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People and Place: A New Vision for Healthy Communities

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Community development in the United States is at an inflection point, propelled by the magnitude of change in the world around us and the hard-won knowledge of the past five decades. On the one hand, our nation faces challenges as great as any in the past: American society is more unequal today than at any point since the Great Depression; the number of people living in poverty has increased by half in the past decade. More disturbingly, poverty has intensified for some, even during years when the overall poverty rate remained steady and the economy grew.[1] If you are poor and white, you are likely to live in a suburb. If you are poor and black, the odds are three times higher that you will live in concentrated poverty.[2] We cannot speak of good lives and a just society when where you are born determines how you will live or if you will thrive.

Despite this, there is cause for optimism: we understand more clearly than ever before what works to lift people and places toward opportunity and well-being. There are excellent examples of successful models, like Purpose Built Communities, Harlem Children's Zone, Child First, or Neighborhood Centers, Inc., that are truly moving the dial in improving the life chances of our most vulnerable citizens. And the United States today possesses a strong social sector, capable of investing in and repairing many of the gaps in places left out of the economic mainstream. Most importantly, our knowledge and understanding about what works has gained solid traction over the past decade. In the United States today, all people, no matter the place or circumstances of their birth, should have the chance to thrive and to achieve at their highest potential. We cannot remain the most prosperous country in the world if we continue to leave 20 percent of our children behind in the poorest neighborhoods, ill-housed, poorly educated, and without the skills to compete for good wages in a global economy. These changes are reflected in a shifting paradigm for community development.

Perhaps the most important aspect of this is a growing appreciation for the "people" side of the equation, for the value of human development investments like early childhood and education programs, along with health, nutrition, and family support. Historically, there has been a divide in American social policy, with people-based strategies on one side and place-based strategies on the other, and many arguments in between. Community development was located squarely on the place-based side of the debate, focusing on investments in the built environment, where we live, work, and play. Our theory of change has been that investments in community infrastructure would lead to stronger local economies and jobs for low-income residents. However, we've realized that investing in place by itself is not enough—to change the equation, there must be equal and coordinated investments in human capital, in strategies that address disparities in health, education, and safety, especially for young children. Today, we are literally putting the pieces of people and place together, creating a whole that is greater than the sum of its parts. This sentiment was articulated powerfully by Federal Reserve Governor Elizabeth Duke when she said that the evidence for the age-old people versus place debate is now in: both sides have won.[3]

This paradigm shift is captured most completely beneath the broad framework of "healthy communities." The healthy communities concept signals a comprehensive vision of how families and communities move forward. Within this new framework, we see a future marked by four central attributes:

- **Integration** of people and place-based strategies, or "silo-busting," often driven by a lead organization we refer to as a "quarterback"

- **Investing in What Works—**Evidence-based investment, focused on outcomes and clear measures of success
- **Networks** of entrepreneurial, learning, adaptive organizations across sectors of practice
- **Scale** in investment and delivery, based on success

If I could make a wish for community development as a whole, it would be that we reach across the aisle in partnership with our colleague organizations in human development, united around a common vision of human well-being, economic mobility, and social progress. My wish is that our shared vision will lead us to a few common measures that would align our work and help us adapt, learn, improve. In my wish, these measures would be simple, common sense, easy to understand, and tied to systems change—systems outcomes, like a 50 percent reduction in the dropout rate or in the rate of diabetes or obesity. To achieve this long-term vision, we would look for improvement in medium-term outcomes and measure progress against benchmarks in key areas, such as:

