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News and Views

September 2011

In this issue of *Profitwise News and Views*, we hear from a Milwaukee community development organization, the Northwest Side CDC, about its business model transformation from one of acquiring, developing, owning, and managing property – and near failure – to a vibrant, but leaner organization focused on leveraging partnerships and collaborations to bring about community redevelopment. We also hear from Indianapolis about the Legacy Project, which will bring about significant community assets in the city's Near East Side neighborhood due to the efforts of the Local Initiatives Support Corporation chapter in Indianapolis. Finally, we get an overview of the first of three symposia dealing with inner city workforce development, which took place at the Chicago Fed on June 20, 2011.

The Northwest Side Community Development Corporation: transforming the approach to creating positive economic impact in distressed communities

by Howard Snyder and Tina Daniell

From the late 1970s until about 2002, Milwaukee, Wisconsin, was home to a half dozen or so very active community development corporations – earnest organizations staffed with dedicated individuals who used federal and state funds to try to improve economically depressed neighborhoods by purchasing distressed properties, rehabilitating them, and then either selling or renting them o qualified, low-income families or local businesses. This effort mirrored what was happening in the rest of the country. According to a 2005 survey by the National Congress of Community Economic Development (NCCED), the national organization of the CDC movement, there were 4,600 CDCs nationally that developed, collectively, more than 86,000 units of affordable housing and 8.75 million square feet of commercial and industrial space a year.

Since 2002, the majority of CDCs in Milwaukee have folded under financial pressure as local, state, and federal government funding sources shifted priorities away from low-income housing, or collapsed themselves. It has also become more challenging for CDCs to access foundation money and other private capital resources, particularly since the economic downturn began in 2007. The national trend has been documented in a number of academic papers, such as "Evolving Challenges for Community Development Corporations: The Causes and Impacts of Failures, Downsizings and Mergers," published by the Center for Urban and Regional Studies at the University of North Carolina at Chapel Hill in 2003. Reflecting what was going on around the county, the NCCED itself disbanded in 2006, citing lack of financial support.

Despite the financial pressures and even through the recession, one Milwaukee CDC, the Northwest Side Community Development Corporation (NWSCDC), has managed to continue to flourish and improve its target neighborhood. NWSCDC faced near organizational collapse in 1994, resulting from a combination of lax bookkeeping and aggressive property acquisitions. While the goal of these acquisitions was to stabilize its target neighborhood, overly optimistic cash flow projections committed the group to more property investments than it could sustain. The organization held on, however, and reorganized and re-emerged determined to reform its operating methods.

Lessons learned leading into its near failure in 1994 helped a pared down NWSCDC evolve and implement a new business model for community economic development – one that doesn't involve owning and managing property, yet has a measurable, positive economic impact on the northwest side of Milwaukee. Its experience and current approach may provide a model for other CDCs around the country.

Since 2002, the majority of CDCs in Milwaukee have folded under financial pressure

Organizational background

The NWSCDC was founded in 1983 to reverse the decline of the 30th Street industrial corridor in Milwaukee, once home to several major factories and thousands of well-paying jobs. As the factories began to cut back, close, or relocate in the 1970s, the neighborhood began to suffer, experiencing increasing rates of poverty and crime, and declining rates of home ownership.

Unlike many other community development corporations, NWSCDC's primary focus was to strengthen the area's commercial backbone, Villard Avenue, rather than its housing. To that end, the organization began buying empty properties and installing new ventures, including human services, such as job training programs, outreach to at-risk youth, a business incubator, and a school. Community development block grants, private foundations, and financing from banks motivated by the Community Reinvestment Act helped fund the purchases and social services.

Property development and management in distressed communities involves additional dimensions and challenges. As a 2002 report on CDCs by the Urban Institute notes, "Overcoming deep and complex neighborhood problems demands long-term and consistently applied strategic investments, which few CDCs have been able to make historically."

By 1994, NWSCDC owned about 250,000 square feet of commercial property. It also had developed a severe cash flow problem. Historically, inaccurate cash flow projections have plagued CDCs, which by their nature provide homes, rental properties, or business opportunities to low-income individuals in economically struggling areas where there has been often prolonged private disinvestment. At the NWSCDC, expenses and revenue fell out of sync, leaving the group with a $200,000 budget deficit that included money owed to the Internal Revenue Service. Its bookkeeping issues were compounded by the fact that the organization's board (at the time) had no finance committee.

