

COMMUNITY INVESTMENTS

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Tackling Neighborhood Poverty

Developing Strategic Approaches to Community Development

Credit Where it Counts

The CRA's Role in Revitalizing Low- and Moderate-Income Communities

Place Matters

How Community Development Departments Are Rediscovering Communities

Works in Progress

Comprehensive Approaches to Community Development

Neighborhoods in Bloom

Measuring the Impact of Targeted Community Investments

The Reinvestment Fund's Approach to Community Development

Using Data to Build Opportunity and Wealth

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COMMUNITY INVESTMENTS

This publication is produced by the Community Affairs Department of the Federal Reserve Bank of San Francisco. The magazine serves as a forum to discuss issues relevant to community development in the Federal Reserve's 12th District, and to highlight innovative programs and ideas that have the potential to improve the communities in which we work.

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CI Notebook

by Scott Turner

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On the eve of the 30th anniversary of the Community Reinvestment Act, the question of whether we're targeting our community development resources most strategically is worth asking. It's important to take time to reflect on what we've learned from the past three decades and approach neighborhood revitalization from the standpoint of success.

In this latest issue of Community Investments, we look at the challenges facing low-income neighborhoods and explore some of the principles underlying successful integrated approaches to community development. We also highlight strategies being used to realign resources for greater community impact.

Many of the ideas presented here will not seem new. They are things we've been doing all along: building affordable housing, encouraging asset and workforce development, and financing childcare or healthcare clinics. The challenge is to increase our understanding of the unique needs of each of our communities and to address those needs in a strategic and comprehensive way.

But this is only the beginning of the conversation. Join us in Las Vegas this March where a separate track – and in fact the theme of the entire 2006 National Community Reinvestment Conference – will be devoted to strategic approaches to community development. The conference will provide opportunities to explore what we do right and what we do wrong, and will offer tools and ideas for how to have a greater impact in low-income neighborhoods.

We hope you enjoy this issue, and we hope to see you in March.



Scott Turner

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Tackling Neighborhood Poverty

Developing Strategic Approaches to Community Development

Carolina Reid

Hurricane Katrina's devastation and its aftermath brought the intertwined problems of poverty, racial discrimination, and neighborhood distress into stark relief. Images of New Orleans' poorest residents trapped in the Superdome and disconnected from rescue efforts provided an apt metaphor for people long isolated and excluded from the economic mainstream. An analysis by the Brookings Institution confirmed the level of visible deprivation in neighborhoods like the Lower Ninth Ward. With one of the highest overall poverty rates in the country, New Orleans ranked second among large cities in the number of poor concentrated in extremely distressed neighborhoods. Nearly 50,000 of New Orleans' poor—mostly African Americans—lived in neighborhoods where the poverty rate exceeded 40 percent.¹

In Katrina's wake, the question of how to rebuild New Orleans has risen to the top of domestic policy concerns and has reinvigorated a national debate about community development and its effectiveness. Liberals have argued that in rebuilding New Orleans, there is an unprecedented opportunity to use federally funded programs like HOPE VI, Section 8, and CDBG funds to create new and vibrant mixed-income communities. Social conservatives, in contrast, contend that Hurricane Katrina exposed not only great poverty, but also the fundamental failure of community development and anti-poverty policies. Stuart Butler, vice president of the Heritage Foundation, argued, "This is not the time to expand the programs that were failing anyway."²

Butler's perspective mirrors a more deep-seated ambivalence about the impact of community development in the United States. Why is it that neighborhoods across the country continue to face problems of poverty, segregation, and disinvestment despite more than three decades of efforts to turn them around? As Charles Buki asked at the Federal Reserve Bank of San Francisco's 2004 Community Reinvestment Conference, "How can it be that we've spent between \$300-\$325 billion in public dollars on community development activities, and still wind up with West Oakland still like, well, West Oakland?"³ The field has also increasingly come under attack for focusing on affordable housing at the expense of changing communities for the better. In the words of one community development researcher,

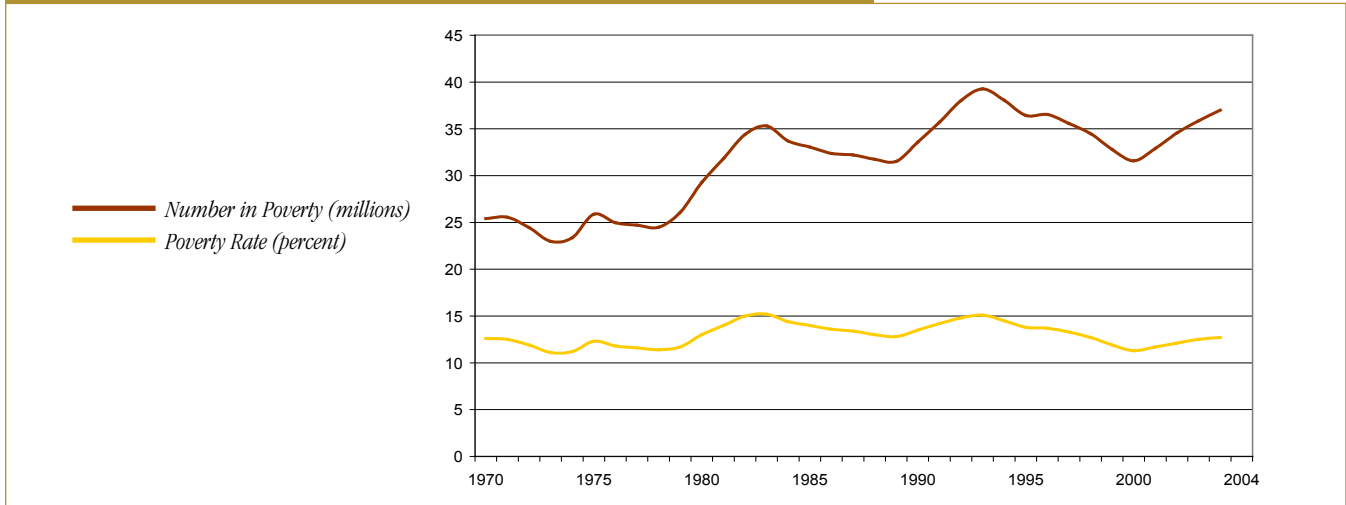
"We've become tax credit junkies, building units without stopping to think through why we're doing certain projects." New Orleans is emblematic of this trend: in the 1990s, more than 2,400 units of affordable housing were created under the Low Income Housing Tax Credit program (LIHTC), yet many of these projects were located in poor, African American neighborhoods. Arguably, the 2,400 tax credit units did nothing to connect low-income families to strong neighborhoods with living-wage jobs or good schools; instead, they reinforced their isolation from the rest of the economy.⁴

The lesson from neighborhoods in New Orleans and West Oakland—indeed, from neighborhoods around the country—is that in order to be successful, community development must address the underlying causes of poverty and work to connect poor neighborhoods and families to regional markets. In this article, we share with you an emerging consensus on the key principles that should guide community development activities and provide tangible examples of how these ideas are being implemented in practice. But first, we take a brief look at the changing dynamics of neighborhood poverty as a way to benchmark our progress and assess what there is still left to do.

Poverty and Community Development: People and Place

In his State of the Union address on January 8, 1964, Lyndon B. Johnson boldly announced the "War on Poverty," a multi-faceted strategy designed to encourage employment growth and expand the safety net for poor families. These programs contributed to an already declining poverty rate, and while Ronald Reagan argued that in the "war on poverty, poverty won," the next ten years saw the nation make its greatest strides against poverty since the end of the Depression. The poverty rate dropped to a low of 11.1 percent in 1973 (22.9 million people), down from 22.2 percent (40 million) just a decade earlier. Since then, the poverty rate has seesawed up and down, largely following the strength of the national economy (see Figure 1).

From a community development perspective, however, the overall poverty rate may be of less significance than where the poor live. Known alternatively as ghettos, barrios, slums, extreme-poverty neighborhoods, blighted areas, distressed



communities, and low- and moderate-income census tracts, neighborhoods characterized by high levels of poverty are often host to a wide range of social and economic ills, including violence, drug abuse, bad schools, and little legal commercial activity.

Because it is right, because it is wise, and because, for the first time in our history, it is possible to conquer poverty.

Lyndon B. Johnson's Special Message to Congress, March 16, 1964

A recent study by Paul Jargowsky, a researcher at the University of Texas, found that between 1970 and 1990, the number of high-poverty neighborhoods more than doubled as the combination of de-industrialization, suburbanization, and “white flight” decimated inner city communities.⁵ As with the overall poverty rate, however, this trend reversed during the 1990s, and the population living in high-poverty neighborhoods dropped precipitously. Jargowsky estimates that the number of people living in high-poverty neighborhoods declined by 24 percent, or 2.5 million people, over the course of the decade.

While this decrease in neighborhood poverty is good news, Jargowsky cautions that significant pockets of poverty remain, and that new pockets of poverty are emerging. Many cities including New Orleans, Baltimore, and Detroit have still to overcome the increase in neighborhood poverty during the 1970s and 1980s. The most recent data from the Census also shows that the concentration of poverty is shifting from central cities in the East and Midwest towards rapidly growing Western metropolitan areas. Cities like Fresno, Los Angeles, and Las Vegas all saw large increases in the

number of high poverty neighborhoods, reflecting high levels of immigration coupled with local labor markets dominated by low-wage jobs (see Figure 2). In addition, as the national poverty rate has risen since the last Census, there are concerns that the gains made in neighborhood poverty during the 1990s will be eroded.

The challenge for the community development field is to respond to these changing patterns of neighborhood poverty and to continue to work to reverse the effects of decades of disinvestment in low-income and minority communities. Living in high poverty neighborhoods magnifies the problems faced by the poor, and exacts high social and economic costs. Research has shown that:

- Living in extremely poor neighborhoods creates significant barriers to finding and traveling to jobs in other parts of a metropolitan area.⁶
- Children who live in extremely poor urban neighborhoods are more likely to drop out before receiving a high school degree, and are at a greater risk of engaging in criminal behavior and drug use.⁷
- The incidence of depression, asthma, diabetes, and heart disease are all greater in high poverty neighborhoods.⁸
- The lack of competition and market information in high poverty neighborhoods results in poor families paying more for basic needs and services, such as groceries, financial services, auto insurance, and home mortgages, making it even more expensive to be poor.⁹

Revitalizing neighborhoods and reducing concentrated poverty by providing access to quality affordable housing, strong public schools, convenient and comprehensive transportation options, living-wage jobs, and even access to supermarkets and parks and public spaces can therefore help to end the vicious cycle that keeps poor families from moving up the economic ladder.

