies in the U.S. were founded by an African-American. Other groups, including Hispanics, receive so little funding that numbers are hard to come by. Again, this is critical to closing the

racial gaps in income because firms led by people of color are more likely to employ people of color. Nationally the unemployment rate for white Americans is 4.4% compared to 8.1% for black Americans and 5.6% for Hispanic/Latino Americans. The gaps are even larger in urban communities like New Orleans where the unemployment rate for working age African American men is over 50%.

The gaps in wealth are even more extreme. While blacks earn only 59 cents and Hispanics only 72 cents for every dollar of income earned by white households, the disparities in wealth are mind boggling. A recent survey found that people of color have a nickel of wealth for every dollar of wealth owned by a white household. The wealth disparity is actually ten to fifteen times worse for people of color than the income gap.

The Institute on Assets and Social Policy at Brandeis University has found that there are five 'fundamental factors' that account for most of the disparities between white wealth and everyone else: homeownership, family income, college education, employment stability and family financial support and inheritance. But homeownership stands out from all the other factors. The Institute's Director, Thomas Shapiro, articulates it well, "the biggest driver of the wealth gap between whites and blacks remains homeownership". If you are a person of color and you own a home, you are likely to have wealth; if you don't, you're not.

Wealth from equity in a home makes up 71% of the total wealth of black households, but only 51% for whites. As you might expect, closing the homeownership gap between races would go a long way in closing the gap in wealth as well. In a 2015 study, the Institute found that if Blacks and Latinos were as likely as white households to own their homes, median Black wealth would grow \$32,113 and the wealth gap between these races would shrink 31%. Median Latino wealth would grow \$29,213 and the gap with white households would shrink 28%.

## THE CHALLENGES AND OPPORTUNITIES

The causes of these market failures are numerous and their complex solutions span beyond any defined neighborhood. Like housing and community development in the 20th century, however, grants to nonprofits, the tax and spend of government or market forces alone, will not get us the results we want. We need to creatively use all of these tools. Similarly, as we did to impact the built environment, we must develop robust ecosystems that can scale the results we want through sophisticated policies, intermediaries (and today, online platforms) as well as an array of local, regional and national actors, public and private.

As we pivot towards a concentrated effort to closing the racial gaps in income and wealth, we need to focus on the following four things:

### Changing our own Behaviors

We have to hold the mirror up to ourselves and our own institutions. We must acknowledge that despite the successes we have achieved over the past twenty five years, we have not closed these racial gaps in any material way. If our race-neutral ways of working haven't been effective, then how must we change to become more race-informed in our operations and practices? We, at Living Cities, have begun

that journey over the past three years with promising results – but we, and so many others, have so much more to do.

We all also have to understand how structural and institutional racism, in public and private institutions, policies, and practices, have contributed to these disparate results, work to change them and measure whether change is actually happening. Our Racial Equity Here effort in five cities, in partnership with Government Alliance for Racial Equity (GARE), is teaching us how the public sector can do this effectively. We need to help this spread to other sectors as well.

### Investing and Funding Activities That Will Drive Income & Wealth

We must fund and invest in activities that more directly contribute towards increasing individual income and wealth for people of color. Historically, for example, firm creation and job growth through entrepreneurship and individual homeownership have not been broadly embraced by philanthropy. With sufficient support, loans and grants, promising efforts like Kiva Zip, Village Capital and Endeavor, just to name a few, could get much needed advice and capital to entrepreneurs, especially people of color, from the start-up through the growth phase. Programs like Self-Help's Community Advantage Program, that already has helped 55,000 lower-income Americans to become homeowners across the country, could help millions more with the right long term investments.

For the first time, we now have ways that people and institutions can even invest in helping people to be prepared to earn more income. The emerging Pay for Success field utilizes private capital to invest in public, private and nonprofit actors to achieve specific results for low-income people, with active experimentation taking place in areas such as workforce development, education, and juvenile justice. For example, Living Cities, through the Catalyst

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## FOR THE FIRST TIME, WE NOW HAVE WAYS THAT PEOPLE AND INSTITUTIONS CAN EVEN INVEST IN HELPING PEOPLE TO BE PREPARED TO EARN MORE INCOME.

Fund, invested \$1.5 million in the Massachusetts Juvenile Justice PFS transaction. This seven-year, \$27 million deal is focused on reducing recidivism and increasing employment for at-risk, formerly incarcerated young men in the Boston, Chelsea and Springfield areas.

Importantly, new funds are springing up that can help these types of activities scale, if they are able to attract sufficient investment. The Urban Innovation Fund and Impact America Fund are two examples of venture funds dedicated to providing seed capital and regulatory expertise to entrepreneurs working to both solve our toughest urban challenges and grow into tomorrow's most valued companies. To date, 76% of the companies funded by the founders of the Urban Innovation Fund have a woman or person of color on the founding team. Similarly, the MacArthur Foundation and Chicago Community Trust just launched Benefit Chicago, what they hope to be a \$100 million impact investing fund that will use this pool of capital for loans and other investments to eligible nonprofits and social enterprises that help meet significant community needs in the Chicago region, such as education and child care, access to healthy food, quality affordable housing, energy conservation, job training and more.

### Engaging New Investors in These Activities

What is so powerful about initiatives like Benefit Chicago is that they are part of a new generation of funds being

created to capture a new generation of investor. These investors are looking to make investments into companies, organizations and funds with the intention of generating social and environmental impact alongside a financial return. Despite the fact that the hype around this idea has far exceeded the amount of dollars actually invested in the past decade, impact investing finally is coming of age. The driver of this change is simple: the recipients of the largest intergenerational transfer of wealth in American history are demanding it. According to the Global Impact Investing Network, the market for impact capital is currently sized at \$60 billion and could grow over the next decade to \$2 trillion. Wealth advisors and investment platforms, like BlackRock, have taken notice and are hurrying to respond.

Right now, demand (or the amount of money looking to be invested for impact) exceeds supply (or the number of investments or products available for investment). That is changing rapidly, and will continue to change as more for-profit and non-profit companies, organizations (including MacArthur) and funds (like Benefit Chicago) develop more "products." However, if the limited amount of impact investment that has been done to date is any indicator of what the future will bring, impact investment dollars will be able to super-charge efforts to address racial gaps in income and wealth. We just have to make sure there are enough products that drive money into activities focused on closing gaps in income and wealth.

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**OUR PAST SUCCESS IN HARNESSING CAPITALISM AND PRIVATE CAPITAL TO ACHIEVE A LEVEL OF SCALE IMPOSSIBLE THROUGH GRANTS AND TAX DOLLARS ALONE IS SOMETHING FEW OTHER SECTORS CAN POINT TO AND CELEBRATE. WE ARE AT A UNIQUE MOMENT IN TIME IN OUR COUNTRY WHERE WE NEED TO TAKE THOSE LESSONS LEARNED AND APPLY THEM IN NEW AND TRANSFORMATIVE WAYS TO CLOSING RACIAL GAPS IN INCOME AND WEALTH.**

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With our imminent transformation into a majority non-white nation, it is both a moral and economic imperative for our country.

# WE IN COMMUNITY DEVELOPMENT HAVEN'T DONE ENOUGH, AND WE OWE IT TO OUR ASPIRATIONS AND OUR SENSE OF PURPOSE TO DO MORE.



**NANCY ANDREWS**

VICE PRESIDENT AND AND DIRECTOR AT  
BROOKINGS, BROOKINGS METRO

@ANDREWSNANCY

## The Aspirations of Community Development

The field of community development and investment has evolved in profound ways over the past 25 years, and in particular over the last decade. Living Cities has led the way at several key turns, often shining a spotlight on what works and establishing pathways for experimentation in new ways of working. Living Cities was an early voice urging us to expand beyond our traditional silos of housing and physical infrastructure, and was among the first to understand the role of connecting low income communities to regional job opportunities through forward-thinking transportation strategies. Living Cities' groundbreaking **Integration Initiative** challenged us to expand our scope to include human capital development strategies and multi-sector initiatives into areas like health care, schools, workforce development, and anchor-based economic development.

