From Community to Prosperity

By Ben Hecht, Living Cities[1]

"Past performance should not be seen as an indicator of future success."

Anyone who has ever had to decide among investment options should be familiar with this warning. No admonition is more appropriate for the community development industry today. Since the 1960s, this sector has grown and produced staggering returns: billions of dollars in private capital invested; millions of affordable housing units built; the development of an extraordinary number of high-performing local, regional, and national nonprofit organizations; and the creation of the most successful private-public partnership the nation has ever seen, the Low Income Housing Tax Credit.

These successes were largely achieved in a different era, before community was redefined by revolutionary forces of change—primarily, globalization and the internet—that have reshaped not only America but also the world and America's place in it. Despite the heady successes in this sector, our work has not had the effect that many of us intended: a material impact on the number of Americans living in poverty. Our long-held assumptions about the levers required to address poverty in a globalized world, and the appropriate role of place in that effort, are being challenged. Community development must move from an industry viewed by many as focused on managing decline—think older industrial cities—to one that is ushering change in new collaborative ways, disrupting obsolete and fragmented systems, keeping an eye on underinvested places, and connecting low-income people to economic opportunities wherever they exist in this hyper-connected world.

What Has Changed

Since its inception in the decades after World War II, the community development sector in the United States

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has emphasized the primacy of place. According to this theory, poverty was largely considered to be a side effect of geographic isolation and disinvestment. But a lot has changed. 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. Similarly, the internet has profoundly reshaped notions of connection and community. The definition of "community" has, in many instances, lost a geographic, placed-based character as smart phones, text messaging, and social networks like Facebook have become ubiquitous. Today people identify and interact with their online communities, social networks comprising self-selected individuals who share interests, values, family ties, and more. Political and societal changes such as the development of school vouchers, charter schools, and mega-churches have also accelerated the displacement of place. People have increasingly chosen to disconnect themselves from local institutions. In short, the primacy of place has lost out to mobility.

Additionally, poverty is no longer limited to the disadvantaged subsections of our cities. Issues once thought to be unique to isolated geographies, such as bad schools and underemployment, are now ubiquitous. High-performing public systems that since World War II have helped to build our country's middle class and create broadly shared economic prosperity are broken and no longer produce such results. In most cities today, for example, we do not need to fix the elementary school in only one neighborhood, we need to fix most of the elementary, middle, and high schools in regional school systems.

The community development industry, and the United States as a whole, has failed to adequately adapt to these seismic changes. As the United States transitioned from the center of the world's economy to being a player in a truly global one, income inequality and stagnation has increased. Economic opportunity and prosperity declined for most Americans over the past 30 years, as highlighted by the recent Occupy Wall Street movement. Not surprisingly, the economic conditions of low-income people in the neighborhoods targeted by community developers were also negatively affected over this time. Very local community-based strategies that were disconnected from the quickly changing mainstream global economy simply had no hope of helping people overcome the economic forces at play.

In a twenty-first century world, how do we define "community" and what role should it play in our work? Can strategies that concentrate on narrowly defined places create broadly shared economic prosperity? If connectivity is key and systems need to be changed at a city or regional level, what is the role for traditional community development practitioners? Can an industry largely built on real estate transactions pivot to be influential in approaches where those transactions are important but insufficient? If transformational changes have occurred, why are so many of the very poor still trapped, symbolically and literally?

These questions are uncomfortable. They challenge our long-held assumptions about community development and urban revitalization. They also demand a fundamentally redefined notion of social change and an innovative approach to implementing it. Such an approach would require unprecedented collective action; a focus on reengineering long-broken systems such as education, workforce development, and transportation that addresses people and not just real estate; and a commitment to connecting low-income individuals to opportunities and private markets. As community development practitioners and citizens we are not simply fitting the last pieces—underserved neighborhoods—into an otherwise healthy puzzle of the American city. Instead, we are facing fundamental challenges to post-World War II ways of life.