Figure 2

Top Ten Cities with the Highest Rate of Concentrated Poverty	
	Concentrated Poverty Rate
Fresno, CA	43.5
New Orleans, LA	37.7
Louisville, KY	36.7
Miami, FL	36.4
Atlanta, GA	35.8
Long Beach, CA.....	30.7
Cleveland, OH.....	29.8
Philadelphia, PA	27.9
Milwaukee, WI	27.0
New York, NY	25.9

Addressing Neighborhood Poverty: Principles of Strategic Community Development

In place of community development work that has been criticized for being overly focused on housing production, CDCs, CDFIs, and other community based organizations are in fact working in a multitude of ways to tackle neighborhood poverty in a comprehensive and strategic way. Increasingly, neighborhoods are being seen as dynamic, unique places where cookie-cutter approaches to solving poverty won't work. Urban renewal—which isolated or divided neighborhoods and removed large numbers of ethnic and minority residents—has given way to empowering local residents and developing mixed-income communities connected to the wider economic region.

In part, this has been made possible through the innovations in both “place-based” and “people-based” programs and policies implemented during the Clinton administration, such as New Markets Tax Credits, HOPE VI, the CDFI Fund, and asset-building efforts like expanding the Earned Income Tax Credit and creating Individual Development Accounts. In addition, the philanthropic community has made a sustained commitment to neighborhoods across the country through a variety of Comprehensive Community Initiatives (CCIs), building leadership among local residents and organizations and investing in both the “soft” and “hard” sides of redevelopment (see “Works in Progress: Comprehensive Approaches to Community Development”). And innovative partnerships between the public and the private sector, are forming the basis for initiatives that have both a social impact and economic return.

As a result, in cities across the country—from neighborhoods like the South Bronx in New York City to places like South Bend, Indiana—once distressed communities are showing signs of revitalization. While not all of these efforts

have been met with universal success, they contribute to a growing understanding of the principles of successful community development. Outlined below, these principles offer important guidelines for financial institutions interested in maximizing the impact of their CRA-related activities, as well as for other organizations working to minimize neighborhood poverty.

Understanding Neighborhoods, Understanding Needs

Neighborhood poverty is driven by different factors in different places: whereas one neighborhood may be suffering from de-industrialization and the historical legacy of redlining and segregation, another neighborhood may be poor as the result of rapid population growth and the proliferation of temporary, low-wage jobs. One key lesson from past mistakes is that although community development finance tools don't vary, neighborhoods do, and projects should be targeted to meet local community development challenges.

A true rebirth of distressed areas will only occur if we make these places neighborhoods of choice for individuals and families with a broad range of incomes and neighborhoods of connection that are fully linked to metropolitan communities.

— Bruce Katz, *The Brookings Institution*

Undertaking a “neighborhood” market analysis can yield important insights into the community development activities that are needed. One successful model has been implemented by The Reinvestment Fund (TRF) as part of Philadelphia’s Neighborhood Transformation Initiative, which seeks to tailor community development strategies to the distinct market conditions of disparate neighborhoods (see “The Reinvestment Fund’s Approach to Community Development”). Using a variety of indicators—including vacant land, property values, and residents’ credit scores—TRF ranked each of Philadelphia’s neighborhoods into six categories, from desirable “regional choice” areas to distressed “reclamation” neighborhoods. These categories are then used to inform neighborhood strategies. For example, in “regional choice” neighborhoods—those with high, appreciating property values and often only home to the wealthy—it makes sense to support an employer assisted housing initiative that would help to integrate more low-income working families into the community. In contrast, in “reclamation”

neighborhoods— those with high levels of deterioration and little commercial presence—the market demand for new housing is low, and it may be better to focus on renovating vacant and derelict properties or providing job training and placement services for local residents. Other groups like Social Compact, MetroEdge, and the Initiative for a Competitive Inner City have also demonstrated that neighborhood-level analyses can identify “hidden” assets and market demand in low-income neighborhoods, which can be capitalized on through neighborhood revitalization efforts.

A second key element to tailoring community development solutions to the neighborhood is involving residents in the planning process. In the words of Angela Glover Blackwell, CEO of PolicyLink, “Don’t put the tax incentives in place ahead of genuine community engagement in decision-making about the type of community and city to be built.”¹⁰ Involving the community provides a much richer picture of the neighborhood’s needs and opportunities, and forms the foundation for successful revitalization efforts. In Baltimore, for example, it was the residents of Patterson Park who identified a growing problem of vacant houses in the community, prompting the local CDC to focus on this issue and develop a strategic rehabilitation program. Since the program’s inception, more than 200 homes have been renovated, and the community has benefited from increases in property values and the return of private investment in the neighborhood.

Increasingly, institutional lenders and investors are recognizing the value of engaging residents at the beginning of the planning process, with the understanding that projects that don’t are unlikely to achieve the highly sought after

‘double bottom line.’ The Wachovia Regional Foundation, for example, offers neighborhood planning grants between \$25,000 and \$100,000 that support the development of resident-driven neighborhood plans that take comprehensive approaches to revitalization. After developing a neighborhood plan, groups can apply for larger implementation grants from the foundation, and “bankable” projects that emerge as a result of these efforts may be referred to Wachovia’s community development finance division. William Hannah, CEO of Cedars Bank, similarly noted that the linchpin for the success of Market Creek Plaza in San Diego was the “consistent, sustained effort to find out what residents wanted” (see Box 3.3, “Market Creek Plaza”). Engaging with the community on a regular basis provides Cedars Bank a nuanced understanding of their customers’ financial needs, resulting in a more profitable business relationship.

Building Strong Partnerships for Change

As emphasis has shifted away from top-down, government-led projects, the community development field has increasingly relied on partnerships among neighborhood leaders, CDCs, intermediaries, the private sector, and government to mobilize the financing, technical expertise, and political will needed to revitalize neighborhoods. In some cities, broad coalitions are emerging as a way to share best practices and collectively tackle tough problems (see Box 1.1, “New Alliance Task Force”). Partnerships are vital to the community development finance industry as well, with loan funds and other collaborative investment vehicles helping to reduce the risk associated with new ventures. There is also a growing belief that collaboration that consolidates back of-

Innovative Partnerships: The New Alliance Task Force

Box 1.1

Much of the collaboration in community development has been between CDCs, foundations, and intermediaries like LISC and Enterprise, with financial institutions providing key financial support. Increasingly, however, financial institutions are partnering with each other and taking a leadership role in solving community development challenges. One example of this is the New Alliance Task Force (NATF), a broad-based coalition of 62 members, including nearly 40 financial institutions, the Mexican Consulate, community-based organizations, federal bank regulatory agencies, government agencies, and representatives from the secondary market and private mortgage insurance companies. Started in Chicago, the NATF grew out of the need to develop a comprehensive approach to meeting the financial service and asset building needs of Mexican immigrants.

As part of the NATF, bank representatives worked together to tackle the issue of immigrant banking on a variety of fronts, including removing the regulatory barriers to accepting the Matrícula card as an alternative form of identification, developing new programs that offer financial education to immigrant populations, countering the mistrust many immigrants have of the banking system, and tapping into the growing remittance market. Task force members also shared product innovations and best practices with one another.

Since the task force began, NATF banks have opened more than 120,000 new accounts with an average account balance of \$2,000, totaling over \$240 million in deposits.

office functions and promotes innovations in accessing capital markets will be necessary for the industry to achieve scale.¹¹

While the importance of public-private partnerships in community development is now well established, the strength of those partnerships often depends on the capacity of the different organizations at the table. One of the challenges facing many of the rapidly growing metropolises in California and Nevada—as well as in suburban areas and smaller cities across the country—is that the infrastructure for community development is not yet fully developed. The field must continue to invest in building the capacity of CDCs and other community groups to undertake multi-faceted and complex projects. The need for organizations with effective internal systems and diversified sources of funding—in particular self-sustaining sources of capital—has become even more pressing as community development programs continue to get targeted for cuts at the federal level.

Facilitating this type of capacity building isn't, however, easy. It requires patient capital and patience, as well as project-related technical assistance and support. Where this type of sustained support for CDCs exists, the results are impressive. The National Community Development Initiative (NCDI)—now known as Living Cities—is an innovative partnership among foundations, insurance companies, government agencies, and banks that has invested in a long-term strategy to build the capacity of CDCs in 23 cities across the country. The initiative has provided more than \$370 million to over 300 CDCs since 1991, allowing them to diversify

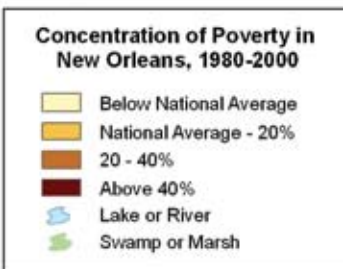
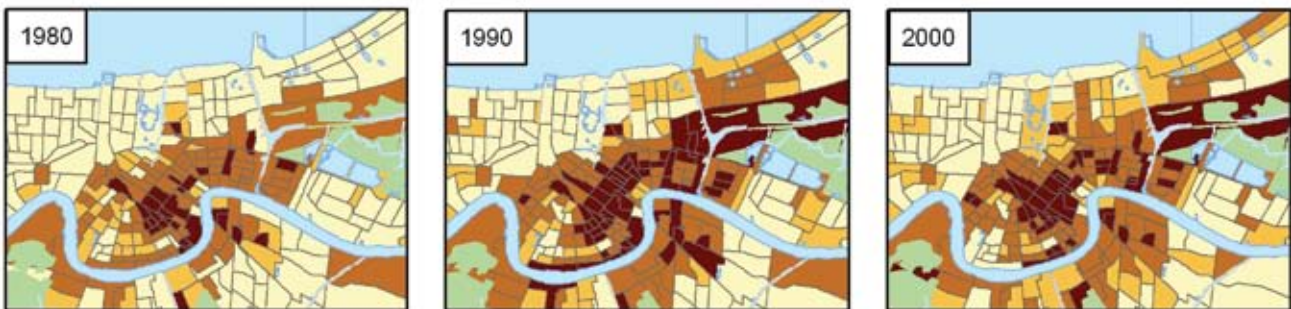
their funding bases, build leadership, increase their capacity to build affordable housing, attract, train, and retain more persons of color in professional CDC positions, and expand into other activities such as health care clinics, child care centers, and community facilities. The initiative has more than doubled the number of top-tier CDCs, and 19 of the 23 cities have seen significant improvements in neighborhood quality on the ground.¹²

Strategic Community Development: Integrating People and Place Based Solutions

With a solid understanding of the neighborhood and strong partnerships in place, it becomes possible to develop a strategic approach to community development, one that addresses underlying problems and develops a range of solutions to tackle them comprehensively. It is here that the mistakes of the past provide the best lesson for what not to do: whether funded by large government public works dollars or nimble private sector tax credits, building low-income housing in low-income communities will only serve to further exacerbate the problems of the poor by segregating them in neighborhoods with weak labor and real estate markets.