Healthy Communities

- Community perception of safety
- Safe, decent homes

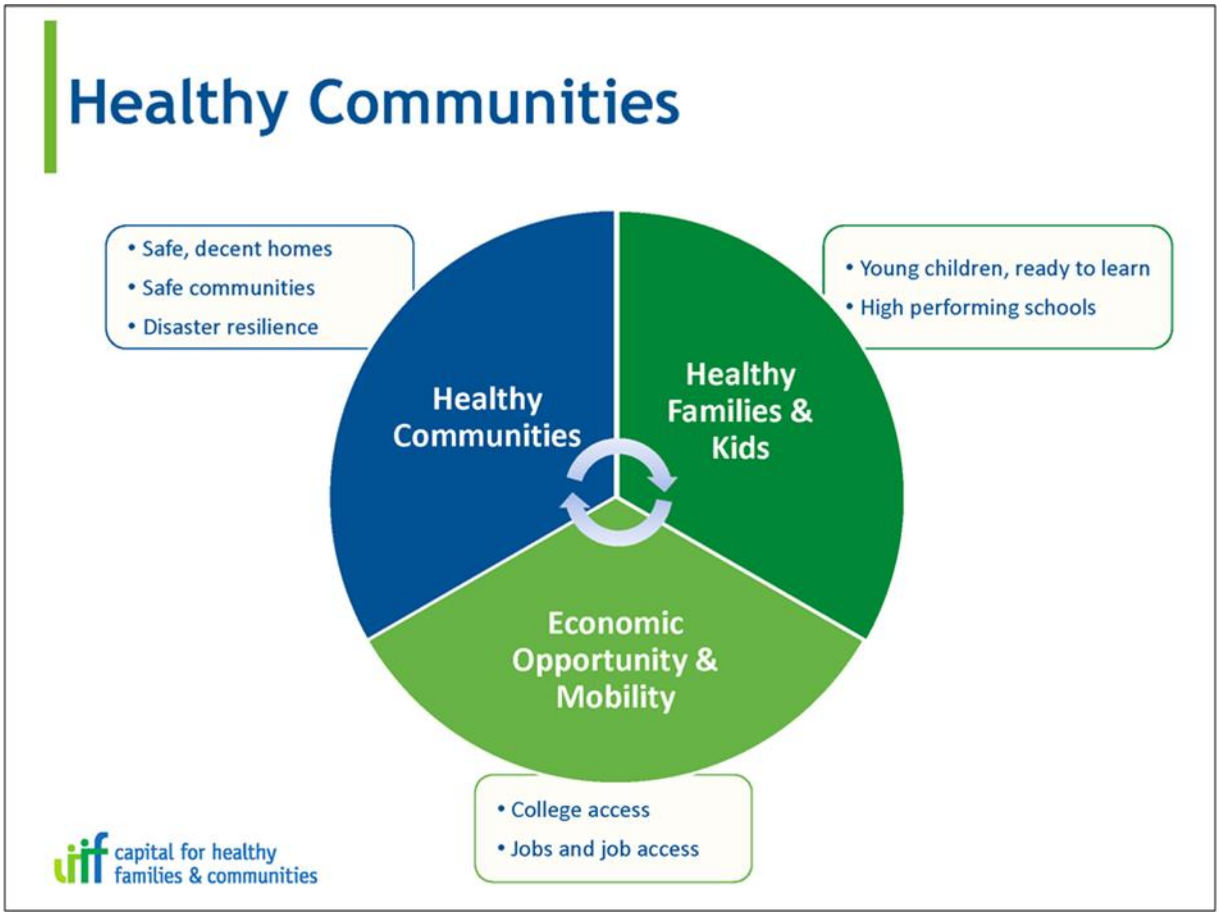
Healthy Families, Thriving Kids

- Self-reported personal health and well-being[4]
- Child gains on Desired Results (or similar) developmental profile measurements
- Third-grade and eighth-grade reading scores

Economic Opportunity and Mobility

- Access to schools with 80 percent+ graduation rates
- Higher college persistence

At the Low Income Investment Fund (LIIF), we have taken this paradigm shift to heart. We have reshaped our entire strategic plan—our vision, goals, and strategy through 2025—around the idea of investing in healthy communities and families. Going forward, all of our programs and all of our activities will be seen through the lens of healthy people and places. We are committed to the idea of partnership and collaboration with other sectors. And, though we are still learning how, we are committed to the idea of holding ourselves accountable to measuring outcomes for the people and places we serve.



Background on the Low Income Investment Fund

Creating healthy communities, healthy people, and opportunity (economic, educational, and personal) go hand-in-hand. This is LIIF's mission. Our core expertise is investing capital toward this goal. LIIF builds bridges between Wall Street and low income communities by investing in community projects that bring opportunities to low-income people and places. What LIIF brings to the table is business expertise, capital deployment capacity, and a platform for scale of delivery.