Fixing the Method

Our problem is not that we do not know what we want to achieve. Instead, it involves "fixing the method by which these goals are attained," as management legend Edward Deming said.[2] The community development sector must change the way it works and with whom it works. We need a method that is commensurate with the scope and nature of the problem. We have gone "all in" on local strategies, ignoring global realities. We have become technical experts on transactions when we need to lead a new way of adaptive problem-solving.[3] Our focus has been on a singular strategy and unit of change, the community, but we must integrate geography, connectivity, and systems innovation. We have become very influential to those involved at the neighborhood level, yet we remain largely unknown beyond that sphere. Our new method must accomplish four things:

Invest in Dynamic Collaboration

Unfortunately, our ability to come together and solve important and complex problems is broken, as evidenced regularly in the U.S. Congress and many state houses. Problems such as stunted economic growth and an un-prepared workforce are complex and demand long-term solutions. They will require a new civic problem-solving infrastructure that is resilient and able to adapt to changing conditions—an infrastructure that is not commonly found in the United States.

This civic infrastructure must be founded on the same model that is being adopted by businesses around the world: dynamic collaboration or distributed leadership. In the words of Dow Chemical CEO Andrew Liveris, "collaboration is the new competition."[4] New realities mean that old-line institutions must break out of old paradigms. In order to effect long-term solutions, what is required is the right pool of talent and entities (both public and private), participants who bring formal and informal authority to the table, and the setting aside of old mental models of organization. In the words of Unsectored's Laura Tomasko, collaborative leaders must be "infrapreneurs," or people who create change by developing and connecting systems.[5]

At Living Cities, we have been supporting cities to create "one table," where government, philanthropy, the nonprofit sector, and the business community can come together. The results so far have been encouraging. For example, as a part of our five-city Integration Initiative, which began in 2010, leaders in Minneapolis–St. Paul are using this approach to consolidate the governance of multiple transit-oriented development efforts, coordinate precious financial and human resources, and ensure that region-wide transportation efforts create broadly shared economic opportunities. In Detroit, the inclusion of lenders at "the table" has resulted in progress toward $20 million of new community-enhancing transactions.

End Workarounds

Our systems are failing us, largely because they were built for different times and on now-outdated assumptions, such as an entire K–12 education system designed around the imperative of a nine-month school year to accommodate summer harvests. Yet, overhauling systems has proven to be very difficult given entrenched interests and the sheer force of inertia. As such, the nonprofit sector has responded largely with "carve-outs" and workarounds. We have been astonishingly innovative, but this innovation has remained on the periphery: the one good school in a failing system, the one successful job training program serving a small number of people. We have accepted that we are program rich but systems poor, to borrow a phrase often stated by Cincinnati's civic leaders.

We must commit to long-term systems innovation, not another new program. A vastly restructured system is needed to serve as a lasting platform for wealth building and well-being of low-income Americans. To paraphrase Jon Gertner in *The Idea Factory: Bell Labs and the Great Age of American Innovation,* systems innovation is a new process that does the job with consistently better results, is deployed on a large scale, becomes the new normal or mainstream way of doing business, and has a significant impact on both society and the economy. It is this impact on both society and the economy on which we must focus.[6]

Systems work is necessary, and it is possible. As a supporter of the viral Strive Network, in the past two years alone we have seen dozens of cities take on this challenge with education. Each city has not only built a multi-sector table, it has also adopted a shared vision for how to fix education from cradle-to-career. They use a combination of data-driven decision making and public accountability to drive results and move funding to programs that work.

Engage Private Markets

If the community development sector has learned anything in four decades, it is how to innovate using the tools and the language of the private sector. Community development financial institutions (CDFIs) and Low Income Housing and New Markets Tax Credits engage markets at scale; other parts of the nonprofit sector look on this with envy. We must implement this distinct competitive advantage, but in even more ambitious ways. We need to be the bridge that helps to bring private-sector discipline and resources, especially for those who seek financial and social returns, to public-purpose activities. And we must help the private sector to see how it can use its investments and practices for greater social results.

On the capital side, we need to build a practice of domestic impact investment that is at least as robust in the United States as it is abroad. This means continuing to innovate in ways to deploy capital into health centers, making fresh food more available, and other parts of the social safety net. At Living Cities, we are looking closely at how we might help bring private-sector capital into public-sector infrastructure investments, primarily at the local level. Foreign sovereign wealth funds and international financial institutions are innovating in this area; we should be able to do so in the United States as well. With our Catalyst Fund, we are investing in the nation's leading energy efficiency effort in Portland, OR, and the future-looking multicounty transit-oriented development fund in the San Francisco Bay Area.