With the help of a forgivable loan from the city of Milwaukee, support from local foundations, including the Pew Charitable Trust, and technical support in the form of bookkeeping and accounting training from Goodwill Industries of Southeastern Wisconsin, NWSCDC emerged from its financial dilemma. The process took two years and required the sale of most of the real estate portfolio, including the historic fire station which housed NWSCDC's offices. With the properties went the related programs. NWSCDC's management and its board faced a conundrum: how to reconstitute a community-oriented real estate development organization without assuming the liquidity and collateral risks of developing, owning, and managing property.

NWSCDC 2.0

The high-level answer was that NWSCDC adopted a new model that emphasizes leveraging partnerships and collaborating in business creation and real estate transactions, rather than owning and managing property. On the ground, this change involved many individual adjustments. NWSCDC revamped governance procedures and expanded and retooled the board,

recruiting individuals with specific skills, such as legal or human resource experience and training. Of necessity, NWSCDC downsized its staff. Any new hires needed skills aligned with the organization's evolving goals. NWSCDC re-focused efforts to make the organization more relevant to the neighborhood's future health. In a distressed community with many needs, it became more disciplined and strategic in analyzing where it could have the greatest impact. It looked to supply the final piece of financing for investments and projects that could have a big impact on its target neighborhood, being sure to quantify results – the number of jobs created through this business loan, the number of young people trained, etc. The goal was to become a catalytic enterprise.

The CDC also made a crucial decision to forge an alliance with the largest remaining employer in the 30th Street neighborhood – DRS Power and Controls Technologies, a multinational electronics corporation and defense contractor that had purchased the "Navy Controls" business unit of Eaton Corporation. Eaton had years earlier acquired Cutler-Hammer, a long-time industrial employer on the northwest side. In its nearly 30-year history, NWSCDC has always had a representative of Cutler-Hammer/ Eaton/DRS on its board.

Since 2004, Alan Perlstein, vice president and general manager of DRS in Milwaukee, has represented the corporation. The alliance with DRS has helped NWSCDC approach its work with the discipline of a commercial business, always looking to the future. From his side, Perlstein understood how the CDC could help DRS. "The NWSCDC has relationships with local aldermen, the mayor, the state, the Department of Health and Human Services – insights and perspective hat help us to be a better industrial citizen," Perlstein observed.

Forging concrete, enduring industry-CDC relationships

Cultivating relationships with business executives has been important to NWSCDC's survival. A key difference in how NWSCDC has forged these relationships has been its efforts to instill a degree of permanence in them through mutually beneficial financial connections. This type of symbiosis helps ensure that if industry leaders move on, the relationship continues. In the case of DRS and NWSCDC, the interrelationship also involved proximity.

In 2003, DRS conducted an analysis to determine whether to stay in the aging Eaton/Cutler-Hammer facility, which in its prime had housed much of the company, or to move to a new plant in the suburbs. "To continue to grow, we needed to invest in our facilities, either staying where we were or moving," Perlstein observed. "We looked at all our options. In the end it was a combination of people and existing infrastructure that made us decide to stay."

At the same time, the NWSCDC was looking for more permanent, strategically located office space than what it had been renting in a building the organization once owned. NWSCDC proposed providing some of the funding for the facility renovation DRS was planning, and co-locating with the company in some of the 200,000 square feet or unused space within the plant. NWSCDC applied for and received a $700,000 grant from the Office of Community Services (OCS) of the U.S. Department of Health and Human Services, of which it loaned $580,000 to DRS as part of the $10 million-plus cost of the renovation, completed in 2010.

An evaluation of the OCS investment prepared for OCS in March 2011 by Sammis White, professor of urban development at the University of Wisconsin-Milwaukee, described the loan: "This is the story of a giant and a mouse and how they worked together to begin to rejuvenate inner-city Milwaukee."

From Perlstein's perspective, while the company could have completed the renovation without the loan from the NWSCDC, the cooperation with the organization makes good business sense. "DRS is in a very depressed neighborhood. We invested $10 million-plus in this facility. If we allowed the neighborhood to deteriorate, it would not be good for our business. We want to keep this neighborhood what it was historically – solid, blue collar, middle class," Perlstein commented.

Perlstein noted that in applying and receiving the OCS grant, the NWSCDC brought federal funds to the neighborhood. When DRS repays the loan, the NWSCDC will have that much money to reinvest in the community.