Unfortunately, although the lesson of what not to do is abundantly clear, the converse is not; there is no straightforward formula that guarantees success. Still, there is a growing consensus that tackling neighborhood poverty in a sustained fashion will require integrating people-based strategies—efforts that support community residents and link them to

Snapshots of Poverty: New Orleans, Louisiana



It should not have taken a hurricane for policy-makers to pay attention to the concentration of poverty in New Orleans. New Orleans has one of the highest rates of concentrated poverty in the nation, in part due to policies that trapped poor and minority households in economically isolated areas. By 2000, 38 percent of New Orleans' poor—and 43 percent of the African-American poor—lived in extreme-poverty neighborhoods. In these areas, the average household earned barely more than \$20,000 annually, only one in twelve adults held a college degree, four in five children were raised in single-parent families, and four in ten working-age adults were not connected to the labor force. Rebuilding New Orleans will require more than bringing tourists back to the French Quarter—it demands a concerted effort on both the private and public sectors to reconstruct neighborhoods in a manner that will address these entrenched disparities.

HOPE VI in Holly Park, Seattle

Built in the 1940s to house defense workers and war veterans, Holly Park in Seattle was converted into public housing in the 1950s. The army-style barracks quickly became known as one of the city's poorest and most crime ridden neighborhoods, prompting a columnist in the Seattle Times to describe Holly Park as "a lead weight attached to the communities around it."¹ In 1994, over 63 percent of the children in the neighborhood were living in poverty (compared to 16 percent for the city as a whole), and 74 percent of the families relied on public assistance as their primary source of income.²

In 1995, the Seattle Housing Authority (SHA) began tearing down Holly Park's 871 public housing units as part of a comprehensive HOPE VI revitalization grant. Today, NewHolly—as Holly Park is now known—provides a range of housing types targeted at different incomes, including subsidized rental units for low-income families and seniors, affordable homeownership opportunities for low- and moderate-income families, as well as market rate homes selling for around \$450,000.³

Even before demolition began, the SHA worked with residents to identify the community's vision for NewHolly and to engage them in the planning process. The SHA sponsored community meetings and provided translators to help non-English speaking residents understand the scope of the changes to take place. Even so, the SHA's efforts were met with resistance. Seattle's real estate market was booming in the late 1990s, and affordable housing advocates were concerned about the loss of units affordable to very low-income families. Residents themselves were wary of the uncertainty and change associated with relocating during the construction process, and voiced their distrust of the SHA, which they had long regarded as a landlord "who is just out to find us doing something wrong so they can evict us." Efforts to build a unified community were further hindered by linguistic and cultural differences among residents.

Although HOPE VI did end up displacing some of Holly Park's existing residents, in the end, the SHA was able to provide units for most of the low-income families who wanted to return the neighborhood after redevelopment. In addition, the community meetings provided important insights into the types of services that were needed to meet returning residents' needs. SHA created a centrally located Neighborhood Campus, which includes a public library branch and a satellite campus for South Seattle Community College. The College offers an array of classes for both English non-English speaking residents seeking to improve their literacy and job skills. A "one-stop" job center provides residents with job training and coaching services, and a job developer works with local companies to help place residents in positions suited to their skills and experience. To help support working families, NewHolly also offers an on-site Head Start program, child care facilities, and youth and teen programs.

More changes for the community lie ahead. The development will soon be linked to downtown Seattle by a light rail transit system that is scheduled to open in 2009. One of the light rail transit stations is located right at the entrance to NewHolly. The area is being rebuilt to include public plazas, sidewalks, public art, and a bike trail. To help mitigate the impacts of light rail construction on the existing small businesses in the neighborhood and to help stimulate new businesses, the city has established a \$50 million Rainier Valley Community Development Fund. The fund offers a wide array of financial products to local small businesses, including capital advances and property improvement loans.

The community is already showing signs of improvement. Over 80 percent of NewHolly households now have a wage earner, and the crime rate has dropped more than 50 percent.⁴ Although it's too early to measure the full impact of HOPE VI revitalization on the community, the design of NewHolly will help to ensure that the low-income families living there are connected to a wide array of services, transit options, and job opportunities.



NewHolly before and after redevelopment



quality schools and jobs—with place-based strategies—those that stabilize the neighborhood and connect it to the regional economy. Richard Baron, chairman and CEO of McCormack Baron Salazar, a for-profit housing developer in St. Louis, argues that even though funding for community development flows vertically, interventions have to happen horizontally. “You can’t redevelop neighborhoods vertically. The only way these areas will ever function successfully is if we start thinking and solving problems horizontally. The design and the reintegration of housing into a community has to be broad—it has to encompass streets and parks, jobs and education—so that the housing itself can begin to re-knit an area”¹³ (see Box 3.1, “Murphy Park”).

While simple on its surface, this principle is actually quite hard to implement in practice. As Jeremy Nowak, CEO of the Reinvestment Fund, has argued, “the community control ideology of neighborhood development often regards locality in strategic isolation from the rest of the

economy.”¹⁴ Funding requirements often prohibit more integrated approaches, and some programs provide perverse incentives that perpetuate the mistakes of the past. Forced to compete for limited development funds, most CDCs are left with small, undercapitalized projects that are unable to leverage economies of scale or connect poor neighborhoods to regional economies. Building affordable housing in better neighborhoods is often thwarted by NIMBY sentiments and higher land costs. And strategies that try to defy programmatic “silos” often quickly bump up against silo walls.

Nevertheless, where community development has worked, it has done so by increasing market demand in poor neighborhoods. According to Bruce Katz of the Brookings Institution, the goal is to create “neighborhoods of choice and connection.” In other words, to be successful, community development must build neighborhoods in which a range of families—including those with higher incomes—choose to live, and where all families have access to the amenities good

Linking Commercial Redevelopment with Small Business Training

Box 1.3

The Midtown Global Market in Minneapolis

For more than a decade, the former Sears building has stood empty on Lake Street, embodying the decline and disinvestment that took place along this major urban corridor in Minneapolis. Now, as a result of extensive efforts by neighborhood groups, local government and private-sector leaders, the Sears building is the site for a \$190 million redevelopment project known as the Midtown Exchange. When complete, it will include the headquarters of Allina Healthcare, a Sheraton Hotel, office space, and more than 350 units of rental and ownership housing, many of which will be targeted at low- and moderate-income families.



An artist rendering of the Midtown Global Market

The most unique feature of the development, however, will be the Midtown Global Market. Although it's not set to open until Spring 2006, the Midtown Global Market is an example of the effort to integrate “place-based” commercial redevelopment with “people-based” microenterprise. The project draws on the strength of Minneapolis's growing immigrant population, and will provide market space for up to 60 small businesses selling a variety of ethnic foods and wares. Instead of attracting national chains like Subway, Taco Bell, and McDonald's, tenants will include Holy Land Grocery, Manny's Tortas, West Indies Soul, Golden Thyme Cafe and Taqueria La Hacienda.

Many of these small business entrepreneurs are graduates of the Neighborhood Development Center (NDC), a CDC that provides ethnic-based microenterprise training and loans in low-income communities in Minneapolis and St. Paul. Since 1993, NDC has helped to open more than 300 businesses in at least 11 Twin Cities neighborhoods. A recent evaluation of NDC's program, using a detailed survey of 170 of these businesses, found that 34 percent occupy a building that was formerly vacant. These businesses employ 744 individuals (up from 403 in 2002), and almost two-thirds of the employees are residents of the neighborhood. Thirty-eight percent of employees earn between \$10 and \$20 an hour (up from 29 percent in 2002). The entrepreneurs are also contributing to the revitalization of these neighborhoods by paying property taxes (\$152,600 in 2005, up from \$56,083 in 2002), by purchasing their supplies from other local businesses in the neighborhood, and by providing time, money, or in-kind support to neighborhood events or activities. NDC's approach of linking small business training with commercial real estate development has proven to be an effective strategy for both the community and its residents.

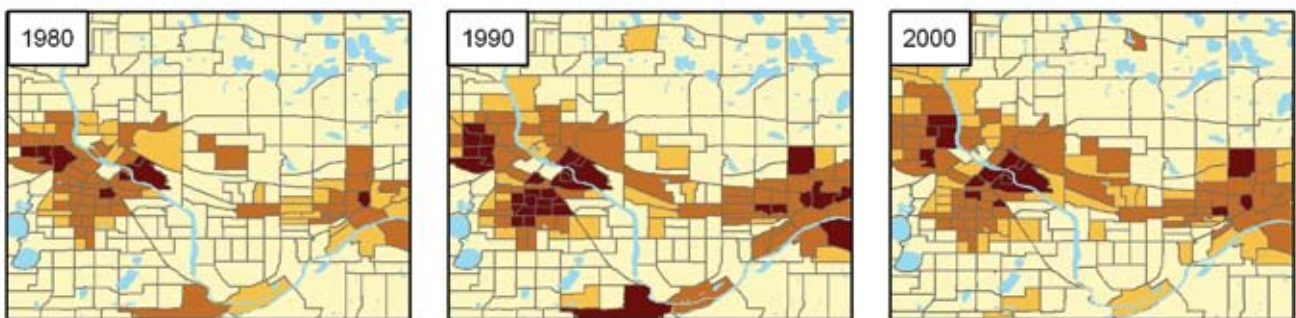
neighborhoods provide, including high quality education, transportation options, and jobs.¹⁵ The HOPE VI experience shows that building mixed-income developments can serve as an important catalyst for this type of neighborhood revitalization.¹⁶ An early analysis of eight HOPE VI sites found significant improvements in most of the once-distressed neighborhoods, including increased neighborhood income, property values, and private investment.¹⁷ There is also increasing evidence that targeting multiple resources in a community can produce a “tipping point” for revitalization, stimulating enough improvement that the private market takes over. For example, under its Neighborhoods in Bloom program, the city of Richmond, Virginia redirected nearly all of its HOME and CDBG funds into only seven neighborhoods, resulting in dramatic changes in property values and market activity (see “Neighborhoods in Bloom”).

However, focusing solely on the “place-based” work of rebuilding the community’s bricks and mortar—even if it is through well-designed mixed-income developments that grow market demand—will only result in the creation of new ghettos of the same poor families. Revitalizing neighborhoods without paying attention to the residents already living there turns “revitalization” into a code word for “gentrification.” In fact, one of the major criticisms of HOPE VI has been that it rebuilds communities at the expense of existing residents. In some HOPE VI sites, the program forced residents

to move out of communities in which they had established important social networks and placed them into new housing situations that were equally or even more precarious.¹⁸

Successful community development policies therefore also must focus on increasing residents’ incomes and connecting them to opportunity. Inclusionary zoning regulations and housing vouchers can help low-income families move to better neighborhoods (and increase their access to opportunity that way), but true “community” development occurs when neighborhood improvements benefit low-income residents and build on the existing social fabric. The best HOPE VI projects have recognized this principle, and have incorporated community building strategies and supportive services that address existing residents’ educational and economic needs (see Box 1.2, “Connecting Residents to Opportunity”). In other neighborhoods, CDCs are pursuing innovative approaches that link commercial revitalization and housing redevelopment with small business incubation and workforce training (see Box 1.3, “Linking Commercial Redevelopment with Small Business Training”). Still others—like the Annie E. Casey Foundation’s Making Connections program—focus on building strong families by encouraging financial security and asset building, and tying these strategies to other community supports like childcare (see “Works in Progress: Comprehensive Approaches to Community Development”).