Our sector's efforts should not be limited to capital. We have to build more relationships with the private sector that are driven by the creation of what Michael Porter terms "shared value."[7] We should imagine new

ways for our industry to help the private sector bring its other assets, including jobs and mainstream products and services, to low-income people and communities. For example, recent research shows that 3–5 million jobs will be "reshored" from abroad to the United States by 2020, and the addition of fresh food to local Target and Wal-Mart stores has significantly affected urban food deserts.[8]

Use Accelerators

There is no way to avoid the difficult, multi-sector work required to change long-broken systems, but there are powerful ways to accelerate those efforts. Technology has the greatest potential to do that when it is intelligently combined with the public sector.

Big Data

Technology is increasingly being deployed for social change. No area has more promise than Big Data, which a recent New York Times article[9] described as "shorthand for advancing trends in technology that open the door to a new approach to understanding the world and making decisions." The great promise of Big Data is that it can help us to build "humanity's dashboard," a phrase coined by Rick Smolan: it can provide us with information about where our public dollars are actually working and where our human and financial resources should be concentrated to make the biggest difference.[10]

With more government data becoming publicly available, an explosion of innovation has occurred that is redefining how citizens participate in and interact with their government. To date, "civic tech," or the building of apps based on public data, has focused on civic life, from real-time bus schedules to virtual land-use planning. However, it is not hard to imagine how civic tech could be transformational when applied to the lives of low-income people and communities, from changing the relationship between police and neighborhoods to enabling online appointment scheduling and enrollment for public benefits.

Social Media

Another application of technology with great promise for accelerating change is social media. Whether via crowd-based funding of a startup or local business, using sites such as Kickstarter and Smallknot, or microloans made available through organizations such as Kiva, social media has the capacity to make accessible previously inaccessible resources. It also enables citizens to voice their opinions on matters that are critically important to them. Just recently, within hours of announcing it, Verizon cancelled a $2 "convenience fee" it planned to implement when more than 130,000 people signed an online petition against it on Change.org. The power today to organize and be heard is unprecedented. Social media can also hasten the adoption of dynamic collaboration. Increasingly,

private- and public-sector organizations whose success is tied to that of others are using social media to share intelligence and ideas, get real-time feedback, and broadcast knowledge.[11]

At Living Cities, we see these accelerators in action every day. We are working with organizations such as Code for America and TechNet to bring the technology community together, to build applications using openly available public data to improve municipal operations, innovate to discover Big Data's predictive powers, and increase the delivery of government products and services to low-income people. We are partnering with NBA Hall of Famer David Robinson and other celebrities to reach their large numbers of social media followers. As a leader in a network of problem-solving organizations, we are prioritizing rapid prototyping and the distribution of knowledge, and we are changing the way in which we communicate in order to accelerate innovation in our field.

The Road to the Future

Bruce Katz of the Brookings Institution said that "successful organizations cannot stand still in times of disruptive change. They maintain their core goals and values but readjust their strategies and tactics to reflect new realities."[12] This same tenet must be applied to the community development sector. The road to the future requires that we move from a geographically bounded and named strategy, community development, to one that reflects the needs and realities of the twenty-first century, prosperity development.

Prosperity development focuses on people, place, and opportunity. Its goal is the convergence of vibrant places, effective systems, rich networks, and quality jobs. The commitment to vibrant places will build most directly on the sector's legacy work in neighborhoods. It will seek to ensure that a person's quality of life is not predetermined by ZIP code. Vibrant places will be healthy, safe, and affordable and have access to education, jobs, and mainstream products and services.

Efforts to build effective systems will require a new, resilient civic infrastructure and an intolerance of the workaround. Civic leaders from multiple sectors will be held accountable to rebuild systems so that they provide consistently better results over time for all Americans, restoring the expectation that our children's lives will be better than our own. Rich networks will facilitate the ability of low-income people to benefit from technology, social media, and the internet. Ubiquitous broadband connectivity and active participation in social networks will enable everyone, regardless of where they live, to access the economic and political potential of these media and connect to opportunities anywhere in the world.

Ultimately, prosperity is possible only if we dramati-

cally increase the number of Americans who have quality jobs, that is, jobs that offer economic security and wealth-building potential. We will have to improve our access to those jobs already tethered to geography, such as at universities and hospitals. We must pay attention to how we can apply our services to help small, ambitious businesses grow and larger existing enterprises translate shared value into quality jobs.