In the nearly 30 years since LIIF's establishment, we have invested $1.3 billion directly in community projects, leveraging over $6 billion in private investment and $22 billion in social return. We estimate these investments have created about 90,000 jobs. The projects we finance run the full range of what is needed to build healthy communities: affordable housing, child care centers, schools, healthy food stores, commercial facilities, and transit-oriented development. LIIF has financed:

- 60,000 affordable homes for families and kids,
- 61,000 spaces in high-performing schools,
- 191,000 child care spaces, and
- 6.8 million square feet in essential services, including healthy food stores, commercial spaces, health clinics, and emergency services.

In the 30 years of our history, with $1.3 billion deployed, we have lost only $3.8 million, a loss rate of less than one-half of one percent.

Our approach works. It is built upon the idea of collaboration and partnership, particularly among private corporations, the public sector and the philanthropic sector. More importantly, LIIF is one of several hundred community development financial institutions (CDFIs), working in every state, major city and rural area in the country. Collectively, community development financial institutions are responsible for more than $35 billion in capital and deploy more than $4 billion annually.[5] e invest in what works and are ready, willing, and able to scale up. I believe our sector is ready to add a zero to our work.

CDFIs–Bringing Wall Street to Main Street

CDFIs like LIIF emerged in the late 1980s, with the goal of providing capital for worthy community projects, when banks were unwilling to lend. Over the years, CDFIs grew in number and scale. Initially, their funding came largely from philanthropy. In recent years, private capital investors—largely banks and other regulated financial institutions—have become increasingly important, motivated by several factors. First, the Community Reinvestment Act (CRA) requires regulated financial institutions to invest in low income communities located in their markets. Second, federal incentives like the Low Income Housing Tax Credit and the New Markets Tax Credit provide economic incentives for community development investments. This system of carrots (financial incentives) and sticks (regulatory pressure) enables CDFIs to build bridges between unconventional borrowers and commercial lenders, providing capital in ways that allow socially important projects to go forward. CDFIs are mission driven; they do not compete with banks or private lenders. Indeed, if the private sector can provide the service profitably, CDFIs would prefer they do so. Rather, CDFIs see their role as providing only that portion of a financial package that will not come from more traditional sources.

The field of community development finance has grown exponentially. We are the "first responders" for communities in trouble during hard economic times. During the financial downturn of the past five years, CDFIs successfully weathered adverse fiscal conditions and stepped in to take on more responsibilities as the banking world retrenched and philanthropic capital decreased. The patient capital of CDFIs for community groups in financial trouble during this period was essential: instead of immediately declaring defaults on loans, as regulated financial institutions are required to do, CDFIs could extend loans and work with these organizations to get them back on their feet. Today, nearly all of our troubled loans are now performing. Moreover, the loans we extended patience to during the downturn are now built projects, providing affordable housing for families, schools for underserved youth, and community facilities providing critical services to families and individuals.

People and Places–LIIF Projects Come to Life

Let me provide you with some examples of projects we've invested in:

Booth Memorial Child Development Center

The Booth Memorial Child Development Center in Oakland, California, was recently featured in a video produced by the Robert Wood Johnson Foundation. Booth serves 63 children up to the age of five. Before LIIF's renovations, Booth's facilities were outdated, old, and caused health problems in children and staff alike. Asthma attacks were a common problem among Booth staff and children, thanks to the aging condition of the facility. However, a $70,000 investment arranged from LIIF along with matching contributions from philanthropy brought the total investment to $159,000. Booth's facilities were updated in simple, inexpensive but important ways. A 20-year-old carpet was replaced with child-friendly flooring that was easier to clean. Child-level sinks were installed in each room, so that toddlers could more easily wash their hands. Step stools were integrated into changing tables so that workers no longer had to lift children, straining their backs.

Immediately following renovations, student attendance increased by 15 to 20 percent because students experienced fewer asthma attacks and were no longer being carried to the emergency room. Medical disability claims declined as fewer workers took time off to deal with their asthma or back problems. Tens of thousands of dollars in savings from lower medical disability claims accrued to the center. The reduced costs and increased attendance allowed Booth to stabilize its budget and increase its investment in child development programs.

Over the years, LIIF has invested $67 million in early learning programs like Booth, supporting thousands of child care providers and hundreds of thousands of young children. Using the economic research of Nobel Laureate James Heckman, LIIF estimates the social value of its child care investments at $11.1 billion—an extraordinary bang for the buck.