Snapshots of Poverty: Minneapolis and St. Paul, Minnesota



Concentration of Poverty in Minneapolis-St. Paul, 1980-2000

- Below National Average
- National Average - 20%
- 20 - 40%
- Above 40%


Like many cities, Minneapolis and St. Paul saw rising concentrations of poverty between 1970 and 1990, particularly in the urban core, followed by a period of “urban renaissance” during the 1990s. The Twin Cities have experienced significant reinvestment in some of the cities’ most at-risk and racially- and ethnically-diverse neighborhoods, including North Minneapolis and the Phillips Neighborhood in South Minneapolis. However, striking regional disparities remained as of the 2000 census; while the Twin Cities had 23 percent of the region’s total population, it had 54 percent of all poor residents and 54 percent of the region’s minority and ethnic residents. In addition, job growth has occurred primarily in suburban areas, and there remain significant gaps in educational attainment, income levels, and homeownership rates between whites and the African American, Hispanic, and Hmong residents concentrated in the Twin Cities.

Conclusion

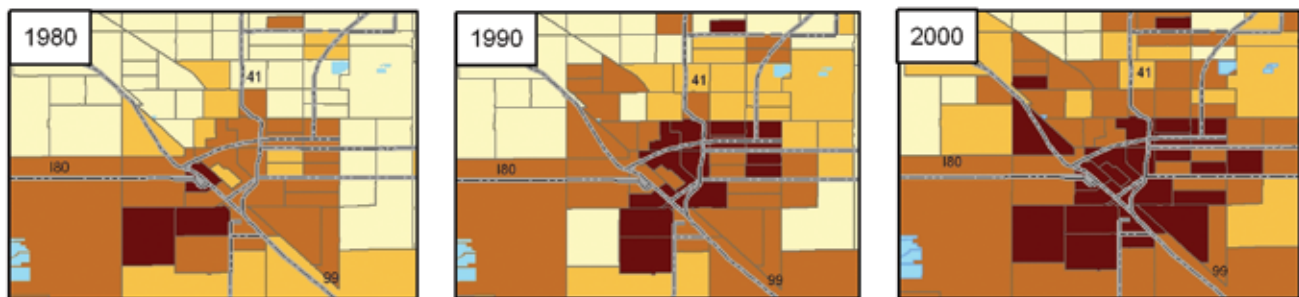
The overarching lesson from community development successes and failures isn't that every organization must tackle every problem, but rather that the integration of efforts through partnerships and the strategic targeting of resources holds much promise for reducing neighborhood poverty. Financial institutions are key partners in this. According to one estimate, financial institutions make more than \$100 billion in CRA-related loans and investments each year.¹⁹ These dollars provide perhaps one of the largest and most sustained sources of capital to low-income communities and families, and efforts to target these dollars strategically would have a visible and positive impact on neighborhoods—and on the bottom line. In the words of Mark Willis, executive vice president at JP Morgan Chase, it's time to work harder towards getting the “biggest bang for our CRA buck.”²⁰

To do this, however, financial institutions will need to stop seeing community development “deals” in isolation of one another. It will require a more targeted approach to CRA-related activities, one that uses data, community input, and research to assess the types of projects that should be financed—and to say no to those that don't meet the criteria set for community impact.²¹ It may also mean that financial institutions will have to take a leadership role in

establishing partnerships that bring their connections to the wider economy to bear on neighborhood issues (see “Place Matters: How Banks are Rediscovering Communities”). Anne Kubisch, Co-Director of the Aspen Institute's Roundtable on Community Change, noted that “when financial institutions take a leadership role in community development in a neighborhood, it sends a powerful message, one that can bring new partners with real resources to the table.”

Even so, financial institutions can't do it alone. While the private sector is a powerful actor in community development, government programs at both the federal and local level are critical, both to “soften” the risk of investing in economically distressed areas and to provide incentives for innovation. Recent efforts to dismantle funding for housing vouchers, the CDBG program, HOPE VI, and the CDFI Fund threaten to undermine the positive impacts these programs are having on low-income communities, and may only further limit the ability of the community development industry to tackle neighborhood poverty in a comprehensive way. Without the concerted efforts of both the public and the private sector, the continued existence of neighborhoods that look like New Orleans' Lower Ninth Ward is a foregone conclusion. 

Snapshots of Poverty: Fresno, California



Concentration of Poverty in Fresno, 1980-2000



The city of Fresno, California has the highest concentration of poverty in the nation, with 43.5 percent of the city's poor living in extreme-poverty neighborhoods, those with poverty rates of over 40 percent. A number of factors have contributed to this situation. Fresno's main industry, agriculture, has attracted successive waves of immigrant workers but pays little and, because it is seasonal, leads to cycles of unemployment. The shortage of affordable housing in the city requires many families to share quarters, further concentrating the poor in areas struggling with high gang and crime activity and lacking quality educational opportunities. In October 2005, the Fresno City Council approved the creation of the city's first “poverty task force” as a means to address the problems created by extreme concentrations of individuals and households in poverty.

Credit Where it Counts

Michael Barr

Under recent changes to the Community Reinvestment Act (CRA) regulations, intermediate small banks—those with assets between \$250 million and \$1 billion—will report their community development activities under a new structure, the Community Development Test. The Community Development Test, which includes lending, service and investment activities, emphasizes the need for banks to be responsive to the full range of needs and opportunities of the low- and moderate-income communities they serve. (These changes affect banks regulated by the Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of the Comptroller of Currency, and not institutions regulated by the Office of Thrift Supervision.)

With these changes afoot, it is relevant to review the costs and benefits of the CRA. The following article excerpts from a policy brief by Michael Barr entitled “Credit Where it Counts: Maintaining a Strong Community Reinvestment Act,” published in May 2005 by The Brookings Institution, as well as from an extensive analysis of CRA “Credit Where it Counts: The Community Reinvestment Act and Its Critics,” published that month in the *New York University Law Review*. Barr’s research highlights the important role that the CRA has played in revitalizing low- and moderate-income communities and expanding opportunities for low- and moderate-income households.

At its core, the CRA helps to overcome market failures in low- and moderate-income communities. By fostering competition among banks in serving low- and moderate-income areas, the CRA generates larger volumes of lending from diverse sources, and adds liquidity to the market, decreasing the risk of each bank’s loan. Encouraged by the law, banks and thrifts have developed expertise in serving low-income communities, and they have created innovative products that meet the credit needs of these areas with manageable risks.

These market innovations have taken several forms. Banks and thrifts have engaged in special marketing programs to targeted communities; experimented with more flexible underwriting and servicing techniques to serve a broader range of households, and funded credit counseling for borrowers. Many larger institutions have developed specialized units that focus on the needs of low- and moderate-income communities. The CRA also facilitates coordination among banks to reduce information costs. For example, it has spurred the development of multi-bank community development corporations and loan consortia to serve low- and moderate-income communities more effectively. Others have formed partnerships with community based organizations and community development financial institutions (CDFIs). CDFIs provide specialized expertise and local market knowledge, and assume portions of risk that banks do not want to bear. Spurred in part by the CRA investment test, banks have invested in CDFIs in record numbers, strengthening the ability of both banks and CDFIs to serve low-income markets. Moreover, banks have recently begun to develop and deploy new low-cost, electronically based

bank accounts with debit card access, to provide essential financial services to low-income customers at low cost and low risk.


Critics contend that the CRA has provided little benefit at a very high cost. Yet empirical studies have found that the CRA has had a significant impact on meeting the credit needs of low-income communities and borrowers. Research by Brookings and Harvard’s Joint Center for Housing Studies found that, between 1993 and 1999, depository institutions covered by the CRA and their affiliates made over \$800 billion in home mortgage, small business, and community development loans to low- and moderate-income borrowers and communities.¹ The number of CRA-eligible mortgage loans increased by 39 percent between 1993 and 1998, while other loans increased by only 17 percent. Even excluding affiliates, banks increased their lending to low- and moderate-income borrowers and areas by 10 percent over this period, compared with no growth at all for these lenders in their other markets.

Even controlling for the effects of external factors—such as strong economic growth and low inflation—CRA lenders increased their CRA-eligible home purchase lending faster than those not regulated by the CRA from 1993 to 1999.² The Joint Center concluded: “CRA-regulated lenders originate a higher proportion of loans to lower income people and communities than they would if CRA did not exist.”³ By one estimate, the Joint Center found that the CRA’s effect on increasing home mortgage lending to low-income borrowers was equivalent to a 1.3 percentage point decrease in unemployment. Another study found that the CRA boosts the number of small businesses that can access credit

by four to six percent, increasing payrolls and reducing bankruptcies—without crowding out other financing available to small businesses or adversely affecting bank profitability or loan performance.⁴

Critics of the CRA assert that it leads to unprofitable lending and that the costs of compliance are too high. But the weight of evidence suggests otherwise. In a Federal Reserve Board survey of CRA-covered institutions, for example, most institutions responded that CRA lending was profitable or marginally profitable, and not overly risky.⁵ Pushing further into low-income markets has not weakened banks' profitability or soundness and has generated new business opportunities. CRA compliance also does not appear to be

a drag on the efficiency of banks and thrifts or the financial sector as a whole.

In sum, recent empirical evidence shows that the CRA is working for America's communities. Careful attention to obtaining real results under the Community Development Test will be critical for intermediate-sized banks. The key question is whether financial institutions will continue to develop new products and services to meet the needs of low- and moderate-income communities. With continued private sector innovation, the CRA can help to further expand opportunities for low-income families, help grow small businesses, and strengthen communities in the years ahead. 

Interested in learning more about the recent changes to the Community Reinvestment Act?

Join us for the 2006 National Community Reinvestment Conference: Winning Strategies for Community Development. The conference brings together the field's leading experts for training and thought-provoking discussions on the most promising strategies for revitalizing our nation's distressed communities. Included is an entire track dedicated to CRA compliance training, with special attention given to the new intermediate small bank category and the expanded definition of "community development." Also featured are sessions covering innovations in community development investing, strategic approaches to community development, and the National Community Development Lending School.

Visit www.frbsf.org/community to access the conference brochure and to register online. Please note that the deadline for registration is March 3rd, and the deadline for group rate hotel reservations is February 15th.