Organizations like the Low Income Investment Fund (where I am President and CEO) have taken this idea and run with it. LIIF now intentionally supports "community quarterbacks" that implement comprehensive initiatives integrating people- and place-based approaches, and tracking progress toward social outcomes. This and other multi-sector initiatives represent a major evolution in our work. Although we have a ways to go before integrated approaches becomes standard practice, we have taken huge strides forward over the past few years.

Living Cities has also led the way in helping our sector think and act at the scale of metropolitan regions, beyond the four corners of the poorest neighborhoods. This approach has involved forming partnerships with institutions that operate at scale but work outside our sector—like transportation and health care agencies—with complementary goals and considerable resources. One example is Living Cities' **Connect** initiative and its early support for the Bay Area Transit Oriented Affordable Housing (TOAH) Fund. TOAH is a \$50 million public-private fund to support affordable housing and communities facilities adjacent to transit, seeded by a \$10 million investment by the Metropolitan Transportation Commission, which controls federal transportation dollars in the San Francisco Bay Area.

Following TOAH's success, the constituency for equitable transit-oriented development (eTOD) strategies continues to expand; agencies and foundations pursuing environmental and public health goals are now making sizable investments, helping to connect low-income families to opportunity.

Despite these advances, the community development sector faces significant challenges to its goal of eliminating poverty and increasing access to opportunity for low-income people and places. In particular, our areas of investment still only cover a small share of structural imbalances in our society that prevent poor people—and racial minorities in particular—from getting ahead. Over the last 18 months, cellphone images and video coming from many major

cities—Baltimore, Charleston, Savannah, Cleveland, and others—make it clear that too little progress has been made in creating a just and fair society. Racial, gender and class discrimination in many areas of life continue to perpetuate inequality and challenge the core values of our civic society.

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**IT IS TIME FOR US TO RETHINK COMMUNITY DEVELOPMENT'S PARADIGM, OUR THEORY OF CHANGE AND OUR PRACTICE. LIVING CITIES CAN BE A LEADER FOR US ON THIS, AS IT DID WITH CONNECT AND THE INTEGRATION INITIATIVE. IT IS TIME FOR US TO MORE ACTIVELY PURSUE EQUITY AND SOCIAL JUSTICE WITHIN OUR STRATEGIES.**

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Doing so will necessarily involve partnering with different kinds of organizations—civil rights and labor advocates, litigation efforts, media, and more. And there's much we can do within the sector to take on structural inequality; HUD has helped us down this road with its new Affirmatively Furthering Fair Housing rule. But we must do more, we must create a system of carrots and sticks to support our social goals, as we have done in the past with the Community Reinvestment Act, the Low Income Housing Tax Credit, the CDFI Fund, the Capital Magnet Fund and the New Markets Tax Credit.

Who can blame an African-American mother who wakes up every day fearing for her family's safety, who cannot depend on local schools to educate her child, and who does not feel certain that citizens outside her neighborhood care about her struggles? We in community development haven't done enough, and we owe it to our aspirations and our sense of purpose to do more.



DISPARITIES AND INEQUITY ARE AMONG THE DEFINING  
ISSUES FOR OUR NATION RIGHT NOW, AND MOVEMENTS  
TO ADDRESS THEM ARE GAINING MOMENTUM.



- RISA LAVIZZO-MOUREY

# INCLUSIVE CAPITALISM GOES LOCAL



**XAVIER DE SOUZA BRIGGS**

VICE PRESIDENT

FORD FOUNDATION ECONOMIC OPPORTUNITY AND MARKETS PROGRAM & MIT

**Five ways to make capitalism more inclusive and create opportunity for all.**

Next year will bring a new president into office here in America. It will also mark 50 years since the worst summer of civil unrest in America and the Kerner Commission's unforgettable warning that we were becoming "two nations," separate and unequal. The 25th anniversary of Living Cities, an extraordinary collaboration, and the upcoming 50th of that terrible breaking point in our national experiment, make this an important moment to take stock and set our sights higher. What have we actually learned about striving for one of the core promises of the experiment—creating opportunity for all?

There are uniquely national dimensions to this, of course, from wise and fair monetary, trade, and safety net policies to a coherent, transparent, and equitable national system of taxation. These national imperatives provide the foundation for much of the rest, and they must adapt much faster to the economy and society we are becoming. But I will focus here on the **local** work of creating shared prosperity, suggesting five brief, and in some cases impertinent, lessons learned.

— First, promoting shared prosperity—or making the economy work for all—is essentially about making capitalism inclusive. This implicates rules of the game, which in turn suggests a very important and sometimes inconvenient

truth: **That we will never simply innovate our way out of exclusion and inequality.** We have to summon the will to make the system work differently, work more fairly and inclusively. And we have to work through political and other differences to do that.

With due respect to Adam Smith, the economy does not simply operate according to the invisible hand or "natural" laws of the market place. It is structured by the rules we choose socially and politically, as Nobel economist Joe Stiglitz reminds us in his recent, aptly titled book, **Rewriting the Rules of the American Economy**. "Inequality is a choice," Stiglitz argues, not an unavoidable outcome. Capitalism exists to support a good society, not the other way around. And it helps to know your history: Capitalism is not a constant, even if certain underlying principles have motivated our choices. We have changed the specific rules over time in this country. We invented anti-trust law and Social Security and labor rights. We must continue to invent, debate, and make bold choices.

A growing evidence base underscores a related and equally powerful point: that inequality undermines growth. Inequality affects us all, not just the disadvantaged. And economies that enjoy sustained growth and prosperity are fundamentally inclusive ones.

— Second, and a bit more concretely now, we have

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## FIVE WAYS TO MAKE CAPITALISM MORE INCLUSIVE AND CREATE OPPORTUNITY FOR ALL.

learned that at the local level, creating inclusive economies “takes a village.” Business is essential to the work, but so are government and nonprofit organizations. To really move the needle, these partners must sometimes be willing to engage in unnatural acts (pardon the expression). From Detroit to Los Angeles and Memphis to Miami, high performing partnerships have required risk taking and learning, not just feel-good acts of easy cooperation. The label “partnership” is still thrown around much too loosely. It dresses up contractor relationships, marginal commitments, and short-run marriages of political convenience—among other impostors.

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Third, corollary to that, we have learned that each sector must be willing to share risk or give something up. The federal Low Income Housing Tax Credit program, now the nation’s most important source of capital for expanding the supply of affordable housing, is a good example. Private investors often tie up their money for 15 years—much longer than they normally would—while government provides a tax credit that investors can use flexibly, not a less generous or less flexible tax deduction.

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Fourth, it is not enough to believe that markets matter or even that they are key engines of **prosperity**. Rather, our shared work is to figure out how to enable markets to generate and distribute wealth in ways markets would not automatically do. That calls for open minds and,

again, an appetite for taking smart risks.

For example, nearly twenty years ago, here at the Ford Foundation, we made a bet. We invested in a community development financial institution called Self Help, which was working to expand mortgage access for low-wealth families across the country. And Self Help, in turn, partnered with mortgage giant Fannie Mae. Along with Self Help, we bet that it was possible to identify low-wealth, traditionally under-served but creditworthy borrowers and offer them mortgages. We bet that over time, most would be successful. Fannie Mae’s models, consistent with standard industry analytics and practice at the time, predicted otherwise. Ford provided, in effect, a loan loss reserve to mitigate the financial risk to Fannie Mae. It was an extraordinarily good bet. These carefully underwritten loans—a pool of thousands of families, so analysts could track the mortgages and analyze in meaningful ways—performed extraordinarily well, even through the worst of the financial crisis. The demonstration showed that the mainstream mortgage market could extend itself to serve these borrowers, making the dream of owning a home—still the number one road to building family wealth—attainable. Years on from the financial crisis, Fannie Mae recently restarted its program for creditworthy, low-down-payment mortgage customers.