"The model for the NWSCDC has evolved," Perlstein said. "It sees itself as a fulcrum. It no longer looks at helping one child at a time. It leverages multiple ways to help businesses improve and finds multiple funding sources to help business grow."

Workforce training and business acceleration

When businesses grow, they need to hire. DRS saw the benefit of hiring from within the surrounding community and the NWSCDC tapped into its experience providing job training programs to make that happen. "If you give one person a solid job, it helps the four people in that person's family," Perlstein observes.

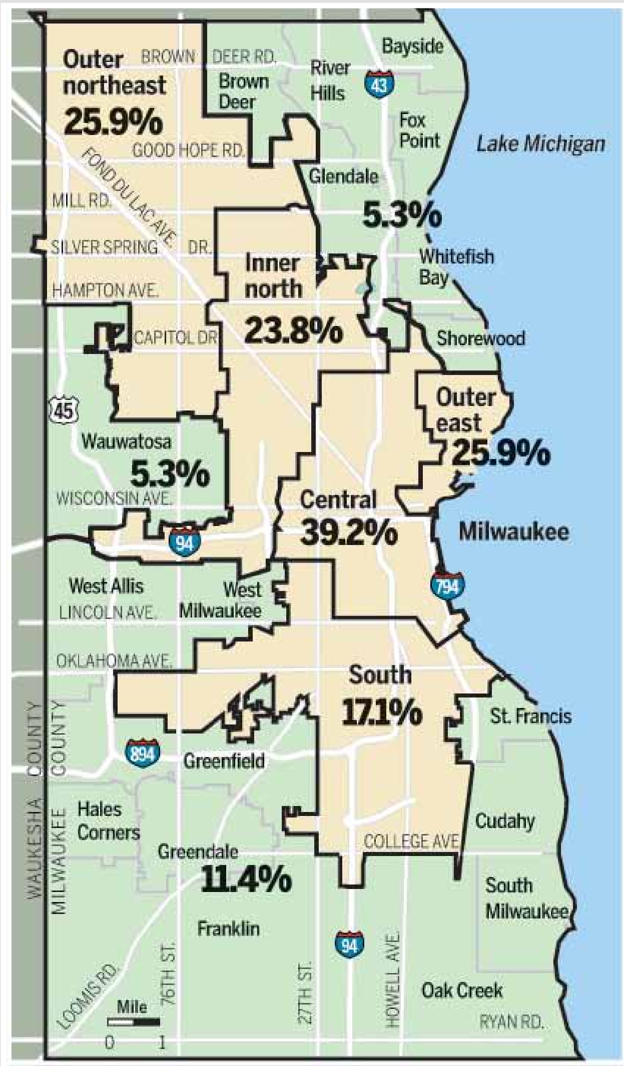
In his evaluation, White notes that of the 51 assembly workers DRS has hired in recent years, some 29 percent live in the immediate neighborhood (see table 1). "The growing number of jobs held by neighborhood residents is a goal shared by NWSCDC, OCS, and DRS," White writes. About 63 percent of these assembly workers were unemployed at the time they were hired, he adds. Though the impact of the NWSCDC and DRS's activities can't be teased out from the effects of government programs designed to help

Table 1: Geographic source of DRS assemblers 11/10/08 - 2/23/11

State	# Hired from zip code	% Hired from zip code
53216	4	7.8
53206	2	3.9
53209	5	9.8
53210	2	3.9
53218	2	3.9
53222	0	0
Total hired from surrounding zip codes	**15**	**29.4**

Source: White, Sammis. March 28, 2011. NWSCDC DRS Incubator, Evaluation II of OCS Investment. University of Wisconsin-Milwaukee.

Where the poor are: Milwaukee County poverty rates, 2009



Notes: The 2009 Wisconsin Poverty Report provides a detailed measure of poverty. The report shows that in 2009 expanded tax credits and food assistance benefits cushioned the state's poorest residents from the worst effects of the recession. The map shows poverty rates broken down by U.S. Census Bureau Public Use Microdata Areas. *Milwaukee County overall poverty rate: 19.6%

Source: Institute for Research on Poverty analysis of 2009. American Community Survey data.

the poor and unemployed, the accompanying map shows that the poverty rates in NWSCDC's target zip codes are better than in adjacent zip codes (map adapted from the third Wisconsin Poverty Report issued by the University of Wisconsin-Madison Institute for Research on Poverty).