Place Matters

How Community Development Departments Are Rediscovering Communities

*Elwood Hopkins / Daniel Tellalian
Emerging Markets, Inc.*

New market realities and developments in public policy hold the potential to transform community development lending in banks from a regulatory requirement to a community-revitalizing profit center. To accomplish this, community development lenders must return to the place-based thinking that inspired the Community Reinvestment Act (CRA). A sustained and focused effort by banks, utilizing all of their product lines, has the potential to help low-income communities thrive economically while adding new customers and depositors at the same time.

As enacted by Congress in 1977, the Community Reinvestment Act (CRA) was fundamentally a place-based legislation. By drawing regulator attention to under-served geographic areas, it aimed to connect these communities with mainstream financial services and concentrate lending activities within them. Ideally, the resulting inflow of capital would both mitigate the historic effects of redlining, and stimulate perceptible change in the communities.

It was a bold vision and by most accounts, the CRA has been effective at spurring lending to low-income households. But few would argue that the CRA, or the community development departments that major banks created to carry out their CRA obligations, have fulfilled their potential for neighborhood transformation. Although the vision of the CRA was decidedly place-based, its implementation and impacts have been more diffuse.

This failure to permanently transform neighborhoods does not stem from an exhaustion of capital or over-estimation of bank capacity. Banks represent vast and varied pools of capital: home mortgages, home equity and improvement loans, lines of credit, small business loans, commercial real estate loans, college education funds, savings and retirement accounts, and so on. Arguably, no other institutions – public agencies included – possess a bank's capacity to alter the economic trajectories of low-income communities.

Unfortunately, there are internal barriers within banks that prevent community development departments from liberating, deploying, and leveraging the banks' financial resources. Four such limitations are described below:

Marginalized Status: Community development departments are too often marginalized within their own banks. At best, they are seen as “interesting philanthropic outgrowths;” at worst, they are considered parasitic drains on the bank's bottom line whose resources are “throw-

away money,” or a “necessary cost of doing business.” They are often isolated or at odds with the individuals in charge of the bank's core investing, lending, and service functions.

Market Irrelevance: Community development departments have little voice in product development or marketing activities. Typically, community development officers have few opportunities to propose innovative products and services that could achieve “early market penetration” in untapped markets. Nor can they participate in crafting underwriting or risk management strategies. Instead, they must resort to coaxing and cajoling colleagues to make loans or participate in deals that do not fit comfortably within existing business models.

Non-Aligned Resources: Over time, many community development departments established for CRA compliance came to house a range of other corporate functions: community relations; public relations; volunteerism; financial literacy delivery; and sometimes foundation grant making. Too often, these functions have been narrowly defined as charitable or regulatory activities that do not align tightly with the overall mission of community development. Perhaps more importantly, banks do not employ these tools for the larger challenges of customer development and market expansion.

Lack of Geographic Focus: CRA-related loans and investments are too often made on a deal-by-deal basis, dispersing resources across a bank's region or service footprint, diluting their effect on specific communities. CRA lenders have failed to situate their investments in the context of neighborhoods. And they have missed opportunities to cluster investments in close proximity to one another to dramatize their effect or create synergies.

Increasingly, however, community development managers at major banks have stepped up to address these obstacles

and to engage in a more expansive vision of the role their department can play in bank performance and in the comprehensive revitalization of low-income communities. Far from focusing merely on regulatory compliance, they are embracing a new paradigm closer to the spirit of the CRA.

A New Market Orientation

This new era for community development departments has been made possible by a widespread shift in perception: low-income neighborhoods are being viewed less as problem areas to be endured, and more as untapped, “emerging markets.” From policymakers to nonprofit practitioners, the challenge is no longer defined as a social need to be met through charity or corporate citizenship, but as a set of “market imperfections” to be addressed so that resources will flow freely.

In public policy, the role of market forces in developing land and producing affordable housing is now better appreciated, and many policy frameworks have been modified to improve the functioning of these markets for low-income populations. Federal “New Society” programs, designed around notions of an urban underclass requiring subsidized housing and services, have been replaced by investment approaches, from Enterprise Zones, Empowerment Zones, and New Markets Tax Credits to the more recent efforts to create an “Ownership Society.”

Philanthropic and nonprofit sectors have also begun to embrace a market-oriented approach. Social problems like inadequate healthcare, childcare, or educational opportunities, are increasingly seen as root causes of poverty, and community groups that formerly emphasized direct care or relief services aim to help their clients attain economic

Case Study

Box 2.1

Wells Fargo Bank in Pacoima

Wells Fargo established a place-based “emerging markets initiative” in Pacoima, a low-income immigrant community in Los Angeles’ San Fernando Valley. Relying on traditional and innovative market research, Wells Fargo opened Pacoima’s first new bank branch in 17 years. Residents were hired to operate the branch, and local businesses engaged as suppliers.

Then, coordinating an array of innovative social marketing and customer development strategies, Wells Fargo:

- Launched a home-based grassroots financial literacy campaign using a peer-to-peer model that touched more than 200 hundred households, of which 50% become account holders within three months;
- Assigned bankers to carry out “guerilla marketing” strategies at swap meets, chamber of commerce meetings, church and school events, soccer matches, and block clubs, driving increases in savings accounts by a factor of 10;
- Sponsored off-site account enrollment at a neighborhood churchyard, in conjunction with the Mexican Consulate. Accounts opened in one morning doubled the branch’s daily average;
- Piloted a new international wire transfer product aimed at cultivating non-account-holding immigrants sending money regularly to Mexico;
- Capitalized a \$200,000 micro-loan fund with a local business assistance center and established a “loan pipeline” to graduate borrowers into Wells Fargo customers;
- Seeded a \$250,000 fund for down payment assistance and home repairs at the local housing assistance nonprofit; and
- Helped finance a community-owned credit union set up to help individuals with credit or naturalization issues to build a banking record.

In the context of this initiative, Wells Fargo’s Pacoima branch has surpassed performance goals and proven wrong all who doubted its viability. Other banks are now reconsidering Pacoima as a market.

Hard evidence demonstrates that these market development strategies have directly contributed to increases in transactions and loan volume. By tracking participants in financial literacy or micro-loan programs, for example, Wells Fargo knows that many ultimately became Wells Fargo customers.

The Wells Fargo Community Development Department, with its double bottom-line emphasis, has become central to the business model.

self-sufficiency. Foundations have replaced traditional grants with program related investments, small business loan funds, land trusts, individual development accounts, and other creative, economic strategies. Large-scale philanthropic investment strategies, sometimes termed “comprehensive community initiatives,” now target entire low-income neighborhoods, stimulating every facet of their socio-economic development.

This shift has overtaken the private sector, too. As the economy expanded in the late 1990s, many industries faced increasingly saturated markets and recognized that low-income target areas often represent their last untapped customer bases.

Consider, for example, the market potential of immigrants. For banks, the key to gaining market share is banking urban immigrant groups, especially Latinos, who represented massive numbers of people and dollars being forced to choose between the underground and mainstream economy. These prospective customers tend to concentrate in geographic areas with few or no bank branches and where banks have little practice doing business. To reach these market segments, then, banks must immerse themselves in the communities, develop products and services that meet local customer needs, and construct new delivery systems for serving them.

Successful efforts by banks to bring immigrant customers into the mainstream include using foreign identification, such as the controversial *Matricula Consular*, to enable immigrants without citizenship to use foreign identification to open bank accounts. Similar innovations have been developed for remittances and mortgages. And while Latinos receive the most attention, there is tremendous interest in developing products for African Americans, Asian Americans, and Native Americans, too.

Adapting Existing Capacities to the New Paradigm

As it turns out, many capacities and competencies required to accomplish these tasks are already in place within the banks— in community development departments.

Most community developers at banks have in-depth familiarity with at least some low- and moderate-income (LMI) neighborhoods in their markets, usually those where they have historically made CRA investments. By disaggregating existing market research to the neighborhood level and combining it with other formal and informal research— including interview and focus group data from local leaders— CRA officers can compile and publish comprehensive guides to these micro-markets. Packaged properly, this research can be invaluable to colleagues on a bank’s retail side.

Case Study

Box 2.2

Bank of America in Westlake/Pico Union

Since 2000, Bank of America has targeted a small neighborhood west of downtown Los Angeles that serves as a “portal community” for Central America immigrants. Although there is already a Bank of America branch in Westlake, rapid demographic change has called for reinvented community relationships.

As part of its array of strategies, Bank of America:

- Mobilized more than 100 bank volunteers to deliver financial literacy classes at every area school, reaching 2,000 students, many serving as “financial agents” for their parents;
- Crafted a small business training program for informal sector entrepreneurs seeking to transition to the mainstream economy, graduating over 175 individuals in two years.
- Initiated “homebuyer clubs” and short-term adult financial planning sessions at multiple nonprofit locations throughout the community, helping to increase consumer savings accounts by a factor of 14 between years one and five;
- Partnered with business assistance agencies to conduct outreach, provide technical assistance, and refer loan applicants. SBA loan approval rates rose by a factor of 10;
- Organized three adult education agencies into a workforce pipeline, graduating as many as 1,200 individuals per year from ESL and computer classes, and moving some into bank jobs; and
- Invested \$15 million in multiple housing developments, producing more than 500 new, affordable homes to residents.

Based on the early double bottom-line results of this initiative, Bank of America has expanded its effort to focus on two additional Los Angeles neighborhoods over the next five years.

Neighborhood-level research is most useful to the bank's profit centers if it directly addresses specific business challenges faced by new or under-performing branches. To boost business in these branches, community development managers have begun to advocate for their neighborhoods to be treated as test markets for customer focus groups, new product or product suite development, and the piloting of broad marketing initiatives.

Focusing on small geographies yields benefits. It allows bankers to achieve saturation-level marketing, explore the interdependencies of different banking strategies, and exploit cross-selling opportunities. Small target areas permit risk-taking and short-term, measurable outcomes that would be impossible at a large scale. New products can be tested with little long-term risk and bankers can observe connections between various investments. The successful performance of a business loan, for instance, depends on the success of nearby businesses, and vibrant business districts increase home values in adjacent residential districts.

Once the bank sets business objectives in a low-or-moderate-income neighborhood, the community development department can allocate and align its resources to help meet those objectives. Existing nonprofit relationships, for example, take on new light. Reaching untapped markets often requires the formation of a loose configuration of community-based organizations, informal associations, and natural helping networks. Once in place, this network can play multiple roles related to popular education, marketing, and product delivery.

For example, homeowner associations, block clubs, neighborhood watches, and parent associations can tap into vast numbers of prospective homebuyers. Merchant associations, business improvement districts, trade groups, and emerging chambers of commerce comprise hundreds of business leaders. Social service agencies, civic associations, and faith-based organizations can serve as in-take valves for new account holders. Taken together, this decentralized system can engage thousands in education and counseling around financial literacy, personal banking, tax preparation, and retirement planning, dramatically expanding a bank's market.