The multi-trillion dollar mortgage market did not get there

on its own. Somebody had to see things differently—had to spot the “undervalued stocks,” so to speak—and a variety of players had to take some risk. A foundation provided vital risk capital. Self Help provided expertise and a ton of “sweat equity,” beyond putting its reputation on the line, and so on.

The same is true for **community land trusts**, which take an unconventional approach to land ownership and development rights, or **impact investing**, which is poised to move from the margins to the mainstream of finance if we can show imagination and mature the field, or **financing affordable housing as part of promoting community health**—rethinking, in the process, what it means to spend on health and what our spending actually achieves in terms of outcomes.

— Fifth and finally, we have learned, as basic as it sounds, that those with a stake in decision-making have to participate in meaningful ways. And that means being clear about the purposes of stakeholder participation: Is it to define a problem, set the agenda? Is it to develop strategy? Is it to implement smarter by tapping “the wisdom of crowds.” These are three crucial but very distinct purposes. Much “participatory” or “inclusive” or “collaborative” work, by comparison, is a mush of confused purposes, unrealistic hopes for consensus, and shaky capacity to clarify, learn, deliberate, debate, decide and then learn some more. This last lesson is among the more sobering ones. It, too, is a legacy of the 1960s, of the activism that challenged powerful experts and forever changed the way urban development and many other things get decided in America. It is also a reminder that the information revolution has outpaced the way our civic institutions function, at the same time offering vast new access and much untapped promise.

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**CHANGING THE WAY WE WORK TOGETHER TO MAKE DECISIONS BOTH INCLUSIVE AND WISE—AND MANY ARE TRYING—IS A VERY WORTHY GOAL FOR THE NEXT 25 YEARS.**

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Our national experiment, after all, is to marry an inclusive economy to a deep democracy. And that's a moonshot aspiration worthy of all our energy and commitment—and a fair dose of humility along the way.

# THE NEXT 25 YEARS OF ECONOMIC AND COMMUNITY DEVELOPMENT



**TIM FERGUSON**  
FOUNDER AND CHAIRMAN  
NEXT STREET

**In the next twenty-five years, we need strong leaders that challenge traditional ways of thinking, and invest in the people and enterprises that are the engines at the forefront of our country's economy and communities.**

Over the last twenty-five years, we have seen place-based approaches to economic development evolve across underserved communities throughout the United States. Programs like Low Income Housing Tax Credits, New Markets Tax Credits and the creation of Community Development Financial Institutions have been critical in incentivizing public-private investment, and activating capital that might otherwise have remained on the sidelines. I was reminded just this week, in a meeting with the head of one of the oldest community foundations in the US, of the important role that philanthropy played as "first risk investors" in many of these developments in economically distressed communities.

One of the best examples of this is the decision, more than twenty-five years ago, by several major foundations, such as Ford and Rockefeller, to stand up the affordable housing market by establishing organizations such as LISC and Living Cities. This was in direct response to the desire to grow local community development corporations and new federal funding mechanisms, like the Low Income Housing Tax Credit (LIHTC). Twenty-five years later, the majority of economic development projects for underserved communities focus primarily on lending for hard assets such

as real estate and therefore lower risk. This focus on real estate developed partially as the result of the initial focus on low-income housing, but was also driven by conservatism and the ability to leverage private sector funders, the primary funding source.

An article a few years ago by Mark Kramer and Sarah Cooch in the **Stanford Social Innovation Review** examined "mission investing" by foundations. Kramer and Cooch pointed out that the most intractable problems today – poverty, unemployment, environmental troubles – will not be solved by grant money, because these problems were not caused by a lack of grant money. Instead, these problems stem from fundamental flaws in the economic systems that created them – and so that's where the fix must be. I believe that, rather than throwing money at the problem, we need to systematically direct our efforts and resources to the solution – building institutions and organizations that can re-align the values and goals of society and business through strong, thoughtful leadership and influence.

Even though I strongly believe in the power of focusing on solutions, one would be naïve to say that money is not needed to drive change. To accompany this shift in ideology, we must be willing to direct big investment toward big change – justifying the risk and level of financial return through a more robust approach to quantifying the value of social impact.

In recent years, we have heard leaders in both the public and private sectors (foundations, non profits, government and even corporates) advocate for the need for more inclusive economies, with growing recognition that this will require a more holistic approach to solving some of society's most complex and pressing challenges. Those of us involved in economic and community development will need to think innovatively about how to finance such programs. This will demand a shift from real asset-dependent investing, toward a people and enterprise focus, building the next generation of workers and leaders. We will need to simultaneously fuel the expansion and development of workplaces with a strategic ecosystem perspective on equitable growth. Doubling down on these investments will take a nuanced approach to underwriting opportunities and a culture-shift in the investment world.

There has been much talk among academics, funders and practitioners about the rise of impact investing (investors looking for financial and social returns or investments with a social conscience) and the promise that this holds for new approaches to funding for the social sector. The catalyst for much of this is the coming transfer of \$40 trillion of wealth to the millennial generation over the next twenty years. However, the reality is that very few funders have adopted an impact investing approach and mainstream capital largely remains on the sidelines. There is much promise in the continuing interest in impact investing but it is unlikely to occur on any scale without the development of a robust ecosystem equipped with fund managers and other intermediaries to facilitate the flow of capital.

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**JUST AS WITH THE LOW INCOME HOUSING SECTOR 25 YEARS AGO THERE IS AN OPPORTUNITY FOR THE LEADING FOUNDATIONS TO ACT AS A CATALYST BY HELPING TO FUND THE DEVELOPMENT OF ENTERPRISES, SUCH AS THEY DID WITH LISC AND LIVING CITIES.**

This could be done through the creation of an infrastructure fund and also by the large foundations leading by example through committing to allocate at least part of their endowments to investing for social impact. For example, Darren Walker, President of the Ford Foundation, has stated that this is something he would like to achieve during his tenure, and Clara Miller at the Heron Foundation is already leading the way by committing their entire endowment to impact investments.

So, in some ways we have come full circle to where we were twenty-five years ago. In the next twenty-five years, we need strong leaders that challenge traditional ways of thinking, and invest in the people and enterprises that are the engines at the forefront of our country's economy and communities. True social innovation takes risk, commitment, and leadership; leaders cannot afford to be afraid to take chances on truly innovative ideas that can effect real change.

# THINKING DIFFERENTLY ABOUT ENTREPRENEURS AND POVERTY



**PHILLIP W. HENDERSON**

PRESIDENT  
SURDNA

@PHILLIPHENDERSO

**Solving the problems of poverty in American cities requires us to support visionary, entrepreneurial women and people of color.**

One of the great clichés of American life is that entrepreneurs are the lifeblood of the U.S. economy. There are indeed millions of entrepreneurs that shape nearly every facet of our lives. And yet, for people of color who live in our poorest urban communities, entrepreneurship usually seems to be something that happens elsewhere and for someone else. But, in fact, entrepreneurs are hard at work even in the poorest communities, usually operating tiny “mom-and-pop” groceries or working freelance at a mixture of jobs and occupations. And, while these entrepreneurs are critical to the functioning of neighborhoods, unless we find ways to unlock the potential of higher performing—and job creating—entrepreneurs, especially business leaders who are women and people of color, we risk continuing the legacy of the last generation of economic development efforts that have done little to change the trajectory of America's poorest urban communities.

At the Surdna Foundation we have been working to unlock the power of entrepreneurs, particularly those who are women and people of color, to bring economic opportunity and wealth to communities that have been lacking both for generations. There are barriers to entry and to success for all entrepreneurs—access to capital, to key networks and mentors, and to technical support. But these barriers are

magnified for women entrepreneurs and entrepreneurs of color. Minorities, and especially immigrants, face a tough time accessing traditional bank capital for a host of reasons including: lack of credit history, profitability of the business, lack of collateral, and in some instance racial discrepancies in bank practices.