Since 2000, the NWSCDC has received $5.4 million in grants from OCS, of which $4.7 million was lent to two renewable energy start-ups, three grocery stores, a lifestyle shopping center, and a U.S. Navy contractor (DRS) in its target neighborhood. The loans helped create many hundreds of jobs.

One of the NWSCDC's anti-poverty/pro-business development initiatives made possible by its co-location with DRS is its establishment of the Milwaukee Technology Incubator Center in its section of the DRS plant. This space includes a 1,000-square-foot power and controls test lab, and is well-suited to high technology start-ups. The third major tenant was the Wisconsin Energy Research Consortium (WERC). Initially focused on southeastern Wisconsin, WERC was founded in 2009 by the three college engineering schools in the Milwaukee area and eight companies whose businesses involved energy, power, and control. The group has now grown to include the University of Wisconsin-Madison engineering school, several of the state's technical colleges, and five more companies. DRS was one of the founding members and Perlstein is WERC's chairman. The new chancellor of the University of Wisconsin-Milwaukee, Mike Lovell, is the vice chairman.

Perlstein notes that the partnership between academic institutions and industry grew out of the realization that there was a cluster of companies with expertise in energy, power, and control in the Milwaukee area, and that they all could benefit from collaborating to attract federal dollars to fund basic research into transformational technologies. The companies include Johnson Controls, Eaton Corp., Rockwell Automation, American Transmission, Kohler, and We Energies.

John Bobrowich, WERC's executive director, has extensive experience with for-profit companies, including General Electric, Siemens, and ReGENco, a power generation services company he founded, but had very little with nonprofits before taking his current position. He says that being a tenant of the NWSCDC has been extremely helpful in getting WERC up and running. WERC has benefited from the NWSCDC's network of contact within city, state, and federal economic development groups, Bobrowich explains, and its understanding of the financial accountability standards required of a 501(c)(3) organization.

WERC has helped the NWSCDC by helping to mentor start-up companies in the incubator and expanding its links to WERC member universities and companies. The NWSCDC has assisted WERC in workforce development in the power, controls, and energy field to replace an aging workforce. The NWSCDC and WERC have collaborated to apply for training grants. In 2011, they convened a number of companies in the power, energy, and controls industry to identify shared needs for skills in manufacturing workers. The three focus areas that emerged were math skills, a basic understanding of the terminology used in electrical work, and teamwork. Together WERC and the NWSCDC received a $250,000 training grant from the State Department of Workforce Development to create a course with 100 to 120 hours of class work to teach the needed skills. The grant is being shared with the Milwaukee and Waukesha/Ozaukee/Washington (suburban counties) Workforce Investment Boards.

Two of the companies that helped determine the training needs have committed to hiring the individuals trained. This program has strengthened the NWSCDC's ties to the business community because it has provided needed hiring assistance that ultimately saves businesses money. Hiring the wrong people is a huge expense that businesses would like to avoid. Workforce development positions the NWSCDC to do more lending to start-ups and grow jobs in our target community.

Perhaps the biggest economic development opportunity to grow out of the WERC/DRS/NWSCDC relationship is a proposal to create a Renewable Energy Technology Accelerator (RETA) in response to the i6 Green Challenge RFP from the U.S. Department of Commerce. The accelerator would be based in the NWSCDC's incubator, Bobrowich says, and it would be a magnet for technology start-ups to the 30th Street Corridor. WERC submitted the final grant application at the end of May, and the U.S. Department of Commerce will make a decision this fall.

Grand families and a library

While the relationship with DRS has been a vital catalyst for its economic development activities in the neighborhood, the NWSCDC has also collaborated with other businesses to revitalize the northwest side. One of its most successful efforts has been to preserve a city library in the neighborhood. When the original Villard Avenue Library, an old building in disrepair, was slated to close in 2003, neighborhood residents protested loudly. The NWSCDC saw the library as an important anchor for the neighborhood, an institution that was visited by 90,000 people a year. The last piece of land that NWSCDC owned from its (old model) heyday was a square block on Villard Avenue. The organization envisioned that block as the site for a new Villard Library, an evolution of the old community anchor, into a mixed-use complex that would include a smaller, more efficient and user-friendly public library, plus low-income housing for grandparents raising their school-age grandchildren.