One implication of developing a "Neighborhood Delivery System," as our firm calls it, is that banks need to move away from scattershot grant making – giving too little funding to too many grantees in order to maximize visibility. Instead, banks should choose a handful of strategic nonprofit partners in which they invest in significant ways, ensuring that those agencies can perform their partnership functions. Investments may include grants, loans, equity equivalent investments, board leadership, or volunteerism. Partnership structures can be varied, depending on the goals, which can include deal sourcing arrangements, managed loan funds, referral compacts, marketing agreements, and off-site account enrollments.

In choosing affordable housing or retail projects to invest in, community development managers can direct resources to sites in close proximity to one another, creating transformative effects and strengthening the overall economic productivity of the area. To catalyze new projects, managers may enlist local residents and researchers to map every developable property in the target area and then bring these to the attention of nonprofit and for-profit developers.

The goal is to demonstrate double bottom-line outcomes: to find profitable business opportunities in LMI neighborhoods, and help those neighborhoods gain overall economic benefit from this process.

To guide other financial resources into the area, managers may convene a time-limited working group within the bank, one that assembles representatives of all business lines – small business lending, home mortgage, retail banking, and private client services, as well as marketing and corporate communications. The goal of this group is to channel the full range of business strategies in a way that meets the community's banking needs.

Bringing all of these strategies together, community development managers can mount major initiatives that comprehensively develop specific neighborhoods. The goal is to demonstrate double bottom-line outcomes: to find profitable business opportunities in LMI neighborhoods, and help those neighborhoods gain overall economic benefit from this process.

Tracking Outcomes and Assessing Progress

To demonstrate these double bottom-line outcomes, community development managers need to become adept at data collection and management. Bank performance data must be disaggregated to the granular level of the target area and "scrubbed" to exclude irrelevant figures. Charitable grants and marketing agreements that fund neighborhood-level activities in the neighborhood must be inventoried, ensuring that nonprofits headquartered outside the community zip code (but delivering services within it) are not overlooked. And baseline data from external sources, such as the Census, should be compiled.

But collecting data is only the beginning. The next step is to articulate a logical series of inferences that connect the dots between data sets, incrementally building the business case for neighborhood initiatives. The following questions can help:

What new capacities now exist in the bank (e.g. inter-department teams, localized marketing, targeted grantmaking)? Did these lead to market-related partnerships with neighborhood groups?

Have the partnerships measurably improved the economic capacity of individuals, households, or firms? For example, can we count the number of individuals who addressed credit problems, couples that completed homebuyer workshops, or businesses that adopted a business plan?

Did the bank experience an aggregate increase in new accounts, loan volume, or investments in the target area? How much of this growth resulted directly or indirectly from partnership activities?

At the neighborhood level, are there detectable changes in baseline levels of homeownership, income, employment, local spending, or savings? Did bank interventions leverage more capital or in any way contribute to these trends?


Taken together, the answers to these questions can constitute a forceful argument that financial literacy, micro-loan funds, and other community development activities drive growth in deposits and loan volume. And armed with insights into the relative profitability of different population groups in the community (and the most effective way to tap into each), community developers can participate meaningfully in marketing and product development discussions.



A New Vision for Community Development

Taken to its logical conclusion, this kind of initiative implies a wholly re-imagined community development department, one that leads the charge into previously underserved markets. In addition to its regulatory and compliance functions, it creates and markets new products that bridge customers from the un-banked to the traditionally banked. Over time, it may develop its own set of financial products, just like any other business line.

The goal is not for these departments to abandon their social goals or CRA origins. It is to discover the double bottom-line benefits that are possible when a bank channels its many resources into an LMI neighborhood. The vision is driven not only by federal regulations, but enlightened self-interest.

In the long-term, community development departments will become more important players within their banks and demand greater resource allocations. And when bankwide resources are aligned, communities benefit. And the vision of the CRA is fulfilled. 

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Daniel Tellalian holds degrees in business and law from UC Berkeley, as well as economics from the Wharton School at the University of Pennsylvania. He has practiced land use and real estate law with the boutique Santa Monica firm of Harding, Larmore, Kutcher, & Kozal, and worked with commercial and nonprofit developers. He has also worked with the post-riot agencies ReBuild LA and Los Angeles Community Development Bank. He is the founder of the Urban Analysis Project, a nonprofit providing real estate consulting services to small businesses and community groups in Los Angeles' low-income communities. A recipient of the prestigious Echoing Green Fellowship, he is now Director of Emerging Markets, Inc.

Works in Progress

Comprehensive Approaches to Community Development

Naomi Cytron

Experimentation with place-based, integrated approaches to community development has waxed and waned over the past 15 years. These programs, broadly referred to as Comprehensive Community Initiatives (CCIs), first gained a foothold in the early 1990s in the South Bronx, the Sandtown-Winchester neighborhood of Baltimore, and a number of neighborhoods in Atlanta, Detroit, and other cities facing the challenges of urban blight and widespread disinvestment. Driven primarily by foundations with a deep commitment to ‘place,’ CCIs reflected the belief that the community development field’s tendency to segregate issues into separate silos neglected the interconnectedness of factors contributing to neighborhood distress, and that the emphasis on the production of affordable housing by community development corporations (CDCs) was not enough to turn neighborhoods around. Instead, CCIs offered a more holistic response to community needs by incorporating measures to build community leadership and cohesion, improve educational opportunities, build wealth, increase civic participation, and repair the physical conditions and infrastructure of a neighborhood. CCIs also included the more wide-reaching goal of linking low-income communities to regional economies and political structures.

The successes of these early initiatives were mixed. Blending the “hard” and “soft” aspects of neighborhood revitalization proved to be a daunting challenge demanding high levels of technical expertise, cost effectiveness, and patience. Some neighborhoods are still struggling to realize the ambitious goals established through CCIs. Nevertheless, these early efforts yielded some positive impacts and provided a number of important insights on the general factors that contribute to successful community development efforts.

One of the primary insights was that some CCIs were ineffective because community members balked at what took shape as “top-down” planning that overpowered or ignored the voice of the community. As is the case with other planning measures affecting neighborhood structure, CCIs must engage community residents in the decision-making processes leading to the development of programs and projects meant to revitalize their neighborhoods. In addition, carrying out the scope of work planned through comprehensive programs often necessitates both building capacity within community organizations and creating coalitions and partnerships among agencies. Comprehensive models also require long-term commitments from funders and leadership

partners. Planning efforts alone can take years; program implementation and the emergence of multiplier effects can take many more. Time horizons, then, for program management, financial support, and impact measurement must be extended beyond those often used for more discrete activities such as affordable housing development.

Highlighted here are some examples from around the nation of a new generation of CCIs that are incorporating these lessons. Each program is unique, but all operate from the same underlying principle: when communities are supported in a holistic manner, lasting change can be achieved.

The New Communities Program

The New Communities Program (NCP) is an effort by the Local Initiatives Support Corporation (LISC) in Chicago to orchestrate comprehensive community development in decaying and transitional neighborhoods in the Chicago metro area. The program, funded primarily by the John D. and Catherine T. MacArthur Foundation, began as a pilot initiative in 2000 to develop resident-directed “quality-of-life” plans in four Chicago neighborhoods. The plans outlined community needs and interests, and mapped out programs and projects that would address identified gaps. A lead agency was selected in each community to forge partnerships and delegate responsibilities for carrying out work plans. Building on the successes in the pilot neighborhoods, 10 more quality-of-life plans, encompassing 12 additional neighborhoods in the city, were rolled out in May 2005.

Target neighborhoods are by and large marked by population loss, vacant properties, and high immigrant and African American populations. While many of the neighborhoods are adjacent to areas undergoing growth and development, they fall on different points along the spectrum of needing to attract investment or combat gentrification.

A number of cross-community themes emerged from the planning process, including interests in building family wealth, reducing crime and increasing personal safety, preserving affordable housing and fostering mixed-income communities, developing retail and commercial spaces and enhancing educational programs for youth. Reflecting, though, the varied circumstances of each target site, each community developed diverse programs and goals adapted to its particular basket of needs and interests. Many of the programs incorporate “early-action” projects as a means for communities to “learn-while-doing” and create visible

results in the near-term that help leverage other resources and investments.

For instance, the Auburn Gresham neighborhood on the South Side has witnessed commercial abandonment over the past 40 years. Neighborhood demographics have changed dramatically from an almost entirely white neighborhood to an almost entirely African-American neighborhood with a majority of residents over the age of 55. In an effort to revitalize commercial corridors and attract young families,

block clubs and art and film festivals have been established, and there are plans to create a new chamber of commerce for the neighborhood, pursue transit-oriented development, and upgrade the existing housing stock.

In the Humboldt Park area, many residents struggle with the effects of poor health, chronic unemployment and pervasive gang activity and drug-related crime. The neighborhood is also undergoing some development pressure from wealthier newcomers to the area. In response,

Murphy Park

Box 3.1

McCormack Baron Salazar (MBS) is not your average housing development outfit. The firm, nationally active but based in St. Louis, Missouri, aims to achieve the “positive, long-term, and comprehensive revitalization of neighborhoods: economically diverse, architecturally pleasing, functional places that reflect strength, pride, and sense of community.” Richard Baron, chairman and CEO of the firm, believes that successful revitalization strategies must incorporate a host of ingredients including economic, racial and social diversity, a variety of housing, a safe environment, cultural and recreational venues, job creation, and, especially, good schools. Quality neighborhood schools are particular drivers of market demand for housing, attracting families across the socioeconomic spectrum. They also offer avenues for civic engagement and community building through parent-teacher associations and other school-based activities.

The redevelopment of Jefferson Elementary School in St. Louis is a prime example of the result of Baron's stance that revitalization in central cities is contingent on enhancing neighborhood schools. When MBS began work on redeveloping the neighboring George L. Vaughn high rises into what has become the mixed-income Residences at Murphy Park (pictured below), Jefferson was dilapidated and underperforming with only 25 percent of students reading at grade level. Baron struck a deal with the St. Louis Board of Education to reinvest in Jefferson, and he raised funds from the private and philanthropic sectors to upgrade the school and provide professional development for teachers. Now, the school is serving as a new anchor in the neighborhood, and offers sophisticated computer access for students, before- and after-school programs for students to help meet the needs of working parents, and a job-training program for parents and community residents.

In addition, MBS worked with area residents and a non-profit partner, Urban Strategies, to form the COVAM Community Development Corporation to unify and coordinate community services in Murphy Park and surrounding neighborhoods. Contrasting with trends in greater St. Louis, the area has seen increased employment levels and rising home values since redevelopment began.



Murphy Park
before and after
redevelopment



the community has launched programs for youth to develop their leadership, education, and vocational skills. One example is the BickerBikes program, which teaches bike repair and maintenance to neighborhood youth. The community has also planned projects addressing health education and outreach on HIV/AIDS, dental services, asthma, obesity and substance abuse. In addition, the quality-of-life plan supports the establishment of a community land trust as a means to increase community control over land resources and address pressures of gentrification.