Unfortunately, over the past 25 years in their efforts to help poor communities thrive, community development organizations and philanthropy have focused too heavily on micro businesses. As job creation or neighborhood revitalization strategies go, these efforts ultimately have had little lasting impact on these communities. In recent years, economic development experts have come to understand the importance of finding and investing in “high growth” enterprises, but in the process women and entrepreneurs of color are being left behind.

The scarcity of entrepreneurs of color in the tech sector, bio sciences and other growing areas of the economy should be alarming, especially for those of us who are committed to enhancing economic opportunity among America's urban poor. But the alarm bells aren't ringing loudly enough. Strategies that cities have begun deploying—often at the urging of experts that philanthropy, in part, funds—to grow these sectors, such as innovation zones or bio districts, often lack any focus on equity and inclusion. And when minority entrepreneurs are in the room they still face significant hurdles. Last year's #ProjectDiane report noted

that African American women face the most significant barriers accessing venture capital or acquiring any startup capital for their businesses. And Forbes reported that entrepreneurs of color made up only 8.5% of the people pitching businesses to angel investors in 2013.

So, what can philanthropy do? First, we can encourage our peers to expand their approaches to job creation and community revitalization to include high-growth startups founded by people of color and women. We can support organizations that will challenge how cities and university use their budgets in support of entrepreneurship and business growth to ensure these new hubs, districts, zones and incubators are inclusive and reflective of a city's complete population. We can use our capital and our voices to help persuade banks to step beyond simple investments that satisfy CRA requirements, and move towards aggressively creating avenues for capital to flow to more minority and women entrepreneurs. And as more foundations explore impact investing, there is a role philanthropy can play in supporting the talent pipeline of investors and fund managers and making sure we are investing in funds that explicitly target businesses founded by people of color. More funding strategies and partnerships need to be created that are unapologetic in their support of specific racial and gender groups that are being excluded in the start-up world.

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**THE WORLD OF ENTREPRENEURSHIP EXTENDS WELL BEYOND THE CONFINES OF CO-WORKING SPACES AND COFFEE SHOPS. ENTREPRENEURS COME IN ALL SHAPES AND SIZES. INDEED, PEOPLE IN POOR NEIGHBORHOODS IN AMERICA'S CITIES WILL ALWAYS START BUSINESSES BECAUSE, IN MANY INSTANCES, THEY SIMPLY HAVE TO.**

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But solving the problems of poverty in communities of color in American cities requires us to move beyond just support of small neighborhood business. We need to support those geeky visionaries of color who are investing their ideas in poor neighborhoods, building on, not replacing, the core strengths of families and small businesses that have been there for generations.

# THE FUTURE OF PUBLIC/PRIVATE PARTNERSHIPS & CAPITALISM MUST FOCUS ON ECONOMIC EQUALITY



**RAY LEACH**

CEO

JUMPSTART INC.

@RAYTLEACH

**Our economic future must now be about doing significantly more work with high-potential firms and combining intellectual and financial resources at a significantly more ambitious scale.**

For the past 12 years JumpStart's efforts have focused on the intersection of capitalism and how government and philanthropy can partner with new types of non-profits to advance economic growth. JumpStart was created via a robust public-private and philanthropic partnership so we've seen first-hand how these different worlds—with common goals but different traditional perspectives—can come together to solve fundamental economic challenges.

At the turn of the millennium, the “venture development” model we adopted was considered by many to be a sea change in the way non-profit organizations could partner with government, philanthropy and the private sector to be harnessed for social good. JumpStart's original mission was to combine significant financial and intellectual capital to help startup technology entrepreneurs attract millions of dollars of private sector capital, create jobs and help revive Northeast Ohio's struggling economy.

Our founding model has worked, largely because it was built with a deep fundamental understanding that entrepreneurs and small businesses who have the chance to create economic opportunities require a broad set of financial and intellectual resources in order to make significant progress.

Success with these firms takes a careful combination of capital combined with deep technical and practical know-how to help on a strategic and tactical level. One cannot work without the other, particularly in communities that have become disconnected from our nation's overall trend of economic growth.

JumpStart's founding work has helped many tech entrepreneurs grow to highly successful tech startups in Northeast Ohio. Still, economic gaps have remained—particularly in traditionally underserved and low-income communities. So, at the same time Living Cities was beginning its pivot from a strict focus on community development to a multidisciplinary focus on system transformation, a new light bulb was turning on for us as well.

If we really wanted to leverage the power of entrepreneurship to address economic inequality and help disconnected populations rise alongside the rest of the community, we couldn't simply continue to raise the ceiling by working only with tech startups. We would have to start raising the entire building.

That's why today, JumpStart is honing in and doubling down on addressing economic inequality by taking the same powerful combination of financial and intellectual capital we use to help tech startups and extending them to a more diverse spectrum of entrepreneurs and small business owners.

Like Living Cities, we do this work because we know “everyday” capitalism simply is not working to reduce income inequality with the level of focus and energy necessary to fully unlock the growth potential of many of these companies. Thus, organizations focused on supporting economic development—whether private, public or philanthropic—must take it upon ourselves to bring even more high-quality tools and techniques to even more of these types of firms in order to unlock their full economic potential to create jobs and wealth.

The key to understanding the full value of these efforts is to understand that success in this area of focus doesn't just improve the lives of entrepreneurs and their current employees. It also improves our economy as a whole by fostering a virtuous cycle of economic empowerment and reinvestment in firms and communities that are currently disenfranchised and underserved.

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**NEW AND EMERGING PHILANTHROPIC MODELS THAT HAVE BEEN DEVELOPED OVER THE LAST TWO DECADES SHOW GREAT PROMISE TO IMPACT THESE CHALLENGES. BUT AN HONEST ASSESSMENT OF THEIR IMPACT SO FAR SUGGESTS WE HAVE LIKELY UNDERESTIMATED THE AMOUNT OF RESOURCES— BOTH INTELLECTUAL AND MONETARY—NEEDED TO DRIVE REAL, LASTING CHANGE.**

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The growth in economic inequality is one of the deepest threats for the U.S. economy in the coming generation and 25 years of work by only a handful of committed organizations and communities—no matter how well-executed—will not eradicate this problem. It will take many more years, many more players and billions more in resources to truly turn this corner.

In the years to come, philanthropic organizations like Living Cities have a critical role to play as leaders in seeking out, supporting and even developing and advancing new models of intervention that have the greatest opportunity to reduce economic inequality by creating new jobs for a broader set of Americans.

This work will not be easy. But our economic future—and contributions by government and philanthropy to stimulate inclusive capitalism as a whole—must now be about doing significantly more work with high-potential firms and combining intellectual and financial resources at a significantly more ambitious scale to impact economic inclusion for decades to come.

## PRIORITIZING JOB QUALITY



**AMY LIU**

VICE PRESIDENT AND AND DIRECTOR AT  
BROOKINGS, BROOKINGS METRO

[@AMY\\_LIUW](#)

**By adopting a vigorous and sustained focus on creating quality jobs and connecting workers to them, private sector leaders and social change advocates can engage the market economy to produce better outcomes for low-income households.**

The field of social change is filled with diverse sets of strategies to reduce poverty and close disparities by race, place, and income. While there are no silver bullet solutions to these multidimensional challenges, there is one area that deserves increased attention: job quality.

Job quality is often an afterthought in efforts to create jobs or connect individuals to them. Federal, state, and local economic development policies often define success as the number of jobs created, regardless of whether those jobs pay well and contribute to high living standards for the local community. Meanwhile, despite the emphasis on career pathways, workforce development programs often prioritize placing young adults or lower-skilled workers into any job, even if it's unclear whether the work experience will lead to better earnings or a stable career over time.

Yet the need for good jobs, and pathways to better earnings, is urgent. Low-wage jobs are not only growing but becoming even lower paid. Meanwhile, the share of jobs that pay middle wages has shrunk since the recession, and has only recently begun to rebound. While reasons for the lackluster growth of good paying jobs are many, the impact

on low- and middle-skill workers is clear. Brookings analysis found that one in four white workers and nearly one in three workers of color in the 100 largest metro areas lived in relative poverty, defined as earning less than half of the local median wage, in 2014. Racial disparities continue to widen, as black workers experienced greater declines in median earnings than white and Hispanic workers did in the years following the recession.