Transit-Oriented Development

Transit-oriented development (TOD) is another critical area of focus for LIIF. In 2011, LIIF helped create the Bay Area Transit-Oriented Affordable Housing Fund, a $50 million capital pool formed in collaboration with several other community capital partners—Enterprise, LISC, the Opportunity Fund, and others. Private capital investors included Morgan Stanley and Citibank. The idea behind the TOD fund is to create not only more affordable housing but healthy, mixed-income, walkable communities, located near major transit nodes. Public transportation is crucial in urban areas, because one of the biggest barriers to jobs for low income people is literally being able to get to them. Good transportation is a key to jobs, employment, and opportunities.

At the beginning of the process, the Metropolitan Transportation Commission (MTC) invested $10 million in risk-absorbing capital from a federal grant. Their investment was the first to bear losses, but the MTC was glad to take that risk because by doing so, they were able to leverage an additional $40 million in resources. The next layer of risk capital came from philanthropy, with program-related investment support from the Ford Foundation, the San Francisco Foundation, and Living Cities. LIIF and its CDFI partners then came in with nearly $10 million in capital. Finally, LIIF raised $25 million in private capital from Morgan Stanley and Citibank. This fund has already financed four affordable housing projects around the Bay Area, including mixed commercial-residential projects and senior living facilities that include 506 units of housing in a region where affordable housing is sorely in need. There are many more projects in the pipeline.

Purpose Built Communities

Purpose Built Communities is another example of building healthy communities. Based on efforts in Atlanta's East Lake district, Purpose Built Communities uses integrative strategies including cradle-to-college educational opportunities, mixed-income housing, early child development programs, and recreational opportunities.

A prime example of the type of "quarterback" we envision, Purpose Built's results are stunning; East Lake in Atlanta has empirically demonstrated a 95 percent reduction in crime since its launch in 1995, a six-fold increase in employment and extraordinary improvement in school achievement—96 percent of Purpose Built students now perform at or above grade level, compared to 5 percent at the start. Purpose Built Communities is active in communities in Atlanta, New Orleans, Indianapolis, and Charlotte, among others. LIIF has committed $10 million in New Markets Tax Credits to the Drew Charter School in East Lake.

ReFresh

In New Orleans, one of the worst "food deserts" in the country, LIIF worked with Goldman Sachs, JPMorgan Chase, and L+M Development partners to fund an $18 million "healthy food hub." This is a mixed-use commercial facility with a small-format Whole Foods offering lower prices, kitchens and facilities for local healthy food enterprises and culinary educational institutions, office space for a local charter school, and 10,200 square feet of retail space. Tulane University's Medical School will use the ReFresh facility for nutrition education.

Building a New Social Vision

The decline of the social safety net and growing inequality in American society means we need to develop more creative ways, with the help of the private sector, to attack the root causes of poverty. We need to merge the approaches of the community development field and the health field into mutually reinforcing strategies, in order to maximize our results. Our experience tells us this is best accomplished by:

- integrating people and place-based strategies, breaking down the silos of the past,
- evidence-based investment,
- forming adaptive, entrepreneurial networks across divergent fields, and
- scaling up investments in what works.

We must be committed to measurement—ideally a few common measures that express a shared vision and commitment to outcomes. We have proposed measures that relate to community health and safety, child development, and economic mobility. LIIF is ready and able to increase our investment exponentially, and now is the time to do it. We know what to do, we know how to do it, and we know enough to act.

References

[1] Berube, Alan. "The Continuing Evolution of American Poverty and its Implications for Community Development," in *Investing in What Works for America's Communities*, p. 59.

[2] Data is drawn from Paul Jargowsky, "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s," May 2003, Brookings Institution. White concentrated poverty in 2000 was 5.9%. Black concentrated poverty in 2000 was 18.6%.

[3] Duke, Elizabeth A., Governor, Board of Governors of the Federal Reserve System. "Building Sustainable Communities," p. 1 in *Investing in What Works for America's Communities*, published by the San Francisco Federal Reserve and the Low Income Investment Fund.

[4] Adler, Nancy E. "Assessing the Health Effects of Community Development" in *Investing in What Works for America's Communities*, p. 280, reporting findings from E.L. Idler and Y. Benyamini, "Self-rated Health and Mortality: A Review of Twenty-seven Community Studies," which indicated that self-reported health and functional status or depression were often excellent predictors of health and mortality.

[5] Data provided by the Opportunity Finance Network, the national leadership association of community development financial institutions.