There are significant challenges for NCP in tapping and building on community capacity in the target neighborhoods. Some of the selected lead agencies are CDCs with long histories and strong ties both within and outside the neighborhood, while other communities are setting their starting point on building organizational infrastructure. For example, in Garfield Park, the Conservatory Alliance, a strong agency but one with little background in traditional community development activities, was selected as the lead agency to coordinate a new development council to “connect the dots” among existing resources and create new capacity in the community.

The MacArthur Foundation and LISC/Chicago have committed more than \$17.5 million to the five-year NCP project. This will provide the lead agencies with two dedicated staff members, planning assistance, and project seed



Photo Credit: Juan Francisco Hernandez

The BickerBikes program, established in Chicago's Humboldt Park neighborhood through the New Communities Program, teaches bike repair and maintenance skills to area youth.

money. The ultimate aim is to leverage additional private and public resources. Overall, NCP highlights the importance of both flexibility and partnerships in pursuing comprehensive place-based development efforts. “This is not a cookie cutter approach,” said Joel Bookman, Director of NCP. “The plans, priorities and participants are different, and one must be cognizant of the landscape and offer flexibility in what is supported.”

The Mount Cleveland Initiative

Box 3.2

A collaborative planning process between the residents of the Mount Cleveland neighborhood in Kansas City, Missouri and the adjacent Swope Parkway Health Center led to the development of what is now a 70-acre, \$100 million redevelopment project in a previously blighted, economically depressed area of the city. The partnership was launched in 1991, when the Swope Parkway Health Center proposed building a residential drug treatment facility in the Mount Cleveland neighborhood. Residents agreed to support the proposal only if Swope Parkway engaged additionally in broad neighborhood revitalization activities. Swope Parkway agreed, and created the Applied Urban Research Institute and Community Builders of Kansas City to help neighborhood residents through a neighborhood planning process and to oversee the development of new health facilities and other residential and commercial projects.

Known as the Mount Cleveland Initiative, the resulting development was financed through public-private partnerships, and now includes:

- Swope Health Services, a community health center that brought 150 new jobs to the area;
- Mt. Cleveland Heights, a 70-unit mixed-income duplex community;
- The H & R Block Service and Technology Center that brought 300 jobs to the area;
- The Blue Parkway Office Building, which houses, among others, FirstGuard Health Plan, Mazuma Credit Union, and the Housing and Economic Development Finance Corporation; and
- Blue Parkway Town Center, with a Baron's Foods store opening in late October 2005 as its anchor tenant.

Community Builders of Kansas City has also established job training programs, youth-targeted recreational and skill-building initiatives, and a range of health and safety programs in the neighborhood. As of 2002, homeownership in the neighborhood had increased 13 percent and new home values had increased by 28 percent from their 1992 levels. The vision of the Mount Cleveland Initiative—to realize a community-based approach to building a stronger, revitalized community providing homes, services, and a local economy for residents—is thus translating into true change for the area.

Making Connections

Started in 1999, Making Connections is a 10-city national demonstration by the Annie E. Casey Foundation that seeks to improve the outcomes for families and children in disinvested or isolated neighborhoods. Building on their research that shows that “children do better when their families are strong, and families do better when they live in communities that help them to succeed,” the program works to overcome family and neighborhood isolation through multi-pronged investments in programs supporting economic and educational opportunities, informal social support networks, and improved access to appropriate social services.

Making Connections has program sites in Denver, Des Moines, Hartford, Indianapolis, Louisville, Milwaukee, Oakland, Providence, San Antonio, and Seattle. Each site’s size and program structure is unique. Site teams, which include representatives of local and state governments, service providers and schools, as well as neighborhood residents and consultants, coordinate the activities of government, private sector, faith- and community-based partners. The program emphasizes effective use of data in identifying and implementing strategies. “Local Learning Partners” thus gather and track data for the purposes of developing a comprehensive database of neighborhood-level information, documenting neighborhood change, and building local capacity to use data to inform and advance change. Technical assistance is also provided to agencies through peer and professional networks.

The Milwaukee Making Connections program provides an apt example of how this initiative is working in communities. The selected site is a two-square mile area near downtown comprised of a number of low-income African-American neighborhoods struggling with disproportionately high unemployment rates, high rates of debt, and lower homeownership rates than city-wide averages. A number of strategies for rebuilding family and community strength are being implemented through the Milwaukee program. A “Jobs Club” project has been established to broaden neighborhood residents’ access to employment and training opportunities. Through financial education courses and new Volunteer Income Tax Assistance sites, neighborhood residents are working toward improving credit and are supplementing earnings with the Earned Income Tax Credit. Programs have been established to improve the quality of preschools and increase parent involvement in schools to boost student success rates. Several mixed-use developments have risen in the neighborhood and there are plans to further strengthen homeownership opportunities.

Implementation of this range of activity hinges on the partnerships that have been forged among diverse community stakeholders. Site coordinator Eloisa Gomez said there are at least 100 different partners engaged in the program, including Milwaukee Public Schools, Milwaukee Area Technical College, the State of Wisconsin Child Welfare Bureau, the Wisconsin Arts Board, LISC, the University of



Photo Credit: Making Connections Milwaukee

Student, teachers, and parents rally for community schools as part of Milwaukee's Making Connections program.


Wisconsin-Milwaukee, as well as local banks, community development and planning organizations, and area service providers. One of the aims of the program is to coordinate service provision across agencies so that families can more easily access the resources available to them in their community. Another major goal of the program is to build relationships between neighborhood residents so that they have ongoing support from one another.

The program is financed in part through the Casey Foundation, but partner agencies are required to raise matching funds. Gomez noted that the program's emphasis on impact measurement, including assessing the baseline situation in the program site, identifying gaps in achievement, setting targets, and tracking appropriate indicators of change, has been important for leveraging investments and in-kind donations from both the public and private sector. In 2005, these co-investments totaled close to \$30 million.

Coordinating the activities of a multiplicity of actors to empower residents has been a challenge, said Gomez, but the outcomes have been positive and partner agencies are committed to sharing the risks of a non-traditional business model. "Anything comprehensive is risky," said Gomez,

"but we feel that what is important is to be entrepreneurial and take on an ambitious agenda for change."

There are a number of other examples of neighborhood-scale projects that align bricks-and-mortar revitalization with the development of social capital, economic opportunity, and community health (see boxes 3.1, 3.2, 3.3). All of these examples, which reflect the varied entry points for engaging in broad-based community revitalization, hold promise for triggering significant and lasting impacts for the communities they target and the surrounding regions.

While there is still a great deal to learn about how to more effectively implement and measure community revitalization, the central tenet of this work is intuitive—community development takes much more than a single apartment building or a single organization working within a community. To foster a more comprehensive and strategic model of development, partnership-building among foundations, financial institutions, community groups and many other community stakeholders is critical. The challenge is in determining how to most effectively harness available skills, knowledge, and resources to generate the scope of change sought through these efforts. 

Market Creek Plaza

Box 3.3

In San Diego, Market Creek Plaza has sparked the transformation of the historically disinvested Diamond Neighborhood. The concept for Market Creek Plaza grew out of a partnership between the Jacobs Center for Neighborhood Innovation and neighborhood residents, who, through a community planning process that included surveys conducted in four languages and hundreds of meetings, indicated that they wanted a vibrant commercial and cultural hub for their community. The Plaza, which includes a Food 4 Less grocery store, a Wells Fargo bank branch, and an outdoor amphitheater, has created just that. Local women- and minority-owned businesses completed much of the construction work



Market Creek Plaza

on the Plaza, and the Plaza has created jobs and employment training opportunities for local residents. In addition, community residents have become owners of the Plaza through Market Creek Partners, a community development limited liability company that allows owners to build assets and guide the future course of development in the neighborhood. The project was also approved as part of the City of San Diego's City of Villages program, which aims to revitalize existing neighborhoods while retaining their distinctive character. The Village Center plan for the 45 acres surrounding Market Creek Plaza includes additional housing development, childcare and youth programs, outdoor recreational facilities, and entrepreneurial opportunities.

Neighborhoods in Bloom

Measuring the Impact of Targeted Community Investments

Carolina Reid

One of the obstacles to identifying best practices in community development is the lack of research that empirically quantifies the costs and benefits of various policies and interventions. This gap is problematic, since the field is increasingly being called upon to prove that expenditures—especially of public dollars—have an impact on low-income communities and are therefore justified.

This is easier said than done. One of the key challenges to measuring impact in community development is the lack of a “counterfactual” case—the “what would have happened without those investments?” Communities are not petri dishes, and it is difficult to isolate the effects of community development activities from the wider range of social and economic forces acting upon a neighborhood. In addition, community development takes time, and the impacts of investments today may not manifest themselves for several years.

As a result, the field as a whole has generally relied on “output” data to measure impact, for example, reporting on the number of units financed or the amount of dollars “leveraged” in a deal. While important, neither of these measures provides a good indication of the effect of those units or dollars on the neighborhood. The challenge is to focus on achieving and measuring neighborhood “outcomes,” such as higher property values, healthier children, better schools, or an increase in living wage jobs.

As the field has become more aware of the need to track impact, researchers are devising new methods to study neighborhood change in an attempt to tease out the real contribution public dollars can make in revitalizing communities. The Federal Reserve Bank of Richmond recently commissioned a groundbreaking study to measure the impact of a local community development program, Neighborhoods in Bloom (NiB), in Richmond, Virginia. The NiB case study is noteworthy, not only for the novel approach the city has taken in making public investments, but also because of the effort made to measure the impact of this investment strategy on property values.

The Neighborhoods in Bloom Strategy

By the end of the 1980s, Richmond struggled with a large number of high poverty neighborhoods. Like most cities, Richmond attempted to address this problem by allocating its CDBG and HOME Investment Partnership (HOME) funds across all of its distressed neighborhoods. After a

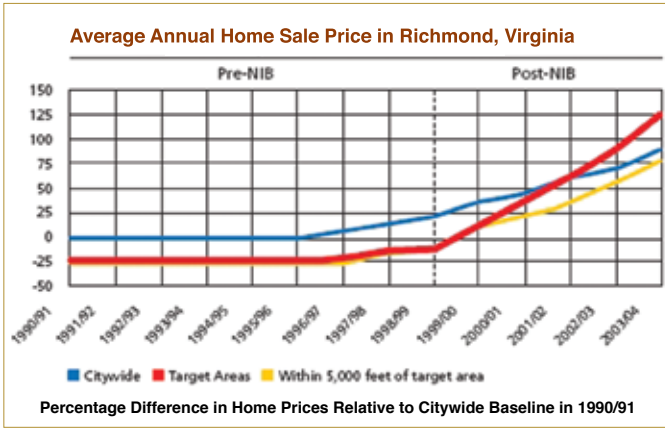
decade of very few positive changes, however, it became obvious that these dollars were being stretched too thin and simply were not sufficient to address all the problems of all the neighborhoods.