City and regional leaders should set a higher bar. Our metro areas need to create more good jobs and prepare and connect low-skill workers and communities of color to jobs that lead to the middle class.

To do so, leaders must understand not only where good jobs are in their metropolitan areas, but also how more workers can attain them. My program at Brookings is undertaking new analysis that will identify jobs in every metro area that can lead to earnings growth and a family-sustaining wage for low- and middle-skill workers. We'll assess which industries concentrate those good jobs, and whether those opportunities are growing or shrinking over time. And we will evaluate the extent to which low-skill workers are employed in good jobs. This builds on prior analysis that my colleague Richard Shearer and I produced about greater New Orleans.

Our research suggests that there are several ways that the private, public, and nonprofit sectors can work together to increase the availability of good jobs for all.

First, leaders can seek to align often highly fragmented job creation, skills training, and job access initiatives in their region around the same sectors – those that provide the largest share of good jobs.

Second, leaders should help industries with a large share of good jobs expand, thereby enabling firms to add more jobs or increase the pay and benefits of existing positions. In New Orleans, the sectors that provide the most good jobs include finance and insurance, food manufacturing, and transportation and logistics. Yet these sectors are losing ground to their peer industries nationally. Advanced industries are also promising sources of good jobs, offering significant wage premiums for workers of every educational level, yet they have experienced uneven growth across metro areas. To help good-jobs industries grow, city and regional leaders can pursue strategies that contribute to their competitiveness, such as increased access to applied research, entrepreneurship supports, in-demand workforce training, and modern infrastructure.

Third, employers, skills providers, and social services agencies must work together to prepare and place low- and middle-skill workers in good jobs. These collaborations often work best through industry partnerships that create credentials and training programs recognized by employers and that result in quality employment for job seekers. Many partnerships exist for the health care, manufacturing, and hospitality sectors. However, cities could forge additional collaborations in promising advanced services such as finance, software, and information technology.

Clara Miller, president of the Heron Foundation, recently wrote that too often, social change efforts were failing to address market failures in the economy itself, and working on “marginal fixes” instead.

**BY ADOPTING A VIGOROUS AND SUSTAINED FOCUS ON CREATING QUALITY JOBS AND CONNECTING WORKERS TO THEM, PRIVATE SECTOR LEADERS AND SOCIAL CHANGE ADVOCATES CAN ENGAGE THE MARKET ECONOMY TO PRODUCE BETTER OUTCOMES FOR LOW-INCOME HOUSEHOLDS.**

While these efforts will require major shifts in habits and policies, they have the potential to improve the structure of opportunity in our communities.

# PHILANTHROPY'S MOMENT: ENABLING AND PROTECTING THE FINANCIAL FUTURES OF AMERICAN FAMILIES

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**BRANDEE MCHALE**

PRESIDENT  
CITI FOUNDATION

@BRANDEEMCHALE

**Three principles can help philanthropy create financial stability for the futures of American families.**

What are we missing? Over the past 25 years, we have seen the proliferation of results-focused philanthropy, investment in systems change-level approaches, and technology innovations that allow us to drive and scale effectiveness. We have acquired more tools and know-how in our philanthropy tool kit, but the road to opportunity is still filled with traffic jams, potholes, and far too many detours. If you hit enough bumps along the way (and you're out of a spare tire or lack a AAA membership), it's no surprise that you might pull over in despair and give up.

Today, more than 50 million Americans live in financially distressed communities, struggling to pay their bills and meet their families' basic needs. This is particularly true in communities of color where longstanding inequities have resulted in a lack of stable income, savings and wealth growth and have contributed to a stark racial wealth divide. In its 2016 Assets and Opportunity Scorecard, the Corporation for Enterprise Development (CFED) reported that households of color are 2.1 times more likely to live below the federal poverty line than whites and are 1.7 times less likely to have the cash to deal with a financial emergency. Despite the immense progress that has been made by the community development and asset-building fields to help combat these disparities, we are still faced with the economic reality of "Two Americas," and the distance

between the two is growing and increasingly disparate. With heightened political awareness that more and more Americans at all income levels are feeling financially insecure but have nowhere to turn, this is philanthropy's moment to put forward bold, realistic ideas. This requires us to take what we have learned over the past 25 years, fill the solutions void, and help restore hope. But instead what I see is a philanthropy Tower of Babel. Many ideas are being perched one on top of another precariously, with the inevitable biblical moment where it comes crashing down upon us because we just couldn't get it together. This doesn't mean we don't have great ideas that work, but we lack common ground; a common purpose.

So where can we come to a mutual agreement? I offer these three principles for a consent agenda:

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People vs. Place? Let's agree it's about both.

Our approaches to community development must be coordinated to simultaneously improve neighborhoods while also supporting the residents who live there. This means bringing together funders and practitioners from a variety of sectors to work together by investing not only in affordable housing, community facilities and commercial development but also neighborhood safety and quality schools, youth development, job training, financial capability services and more. These are all proven onramps to opportunities.

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Health and housing are fundamental to economic opportunity. While jobs are crucial, increasing access to safe

and affordable housing and healthcare helps families gain the stability they need to hold down those steady, good paying jobs and move towards positive economic outcomes.

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Asset-building approaches, such as savings, homeownership and education, are powerful because they can close the wealth gap today, and serve as a down payment on prosperity for future generations.

So if we can agree on these guidelines, where do we begin? We start at the end – what we want to see happen. Is it possible for U.S. philanthropy to pull together around an asset-building goal (e.g. three-months household savings for emergencies; an educational savings account; access to home and small business ownership opportunities) that allows us to more permanently close the wealth gap? To do so, we must deploy our resources to move beyond treating the symptoms of poverty and racial disparity by catalyzing the financial capabilities in the people we serve to their fullest potential and instilling the sense of optimism needed to succeed. I know there is no silver bullet, but the “asset effect” can be a powerful lever that sparks momentum. Not simply because of the short-term financial outcomes, but because of the long-term impact on hope, inspiration and persistence.

Peter Drucker once famously said that efficiency means doing things right, but effectiveness means doing the right things. After working in philanthropy for almost a quarter of a century, I can say that optimism about the future is at the core of every effective asset building intervention I have ever seen. This is not sentimentality, but quite the opposite. Societies where fatalism has taken hold are communities that stop innovating and inventing—a downward spiral from which it can be very difficult ever to escape. But, if fatalism is contagious, if pessimism is a self-fulfilling prophecy, the good news is that so too is the inspirational power of hope.

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**WHEN HOUSEHOLDS BEGIN TO MOVE FROM ECONOMIC INSECURITY AND ACCUMULATE A CUSHION OF SAVINGS OF ANY AMOUNT OR TYPE (CASH, EDUCATIONAL SAVINGS, RETIREMENT SAVINGS, HOME EQUITY) THEY ALSO DEVELOP A SENSE OF CONTROL AND HOPE ABOUT THEIR FINANCIAL FUTURES THAT CAN PROPEL THEM FORWARD AND HAVE A POSITIVE IMPACT ON SO MANY OTHER ISSUE AREAS THAT WE ARE CONCERNED ABOUT.**

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By directing more philanthropic capital to asset building approaches we are both enabling and protecting gains. So, even if that breakdown on the side of the road does happen — and it will — households and communities are better equipped to navigate the experience without reversing course.



WE SHOULD HAVE EXPECTED NO LESS WHEN TRYING TO  
OVERCOME A FRAUGHT HISTORY OF MASS TRANSIT IN THE  
PLACE THAT PUT THE WORLD ON WHEELS, ONE CAR AT A TIME.