The past performance of the community development sector could be an indicator of future success, but not unless we change. We need a wider aperture than the one we are using. Community development has half a century worth of experience in building unprecedented partnerships, harnessing market forces, and generating innovative solutions. In this time of distributed leadership, no other sector has a more relevant perspective and set of skills; this should allow us to have significant influence on the shaping of our nation's future. We must commit ourselves to working in new ways, making new friends, taking different risks, and challenging orthodoxies believed to be unchallengeable. Nothing less than the economic future of our country and the values undergirding our democracy are at stake.

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People Transforming Communities. For Good.

By Angela Blanchard, Neighborhood Centers, Inc.[1]

At Neighborhood Centers, we believe that what makes Houston, and all great metro regions, dynamic and vibrant engines of recovery are our neighborhoods. Strengthening underserved neighborhoods raises the quality of life for everyone in the region. Neighborhood Centers exists to keep our region a place of opportunity for everyone who is working for a better life. We operate in many locations, and people in struggling neighborhoods often approach us asking for a community center. We believe in putting a roof over community. But when we are asked to build a center, we say "first you build the community, then you build the center." So we engage communities wherever we work. We fulfill our mission to bring resources, education, and connection by working side by side with people in neighborhoods.

The Baker-Ripley Neighborhood Center
Photo credit: Neighborhood Centers, Inc.

We are convinced that real transformation comes from an integrated, focused approach to neighborhood transformation, not from an "either/or" set of choices like housing or school, health or financial, infrastructure or immigration. All elements of what makes a neighborhood a great place to live, grow, and raise children are necessary. Although we do not believe that one organization has to do all of it for every neighborhood, we do believe that organizations, funding, and communities can come together for powerful integrated approaches.

One example is the Baker Ripley Neighborhood Center. With five buildings, 75,000 square feet, on four acres in the heart of Gulfton/Sharpstown, it stands as a monument to the dreams and aspirations of 55,000 hardworking residents. The philanthropic dollars that built this village center, and the public and private dollars that keep the doors open on a credit union, charter elementary school, immigration services, reunion hall and indoor/outdoor stage, tax center, art shop, and playground, are a modest investment with an unlimited return in realized potential and fulfilled promises. In our first year and a half of operation, 23,000 people passed through the doors. More powerful than the beautiful, accessible, colorful, joyful structures themselves is the incredible power of integrating education, financial opportunity, health services, and performing and visual arts into one site. Despite all the complexity, neighbors coming to the site see only the place they helped to build, one place with many doors, all of which are open to them. But we know about the dollars returned to the community, the improvement in graduation rates, the reduction in juvenile crime, and the number of new citizens. We recognize that the future leaders of Houston will come out of Baker Ripley and know they will remember the investment made in their families.

Angela Blanchard is the president and CEO of Neighborhood Centers, Inc.

Endnotes

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3. Ibid.

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From Community to Prosperity

1. This article is an excerpt from: Ben Hect, "From Community to Prosperity." *Investing in What Works for America's Communities.* Eds. Nancy Andrews, et al. San Francisco: Federal Reserve Bank of San Francisco and Low Income Investment Fund, 2012.

2. Eric Reis, *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses* (New York: Random House, 2011), ebook location 3911–13.

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9. Steve Lohr, "The Age of Big Data," *New York Times*, February 11, 2012, available at http:// nytimes.com/2012/02/12/sunday-review/big-datas-impact-in-the-world.html.

10. Ibid.

11. See the archive of Living Cities' webinar "Leading in a Hyperconnected World" (https:// video.webcasts.com/events/pmny001/viewer/index.jsp?eventid=42685), where more than 1,000 leaders across the country came together to discuss how they need to change how they work to achieve this goal.

12. Living Cities, 2011 Annual Report, p. 24.

People Transforming Communities: For Good.

1. This article is an excerpt from: Angela Blanchard, "People Transforming Communities for Good." *Investing in What Works for America's Communities.* Eds. Nancy Andres, et al. San Francisco: Federal Reserve Bank of San Francisco and Low Income Investment Fund, 2012.

The Future of Community Development

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Getting to Scale: The Need for a New Model in Housing and Community Development

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4. Area median income is determined at the county level and is published periodically by the U.S. Department of Housing and Urban Development.

Routinizing the Extraordinary

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