To build support for this targeted strategy, the city, in collaboration with LISC, local CDCs, community groups, and businesses, embarked on an extensive effort to determine which neighborhoods to target.

The city decided to radically change its course and target all of its funds in only a few selected neighborhoods. The theory was that this kind of concentrated infusion of public money in select areas would produce a “tipping point” that would reverse those neighborhoods’ fortunes. As private market activity returned to the selected neighborhoods, public funds could then be redirected to new neighborhoods.


The targeting strategy had one significant political downside, however, since it would mean shifting resources away from other challenged neighborhoods that relied on public funds for many of their community development activities. To build support for this targeted strategy, the city, in collaboration with LISC, local CDCs, community groups, and businesses, embarked on an extensive effort to determine which neighborhoods to target. The process took over three years, but in the end, the combination of community engagement and rigorous data analysis of neighborhoods’ needs led to a consensus on which seven neighborhoods to select.

The city then began to channel about 80 percent of its federal housing dollars into 6-to-12 block areas within the selected neighborhoods. At the same time, LISC aligned its grants and loans with those of the city. In each neighborhood, increased police patrols were followed by aggressive code enforcement, setting the stage for block-by-block rebuilding. The program focused on improving existing owner-occupied units, rehabilitating blighted properties, and constructing new housing to create mixed-income



age. The investments also had a spillover effect on nearby areas, which similarly benefited from higher than average house price appreciation. Confidence in these neighborhoods has grown in tandem, and private investment activity has returned to the communities. The study also quantified the benefits of the strategy for the city, finding that the increase in property taxes in these neighborhoods, if projected out over a period of 20 years, would cover the city’s \$14.8 million investment. George Galster, an economist at Wayne State University and one of the authors of the study, noted that “the program literally pays for itself.”

Conclusion

Although it may be another ten years before the NiB strategy achieves a wider range of positive impacts, the NiB case study shows the important link between innovation in practice and research that evaluates whether or not the innovation succeeds in reaching its goals. The NiB research shows that a strategy that targets resources in a few neighborhoods works, and that the CDBG and HOME programs are effective and cost efficient policy options for neighborhood revitalization. 

homeownership possibilities. Local residents also received homeownership counseling and downpayment and closing cost assistance to help them buy renovated properties in the community.

Six years after NiB started, research suggests that the targeted strategy worked as it was intended. The study shows that house prices in the NiB communities grew 10 percent faster over the five-year project period than the city aver-



The 1600 block of Decatur Street in Richmond, VA, before and after targeted reinvestment through Neighborhoods in Bloom.

The Reinvestment Fund's Approach to Community Development

Jeremy Nowak
CEO, The Reinvestment Fund

The Reinvestment Fund (TRF) is a national innovator in capitalizing distressed communities and stimulating economic growth for low- and moderate-income families. TRF takes a comprehensive approach to community development, focusing always on both financial and social outcomes. TRF is committed to making an impact through its loans and investments, and sees the two as inextricably linked. Affordable residential units create family equity; commercial real estate leads to jobs and quality goods and services; community facility loans to charter schools and child care centers connect families to stable institutions and labor market opportunities; equity investments in businesses maximize high quality employment in firms with a domestic future; and sustainable energy investments create “green” solutions for the physical plants of older towns and cities.

TRF takes a market-oriented approach to community investment. While this means different things in distinct contexts, there are six consistent themes to our work: 1) the use of market data; 2) a pragmatic orientation regarding customers; 3) a regional perspective on markets and opportunity; 4) a cautious approach to subsidy; 5) the maintenance of an investment oriented culture, and 6) the ability and willingness to innovate.

Market Data: TRF is an information intermediary as well as a financial intermediary. We use data to understand the demand for and impact of everything we finance, from supermarkets to charter schools. For distressed residential real estate markets we have developed a customized market value analysis (MVA) which provides us with a window into such complex markets. Using geographically-specific indicators of an area's population and housing, we uncover the market trends that impact the households we target. We then use that information to create statistical frameworks that facilitate market entry by private and public investors. Several municipalities— Philadelphia, Baltimore, and Camden— have used the customized MVA for large scale public investment and planning initiatives. The data-driven analysis of market opportunities pushes us to think beyond the “status quo” and carefully consider how the projects we finance will offer opportunities for investment and wealth building. We also work to capture outcomes on a database that has an interactive geographical information component. In-depth studies are conducted on different parts of our portfolio each year

The Reinvestment Fund

The Reinvestment Fund (TRF), a certified CDFI based in Philadelphia, builds wealth and opportunity for low-wealth people and places through socially and environmentally responsible development. We currently manage \$300 million which we use to invest in housing, commercial real estate, community facilities, small businesses, and energy conservation projects. In addition to our financial products, we provide data and policy analysis to municipal and state governments, civic institutions, and entrepreneurs. TRF investors include individuals, financial institutions, philanthropies, corporations, and religious institutions. Investments are aggregated into five funds differentiated by risk, liquidity, product, and return features. Funds range in structure from private equity limited partnerships to non-profit loan funds to bank syndications. To date, TRF has provided \$460 million in debt and equity financing, which has created 11,800 housing units, over 4 million square feet of commercial real estate and community facilities, 15,000 charter school seats, 10,000 child care slots, and 230 businesses.

For more information on TRF, please visit
www.trfund.com

as a way of helping us with ongoing asset allocation and planning decisions.

Customers: TRF has an entrepreneurial orientation toward customers and projects. We pursue many paths in search of impact and productivity, such as financing nonprofit developers and nonprofit service providers, for-profit developers, conventional entrepreneurs, large institutions such as hospitals and colleges, and quasi-public development entities. This has led to new partnerships and new innovations in serving low-income communities. In 2004, for example, TRF, in collaboration with the State of Pennsylvania and

other partners, launched the Pennsylvania Fresh Food Financing Initiative, which funds supermarkets in underserved urban and rural areas across Pennsylvania.


Regional Perspective: While we focus a great deal of activity on low-income places within central cities, we have always approached our work through a regional lens as this relates to three kinds of markets: business location, residential real estate, and labor. People sell their labor into a regional market, and places compete for investment and residents within a regional framework. Moreover, regions compete nationally and internationally for investment and talent. TRF data analyses and investments have been used to support a variety of regional efforts including opening up suburban real estate opportunities for low-income families and supporting policies to use transportation and workforce dollars to better link the supply and demand for labor throughout the regional marketplace.

Smart Subsidy: Community investment projects and development corporations are driven by philanthropic and public subsidy. The TRF strategy is to limit the amount of subsidy required for project financing operations and identify the best uses for smart subsidy—subsidy that has a market building impact and does not constrain competitiveness and efficiency. Our ideas about smart subsidy involve targeting funds for specific uses that cannot be addressed through the market; using a developmental framework for measuring the reduction of subsidy needs over time, and asserting a willingness to give up the use of subsidy when it is clear that it supports inefficiency rather than catalyzes change.

Investment Oriented Culture: We think of ourselves as niche investors that use specialized market data. We are accountable to investors, although we are not owned by

investors. We represent a public interest and can therefore be profitable without being profit-maximizing. Still, it is the investor orientation in our culture that forces us to be disciplined and systematic about mission and sustainability. Just as important, it is this investment orientation that allows us to fulfill our financial intermediation role and identify new ways to bridge capital sources and markets. For example, TRF has successfully created a dedicated fund for charter school financing that uses a U.S. Department of Education grant as the first loss reserve to leverage additional capital from several regional and national banks.

Willingness to Innovate: TRF has an innovation culture around how we approach markets, organize business processes, develop products, and use information. Innovation comes from a willingness to reflect on practice and listen to old and new customers. We learn from frequent mistakes, allocate internal subsidy for new efforts, work with philanthropic partners on promising new strategies, and never are satisfied with the status quo of our organization or our field. The innovation orientation has to be balanced against the need to manage ongoing, profitable production and an attention to those few things that we do best. But the life energy of the organization is a willingness to try new things and take thoughtful risks.

The success of The Reinvestment Fund in achieving its social and financial mission shows how a data-driven and strategic approach to financing community development can lead to neighborhood revitalization. We believe that this is a time for breakthrough change in the community development field, one that will represent the best of American culture; entrepreneurial in approach, civic in its intent, and open to ongoing transformation. 

Interested in learning more about The Reinvestment Fund's Market Value Analysis?

Join us for the 2006 National Community Reinvestment Conference: Winning Strategies for Community Development, where Sean Closkey and Ira Goldstein of The Reinvestment Fund will lead a workshop on how to target community development projects and investments more effectively through the use of data and neighborhood market analysis.

Visit www.frbsf.org/community to access the conference brochure and to register online. Please note that the deadline for registration is March 3rd, and the deadline for group rate hotel reservations is February 15th.

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FIGURE 2

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Concentrated Poverty Rate reflects the proportion of the poor living in neighborhoods with a poverty rate of over 40 percent in 2000

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Forms may be faxed to hold a reservation; however, full payment must be received by March 3rd, 2006 to guarantee your registration. Registrations received after March 3rd will be subject to an additional charge of \$50.



Call for Papers

The Community Affairs Offices of the Federal Reserve System and CFED invite you to submit papers for a policy research forum entitled "Closing the Wealth Gap: Building Assets among Low-Income Households." The research forum will be held in conjunction with the CFED 2006 Assets Learning Conference, September 19-21, 2006, in Phoenix, Arizona.

The Program Committee welcomes research papers and policy studies related to asset- and wealth-building topics such as:

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- Savings for Retirement
- Asset Protection
- Building the Wealth of Minority, Immigrant, and Native Populations
- The Costs of Asset Stripping
- The Role of Housing in Building Wealth
- Cost/Benefit Analyses of Asset Building Policies
- Consumer Savings Behavior
- Education Policy
- Financial Education

If you would like to present a paper at the conference, please submit a detailed abstract (1,000-1,500 words) by **March 30, 2006** to:

Carolina Reid
Federal Reserve Bank of San Francisco
carolina.reid@sf.frb.org
(415) 974-2161

More information is available online at
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The Center for Community Development Investments has launched a new journal, *The Community Development Investment Review*. This journal brings together experts to write about different community development investment topics in a way that bridges the gap between theory and practice. The inaugural issue explored the New Markets Tax Credit program, and the second issue will focus on secondary markets for community development investments.

Visit <http://www.frbsf.org/cdinvestments/> to access the *Review* online and to subscribe to the mailing list.

COMMUNITY INVESTMENTS



Many of the neighborhoods undergoing transformation through the New Communities Program in Chicago have incorporated community arts projects into their larger revitalization strategies. Community arts projects can serve as levers for building community identity, bridging cultural and generational gaps, and transforming neglected properties into useful spaces. The mural featured on the cover, titled "We All Come Together As One," is in South Chicago and was designed by Gamaliel Ramirez with assistance from local students.

Photo credit: Eric Young Smith



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