- RIP RAPSON

# PHILANTHROPY MUST INCREASINGLY BECOME COMFORTABLE IN ENGAGING THE CHANGES AND AMBIGUITIES OF PUBLIC-SECTOR POLICIES AND PRACTICES.



## **RIP RAPSON**

CEO  
THE KRESGE FOUNDATION

[@RIPRAPSON](#)

There is an inherent tension between the accountabilities of elected office and the ostensible remove of philanthropy. As long as philanthropy stays in its “lane” by funding community-based nonprofit activity and by entertaining routine requests from City Hall, the relationship can remain on automatic pilot. But when foundations step inside the fence line of activities traditionally shaped and operated by the public sector, matters can get dicey.

Kresge’s seven-year-long funding and advocacy for the M-1 Rail project casts this in bright relief. Kresge has been the lead investor in, and perhaps most passionate advocate for, the construction of a streetcar line in the heart of Detroit. The line promises to become the first leg of a high-performing regional transit system comprising high-speed rail between Detroit and Chicago, improvements to existing rail and bus connections, and state-of-the-art commuter transportation. And even in its early stages of construction, it has demonstrated its power to spur economic growth and social cohesion in the city for many years to come. The \$170 million streetcar line is anchored by Kresge’s \$50 million commitment, but draws on a combination of private, public and other philanthropic support as well. Its journey over the past eight years has drawn Kresge into the lair of federal Department of Transportation policy, Michigan legislative battles, and Detroit politics.

This effort began with tough questions about philanthropy’s appropriate role in giving birth to large-scale public works

projects and meandered through such issues as Kresge’s willingness to serve as a backstop to potential public-funding shortfalls, our appetite to weather high-visibility public-policy debates about state legislative priorities, and our inclination to stay the course until the line is transferred to a public operating entity. We should have expected no less when trying to overcome a fraught history of mass transit in the place that put the world on wheels, one car at a time. But it has required that we lock arms with public entities in ways that have suggested that the boundaries separating the public, private, and philanthropic sectors are far more porous than they may appear.

A second example of how bold public-private partnerships have contributed to Detroit’s nascent rebound is Detroit Future City, which began in 2010 as part of an ambitious effort to re-imagine what the City of Detroit could become. Supported by The Kresge Foundation, the Detroit Economic Growth Corporation, and the W.K. Kellogg Foundation, the project engaged city leaders, technical experts, city residents and other stakeholders in a process to develop a strategic investment framework for Detroit.

After three years of drawing on local and national talent as well as the insights of tens of thousands of Detroiters, the Detroit Future City Strategic Framework was released in January 2013. The framework lays out a vision for how the City of Detroit can more effectively utilize its natural and physical assets to grow and thrive – by reinforcing nodes



## THE DETROIT PROOF-POINTS ARE CLEAR. IT'S NOT JUST PHILANTHROPY. IT'S ALSO THE RE-EMERGENT ROLE OF THE PRIVATE SECTOR.

of strength and transforming blighted and abandoned property to productive uses. It weaves together the building blocks of economic development, residential stability, transit mobility, natural systems, and widespread and continuing community engagement.

Although it is not the city's first strategic plan, Detroit Future City is the first such plan to boldly consider the full context of city services necessary to make a vibrant city. It is the first to expertly engage citizens about their vision for Detroit, neighborhood- by-neighborhood and to suggest the vehicles required for sustaining that engagement. The first to confront the challenges of residential and commercial vacancy and blight. The first to marry suggest a prioritization of investments and policies needed to move from planning to action.

We coupled the announcement of the framework – a 400-page document, together with hundreds of pages of technical appendices – with the creation of an independent, nonprofit project implementation office dedicated to the successful execution of the vision created in the DFC Strategic Framework. The office – supported by the Kresge Foundation, the Erb Family Foundation, the Knight Foundation, the Michigan State Housing Development Authority, the Americana Foundation, the Detroit Economic Growth Corporation and the City of Detroit – serves as a steward of the plan's long-term vision, brokering paths of forward progress among the multiple civic constituencies

that have a stake in the transformation of the city's municipal services, infrastructure, and problem-solving machinery. The light rail project and the Detroit Future City effort are only two among many examples over the last decade of philanthropy in Detroit stepping inside the fence-line of complex challenges that have fallen in the past within the exclusive domain of the public sector. The management of the reclamation of programming of Detroit's riverfront through The Riverfront Conservancy. The re-imagination and governance of the nation's largest public market through the Eastern Market Corporation. The philanthropic seeding of neighborhood small business formation that grew into one of Mayor Duggan's signature initiatives, the Motor City Match. The conceptualization and design by foundations, small banks, and federal, state, and local government of a Home Mortgage Program to address the need to make credit available for undervalued homes. And the list could go on.

These examples suggest the power of more fully distributive leadership at the municipal level. Responding to the increasingly intertwined, rapidly changing challenges that any city faces requires that we move away from a model of command-and-control problem-solving to an approach that invites negotiation of roles among civic actors equipped with differentially-shaped tools and leverage points. The Detroit proof-points are clear. It's not just philanthropy. It's also the re-emergent role of the private sector – led by the efforts of Dan Gilbert and Quicken Loans – in the revitalization of downtown... The increasingly effective community-

based nonprofit development capacity – anchored by the remarkable tenacity and skill of Sue Mosey and Midtown Detroit, Inc. – that have transformed the Woodward Avenue Corridor. The creativity and grit of countless community-based lending and community development organizations – think of LISC or Focus Hope or Southwest Solutions – that have begun to bend the trajectory of neighborhood renewal.

It's not neat and tidy. It's not without conflicts over authorities, legitimacy, or power relationships. It's not without ambiguity about the right equilibrium.

But it **is** about the augmented civic capacity that attends multiple sources of ideas, investment, individual engagement, and buy-in. It is about a recalibration of roles, responsibilities, and accountabilities.

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**PHILANTHROPY HAS ACTED BOLDLY IN DETROIT TO REIMAGINE THE CITY'S FUTURE. IN THE PROCESS, WE HAVE SET IN MOTION THE FLY-WHEELS OF THAT RECALIBRATION. AND I LIKE TO THINK THAT WE HAVE CONTRIBUTED TO A LARGER CONVERSATION IN CITIES ACROSS THE NATION ABOUT HOW WE CAN COLLECTIVELY CONFRONT AND OVERCOME SOME OF URBAN AMERICA'S MOST INTRACTABLE PROBLEMS.**

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WITH LEADERSHIP ROOTED IN EQUITY, ALL COMMUNITIES CAN THRIVE. AND ALL AMERICANS CAN LIVE IN A PLACE WHERE THEY FEEL SAFE AND CONNECTED TO OPPORTUNITIES.



- ANGELA GLOVER BLACKWELL

# IMPACT INVESTING: A LOOK BACK TO PAVE A PATH FORWARD



**LATA REDDY**

VICE PRESIDENT, CORPORATE SOCIAL RESPONSABILITY, PRUDENTIAL FINANCIAL  
PRESIDENT, PRUDENTIAL FOUNDATION

@LATAREDDY

**Twenty-five years have produced several important lessons learned that can collectively shape more effective future investments.**

Impact investing possesses enormous potential to direct much needed capital to the most pressing issues our society faces, including education, affordable housing, job creation and training – all of which are often more acutely felt in urban environments

Prudential Financial was founded more than 140 years ago with a clear purpose: to give working families a way to protect their financial well-being. For more than 40 years, impact investing has been essential in delivering on that purpose. We formalized our impact investing program in 1976, and since that date we have invested over \$2 billion in organizations that advance our mission of creating opportunities for financial security. We presently hold more than \$500 million in active investments, with a commitment to build a \$1 billion impact investment portfolio by 2020.

As we reflect on the 25 years since the founding of Living Cities, which Prudential helped lead, there are important lessons learned that collectively shape even more effective future investments.

## SUCCESSSES

**Increased access to capital:** When I first joined Prudential in

1997, there wasn't a single mainstream banking institution on Broad Street in our hometown of Newark, NJ. Today, nearly every major national lender has a presence there, making reasonably priced credit available to borrowers who fit their standard profile. There are still massive holes in the market – particularly for non-traditional projects and borrowers – but it is undeniable that access to capital has made considerable gains, and some institutions are becoming more creative to address identified gaps. One example of this creativity is the Newark-based City National Bank of New Jersey (CNB), one of the ten largest African-American led banks in the country. CNB suffered significant losses during the recent financial crisis but finished a successful recapitalization in 2015, motivated in part by the bank's desire to serve emerging underserved communities, including immigrant populations. Prudential invested in the recapitalization because we believe that banks with their roots in local communities are a critical part of the necessary financial services landscape.

### **A higher-capacity system for building affordable housing:**

When the Low Income Housing Tax Credit was created in 1986, the federal system for providing affordable housing shifted away from fully publicly controlled programs to an array of incentives designed to catalyze private action. This has created an incredibly robust array of skilled practitioners and effective implementation systems across the country working to make affordable housing a priority. At Prudential, we're committed to using our capital to finance projects that connect housing to broader economic opportunity. For

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## TWENTY-FIVE YEARS HAVE PRODUCED SEVERAL IMPORTANT LESSONS LEARNED THAT CAN COLLECTIVELY SHAPE MORE EFFECTIVE FUTURE INVESTMENTS.

example, we've invested in the redevelopment of Newark's iconic Hahne & Co. building, which will include 64 income-restricted apartments adjacent to over 75,000 square feet of retail space (including a Whole Foods) and 50,000 square feet of educational space via Rutgers-Newark.

**Better metrics:** As the impact investment sector grows at a rapid pace, there is a growing need to focus on rigorous impact measurement. The creation of the Global Impact Investing Network (GIIN) and B-Lab, organizations dedicated to building a framework of metrics and standards around impact, raised the profile and capacity of the field to attract new sources of capital and hold itself accountable to its stakeholders. By pushing for and utilizing these standards, impact investors have seeded the ability for those outside the space to understand and assess impact in their portfolios.

### BLIND SPOTS AND FUTURE PRIORITIES

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With increased enthusiasm for impact investing and thus growing potential to fund meaningful solutions, we (both individually and field-wide) must assess our own blind spots and continue to drive innovation in the sector.

**Consider the context:** Collectively there is a lot of attention and interest in urban settings, particularly the so-called "sexy seven" (New York City, San Francisco, D.C., Boston, Los Angeles, Seattle and Chicago) where there's massive

demand for housing, high capacity capital markets and government actors, and strong institutions. Solutions in those markets don't translate to locations where poverty is becoming increasingly concentrated, including small and mid-sized cities, rural areas or suburbs. One key learning is that impact investors must adapt models for realities on the ground and not ignore the needs of specific communities, or we risk missing the mark.

**Invest in long-term solutions:** Programs designed to bring capital to underserved populations have continuously over-emphasized asset backed solutions over investments in business and job creation. At Prudential, we invest in small and medium businesses, helping create quality jobs that are likely to enable people to reach the next rung on the ladder of financial security. For example, making long-term investments in training keeps people learning on the job and on the path to creating their own financial security.

**Work cooperatively with local governments:** Local governments are complex but vital. Investors and businesses are often prone to restrict engagement with local governments, or in the opposite extreme, expect them to take the lead in making highly sophisticated and detailed planning choices. Instead, our experience has shown that by adopting a partnership model, and working closely with local governments, we can find better solutions that pave the way for more effective investments. Living Cities is a leader in this approach of working closely with local

governments as they look to help improve the economic well-being of low-income peoples.

**Welcome new perspectives:** Impact investing is still not a fully inclusionary sector – even less so than with conventional finance. To fulfill its promise, impact investing needs to draw from broader talent pools and find pathways to inclusion at the investor and investee level. While the sector has several promising initiatives to address this trend, we need to push harder to diversify the table.

## LESSONS MOVING FORWARD

**Think big:** We must develop solutions that can rapidly scale versus those that work on a particular issue or in a particular geography – though not at the expense of experimentation and smart risk taking. Don't be afraid to invest in a broad portfolio of areas to test out and identify solutions that work versus those that don't. And when you identify a winner, double or triple down on it, scaling it to create the greatest impact.

Listen to – and adequately fund – your partners: Our investees are the ones in the trenches. No one has the same level of understanding of the challenges or the nuances than they do. All impact investors must recognize we're in this together with our partners; their insights are invaluable to ensuring our investments create the most good. We should also ensure that on-the-ground partners have sufficient capacity, capital and staff to deliver the results we all want and need.

**Build skills:** Impact investing is a business, and as such it demands a specific skill set built and refined over time. It is not an "add-on" to conventional investing expertise, nor a business-like approach to philanthropic work. As this financing vehicle becomes more widely used, we must continue developing talent and sharing best practices.

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**WHEN ALL PARTIES WORK TOGETHER, THE MEASURABLE IMPACT WE CREATE FOR OURSELVES, OUR STAKEHOLDERS AND SOCIETY AT LARGE IS GREATER.**

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Not being afraid to tackle complex problems, choosing to commit to local partners for the long-term and infusing purpose into core business strategies can position the field to do the most good for another generation.

# HOMEOWNERSHIP AS A TOOL TO BUILD WEALTH



**MICHAEL P. RIZER**

EXECUTIVE VICE PRESIDENT, HEAD OF COMMUNITY RELATIONS  
WELLS FARGO & COMPANY

**Private/public/nonprofit partnerships will remain critical to building healthy neighborhoods and thriving cities in the future.**

As we celebrate the 25th anniversary of Living Cities and how to encourage resilient cities in the future, it makes sense to look at the growth of home ownership and suggest way in which we could have capitalized on it to further other important economic and societal issues. The concept of home ownership has always been a cornerstone of the American dream, the foundation of economic opportunity and stability. Owning a home has many positive impacts on families individually and on communities collectively, as it helps families build wealth, and in some cases facilitates low- and moderate-income households entering the middle class.

America saw an unprecedented increase in homeownership between 1995 and 2009, when the rate grew from 64.2% to 68.1%. For African Americans during that same time, it grew from 42.7% to 46.2% and for Hispanics from 42.1% to 48.4%. Much of the increase in homeownership during this time period was made possible by special loan programs offered by lending institutions, including Wells Fargo, which provided more flexible terms (higher loan-to-value and debt-to-income ratios) and nontraditional financing (as little as 3% down, acceptance of gifts for down payments). These products helped millions, many of whom would have thought it impossible to buy a home before that time, attain their dream of homeownership.

As homeownership expanded, however, it turned out that families and individuals who accessed these lending programs often purchased homes in neighborhoods that reflected their own race, extending the largely segregated housing patterns of the 20th century.

While the benefits of encouraging more responsible homeownership within a community are worthy in and of themselves, in retrospect, we as a nation could have taken advantage of the home buying trend to encourage more integration between neighborhoods. For example, select cities and states have sponsored down payment assistance programs that offered premiums when a home was purchased in a census tract that was greater than 50% of a race other than that of the applicant. If more municipalities had created incentives like these, we could have more effectively harnessed the unprecedented housing expansion to help communities become more racially, ethnically and economically integrated.

Had we achieved more integration, data indicates that other social challenges, most importantly public education performance, would have been mitigated. Instead, while home ownership increased, the communities remained largely segregated, which in turn impacted schools, economic development and even health. In addition, when millions lost their homes during the recession, it disproportionately impacted people of color and in turn, the often segregated communities in which they lived. The

domino effect was that families experienced the personal tragedy of losing their homes, but broader community institutions and issues, including schools, small businesses and safety were disproportionately and negatively impacted by foreclosures.

In the future, we should continue to see homeownership as a critical tool to help families create stability and build wealth, but more intentionally consider social impacts. Wells Fargo, as the nation's largest mortgage lender, continues to push beyond traditional barriers to find ways to increase responsible homeownership, building neighborhood stability and increasing family wealth. For example, since 2012 we have collaborated with NGOs and cities to deliver our LIFT programs, which offers homebuyer education plus down payment assistance grants designed to support sustainable homeownership and advance neighborhood stability with local initiative grants.

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**THROUGH LIFT PROGRAMS ALONE, WELLS FARGO HAS COMMITTED MORE THAN \$300 MILLION IN DOWN PAYMENT ASSISTANCE AND PROGRAM SUPPORT TO CREATE NEARLY 12,000 HOMEOWNERS IN 45 COMMUNITIES ACROSS THE COUNTRY. THROUGH THIS EFFORT, THE LIFT PROGRAMS ARE MAKING HOMEOWNERSHIP MORE AFFORDABLE AND SUSTAINABLE FOR HARD-WORKING FAMILIES EVEN THOUGH THE MORTGAGE LOANS ARE NOT EXCLUSIVELY MADE BY WELLS FARGO.**

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In fact, an analysis by NeighborWorks America of the first 10,000 homeowners created through LIFT programs tells us the majority of the homeowners created represent low- and moderate-income households, so the program is truly helping the people it was intended to help achieve sustainable homeowners.

We believe that private/public/nonprofit partnerships like this will remain critical to building healthy neighborhoods and thriving cities in the future, and we look forward to working with Living Cities to address complex issues and create new opportunities.



IN THE FUTURE, WE SHOULD CONTINUE TO SEE  
HOMEOWNERSHIP AS A CRITICAL TOOL TO HELP FAMILIES  
CREATE STABILITY AND BUILD WEALTH, BUT MORE  
INTENTIONALLY CONSIDER SOCIAL IMPACTS.



- MIKE RIZER

# TWENTY-FIVE YEARS OF PHILANTHROPIC & PRIVATE SECTOR PARTNERSHIPS IN MINNEAPOLIS-ST. PAUL



**LEE SHEEHY**

PROGRAM DIRECTOR, REGION & COMMUNITIES  
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**The case of Minneapolis-St. Paul shows how powerful it can be to leverage the distinct, complementary assets of the business, public, and civic sectors toward a common cause.**

Throughout The McKnight Foundation's 63-year history, we have always held that strong partnerships across sectors are at the heart of creating lasting change and critical to addressing complex challenges. Even as our guidelines evolve and areas of focus sharpen, this has been at the core of what we do. Efforts to create opportunity and assets in our "people, place, and possibilities" strategic framework require perseverance, collaboration, innovation, risk-taking, and continuous improvement that adapt to the changing fabric of our region.

Twenty-five years ago, the Minneapolis-Saint Paul region was 79% white, with suburban residential job growth outpacing the central cities, which increasingly developed larger concentrations of poverty. As the nation reeled from spikes in violent crime during the 1990s, so did Minneapolis. In 1995, our crime rate was higher than New York City's, dubbing the city "Murderapolis."

In this moment, the Phillips Partnership was born. With crime hindering economic development in the city's south side, employers, foundations, government, and non-profits used job training connected to positions in the nearby hospital, redevelopment of housing, new infrastructure, and new community-driven tactics to reduce crime. Through early

partnerships such as Phillips, the Foundation uncovered some fundamental truths: a) aligning community-based work with civic-business collaboration creates assets and opportunities, and b) a larger platform scaling these cross-sector models was needed to adapt to the changing region.

## **Regional Issues, Regional Solutions, New Partnerships**

The Board and staff realized that regional trends were undermining progress for inner-city neighborhoods and residents. Suburban sprawl was shifting public resources from city centers to expand highways and sewers into the far reaches of the region, increasingly isolating low-income city residents from the new jobs and housing that followed, especially in the absence of a robust regional transportation system.

**AS MCKNIGHT FORMALIZED WHAT WOULD BECOME THE REGION AND COMMUNITIES PROGRAM IN 2003, STAFF REALIZED THAT THESE LARGE-SCALE ISSUES WOULD BE IMPACTED MORE HEAVILY BY PUBLIC AND PRIVATE SECTOR INVESTMENT THAN BY ANY PHILANTHROPIC CONTRIBUTION.**

The Itasca Project, a business-led civic alliance, emerged in 2003, after McKnight convened leading CEOs, civic leaders, and government officials to discuss regional competitiveness. Ultimately the Itasca partnership created



## THE CASE OF MINNEAPOLIS-ST. PAUL SHOWS HOW POWERFUL IT CAN BE TO LEVERAGE THE DISTINCT, COMPLEMENTARY ASSETS OF THE BUSINESS, PUBLIC, AND CIVIC SECTORS TOWARD A COMMON CAUSE.

a framework, viewing "education, jobs, and transportation as a triangle, with socioeconomic disparities in the center, influenced by the other three." These interlinked challenges were the ones that Itasca members identified as areas where they could make a difference.

The partnership's impact has been direct and indirect. In 2005, Itasca partnered with the Brookings Institution to release the first major study on the region's disparities. "Mind the Gap" positioned these disparities as a competitiveness issue. When a 2015 update uncovered the persistence of these gaps, Itasca members – as some of the region's largest employers – delved into their specific roles for increasing hiring and retention of employees of color. Itasca also understood infrastructure was destiny. In 2008, when the governor vetoed a transportation sales tax, Itasca members persuaded enough Republican legislators to vote for the measure, overriding the veto. In the last three years, Itasca has returned to this priority by leading a study that calculated the return on investment by building out the region's transit network.

Seizing on a federal focus to address regional needs, McKnight forged two partnerships using transit as a backbone for increasing equitable development. The Central Corridor Funders Collaborative carried its work out by convening and funding working groups led by a mix of community organizations, business associations, public agencies, and other nonprofits. These partners created and implemented

corridor-wide strategies in affordable housing, economic development, and placemaking to ensure that adjoining neighborhoods, residents and businesses broadly shared in the benefits of public and private investment in the Green Line. The Funders Collaborative ceased operations as planned in June 2016. A final report details lessons and outcomes.

An expanded regional table led to funding from HUD and Living Cities for the Corridors of Opportunity/Partnership for Regional Opportunity initiative. The partners forged a new regional direction, creating policy changes, new programs and investments supporting transit, equitable development, and community engagement. Seeking to bring more business voices to the table, partners launched a now annual dashboard that measures the social, environmental, and economic underpinnings of regional competitiveness.

### TODAY'S PARTNERSHIPS AND LESSONS FOR THE FUTURE

While equity was always at the heart of these initiatives, the "opportunity for all" framework didn't explicitly address the region's ongoing racial disparities. New partnerships were needed to measure and focus on outcomes for people of color, while also working to change the systems in which they operate.

North@Work, spearheaded by the The Northside Funders Group, has a clear goal of connecting 2,000 African American

men from Minneapolis' Northside to meaningful living-wage employment in the next five years. Understanding that universal approaches haven't been successful, the program's interventions are tailored to the population, with room for learning and adaptation. Coupled with employer engagement, site identification for economic development and capital for Northside business lenders, the Northside Funders Group is working to extend these targeted practices through the Opportunity Neighborhoods for Regional Prosperity partnership supported by Living Cities.

The MSP Workforce Innovation Network is challenging the workforce system to reduce employment disparities. They have successfully changed state law, requiring that all state-funded programs report standard, disaggregated results by race and other factors, enabling decision makers to focus future investments on programs that work. They are expanding career pathway programs with proven income increases for participants and partnering with employers to ensure that these programs are on-point for today's job requirements.

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**FROM THESE EXAMPLES AND OTHERS, WE'VE SEEN HOW POWERFUL IT CAN BE TO LEVERAGE THE DISTINCT, COMPLEMENTARY ASSETS OF THE BUSINESS, PUBLIC, AND CIVIC SECTORS TOWARD A COMMON CAUSE. IT IS THROUGH THESE PARTNERSHIPS THAT OUR COMMUNITY HAS BEEN ABLE TO MAKE PROGRESS ON SOME OF THE MOST SIGNIFICANT CHALLENGES WE'VE FACED.**

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