The NWSCDC lobbied the city relentlessly for the project. Eventually it secured a development and construction partner, Gorman & Company, and worked with them, city officials, the Milwaukee Department of City Development, the Milwaukee Public Library, and the Wisconsin Housing and Economic Development Authority (WHEDA) to put together an $11 million investment in the Villard Avenue neighborhood. Financing is being provided by Boston Capital as a tax credit investor, Harris Bank and IFF as lenders, Tax Credit Assistance Program (TCAP) and ARRA Section 1602 funds from WHEDA, and community development block grants from the Wisconsin Department of Commerce and the city of Milwaukee. Construction on the new library and 47 apartment homes began in September 2010. The building is slated to open in October 2011.

Conclusion

The success of NWSCDC in its low-income neighborhood has come about through adaptability, the will to make difficult business decisions, close working relationships with business partners, particularly DRS, and by incorporating a level of strength and permanence to those relationships.

John McKnight, co-director of the Asset-Based Community Development Institute at Northwestern University, has almost 30 years working in community development and offers the following idea. Success in redeveloping communities does not grow from what he calls a deficit-based approach grounded in anger at poverty and its costs, but to an asset-based approach that identifies what we have to work with and moves forward.

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Biographies

Howard Snyder has been the executive director of the Northwest Side CDC (NWSCDC) since 1983. Mr. Snyder is also a member of the Milwaukee Area Workforce Investment Board, and a board member of the largest New Markets Tax Credit allocatee.

Tina Daniell is a former business reporter for the Milwaukee Journal and current communications consultant in Milwaukee. She volunteers her time for several nonprofit groups, including the NWSCDC, the Haggerty Museum of Art, and the Catch a Rising Star foundation.

Leveraging opportunities to promote community reinvestment

by Desiree Hatcher

The Community Reinvestment Act (CRA) is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound operations. The CRA performance impacts banks and the communities they serve. CRA requirements are embedded in the chartering of financial institutions; and CRA performance ratings are considered in the approval, denial, or conditioning of applications for such activities as branching, consolidation, or acquisitions. Therefore, CRA provides a powerful incentive for lenders to invest in distressed neighborhoods.

Banks can receive CRA credit for providing grants or extending market-rate or below-market-rate loans to intermediaries. Community development intermediaries play a useful role by pooling resources from public and private sources and developing loans, investments, or services that are specialized to meet community development needs. Banks look for partnerships that provide the biggest impact for their CRA dollars. However, as with most resources, funding is limited, and community development intermediaries must find innovative ways to position themselves and their projects as attractive opportunities for community reinvestment funding.

Indianapolis is leveraging the economic and publicity power of the 2012 Super Bowl to accelerate the revitalization of the city's Near Eastside neighborhoods. The "Legacy Project" got its start after Local Initiatives Support Corporation (LISC) learned that the Super Bowl Bid Committee, as part of its bid, was seeking community projects to engage NFL leaders and leave a lasting impact on the city. The Near Eastside, one of six quality of life plans generated from the Great Indy Neighborhoods Initiatives (GINI), was chosen because it contained an asset the city needed as part of its proposal – a site suitable for use as a training facility for one of the Super Bowl teams and close enough to downtown to make it a feasible location. The site would be upgraded for the event, and afterwards converted into the community's first fitness and recreation center.

CRA provides a powerful incentive for lenders to invest in distressed neighborhoods

The Near Eastside comprises 20 neighborhoods with 40,000 residents. Once a thriving working class community, now 36 percent of the households live below the federal poverty level. The Near Eastside was devastated by the closing of two manufacturing plants and loss of thousands of well-paying jobs in the 1980s. Other businesses followed – two of three large shopping centers closed down. Homes were abandoned. Crime rose, as did high school dropout rates. Still, the mixed race neighborhood – about 60 percent White, 25 percent Black, and 15 percent Latino – maintained a strong sense of history combined with a dedication to community development. Neighborhood groups, however, had for many years lacked the resources to work together on any large-scale neighborhood improvement.[1]

On May 20, 2008, NFL Commissioner Roger Goodell announced that Indianapolis had won the Super Bowl bid. League officials and the team owners cited the practice facility as a key factor in choosing Indianapolis over Houston and the Phoenix area. "That's a facility that will be used for many generations by people who play sports," Goodell said. "I think that's a great thing for the NFL and the community."[2]

To date, the Legacy Project has received funding and commitments of approximately $50 million from the NFL, city of Indianapolis, state of Indiana, federal stimulus funds, JP Morgan Chase, LISC, M&I Bank, Metropolitan Indianapolis Board of Realtors, State Farm Insurance, Old National Bank, National Bank of Indianapolis, PNC Bank, Fifth Third Bank, Key Bank, and local community development and philanthropic organizations. According to Joe Bowling, Legacy Community Builder, many of the efforts generated from the Great Indy Neighborhoods Initiative were already in process when the city won the game bid. However, winning the Super Bowl offered an opportunity to leverage the economic and publicity power of the NFL championship game to accelerate the revitalization of the city's Near Eastside neighborhoods. These efforts include:

- **Jefferson Apartments Homeownership Incubator** – A rehabilitation of the existing Jefferson Apartment building with a newly constructed addition. Opened in May of 2010, the project provides 18 apartments for low-income residents and two for-sale condominiums. The project is the first "homeownership incubator" in Indianapolis. The tenants have access to a wide range of services and counseling, including help finding jobs and cleaning up their credit with a goal of transitioning from renter to homeowner and buying a home in the surrounding neighborhood. The property is immediately adjacent to the John H. Boner Community Center, making the provision of services seamless.[3]
- **St. Clair Senior Apartments** – Currently under construction, this complex comprises 33 two-and three-bedroom apartments for aging people who can no longer stay in their homes, but who want to remain in the neighborhood.[4] The building also features street-level commercial space. Bowling indicated that the project's developers hope to draw in businesses whose products and services will appeal to the seniors.
- **MIBOR Centennial Project** – Named for the organization's 100th anniversary, this group of 32 renovated and constructed properties (single-family homes and doubles) was provided by the REALTOR Foundation, the philanthropic arm of the Metropolitan Indianapolis Board of Realtors (MIBOR), through its "Building a Living Legacy Project." These properties will be rented to homeless families and families at risk of being homeless. Those families will also receive support services coordinated by the John H. Boner Community Center to help them become self-sufficient.[5]
- **St. Clair Place Homeownership Project** – These 24 properties consist of renovated vacant homes and new construction. These properties will provide additional homeownership opportunities for low-income residents. In addition, this project offers home repair services to current residents who meet the program's income requirements.
- **Better Buildings Initiative** – This $2 million program aims to provide weather revitalization services to improve energy efficiency for 800 homes, 200 businesses, and 20 not-for-profit organizations located on the Near Eastside.
- **Health and Dental Center** – A $6.6 million environmentally "green" health center serving the uninsured and underinsured created jobs and set a new standard for patient care, delivering 42,000 patient visits per year. Further, the new center serves as a demonstration project for the city of Indianapolis' Office of Sustainability in its use of green building techniques and materials, many of which haven't been tested in this climate area before. As an innovative storm water management strategy, permeable pavers allow water from rain or snowmelt to flow through the pavers, into a stone base, and then filter into the soil below. This eliminates storm water runoff and protects nearby surface waters from storm water pollution.[6]
- **Pogue's Run Food Co-op** – The Near Eastside's status as a "food desert" was relieved on December 28, 2010, when the Pogue's Run Greengrocer Co-op opened its doors. The area had suffered the closure of two grocery stores in the past five years, leaving 40,000 people with very limited food shopping options. Over a period of three years, a growing group of neighborhood volunteers moved the food co-op from concept to reality through thousands of hours of work, transforming a 3,000 square foot former preschool into Indianapolis's only community-owned, nonprofit grocery store. This work was supported by the Economic Development Committee of the Super Bowl Legacy Initiative, in support of the East 10th Street Civic Association's commercial revitalization efforts. The Food Co-op now has over 300 members and has formed partnerships with a growing list of supporters, such as LISC, the city of Indianapolis, the JP Morgan Chase Foundation, the Indianapolis Foundation, and the John H. Boner Center. LISC provided unusually intense support through $115,470 in loans and grants for façade improvements, technical assistance, staffing start-up, and working capital.[7]
- **Redevelopment of Commercial District** – The Legacy Project has sparked redevelopment of a two-mile stretch of the neighborhood's downtrodden commercial district on East 10th Street. This includes upgrading facades and recruiting businesses to fill abandoned buildings. The city will also add parking spaces, bike lanes, and more crosswalks to encourage pedestrian traffic. It is also agreed to speed-up the development of a bike trail to intersect East 10th Street.

Indianapolis is not the first city to use a mega sports event as leverage for community development. Atlanta leveraged the 1996 Olympics to enhance its image as one of the world's leading business cities and a global sports center. Led by Georgia Power Company, with support from NationsBank, the Georgia Department of Industry, Trade and Tourism, the Governor's Economic Development Council, the Georgia Chamber of Commerce, and the Metro Atlanta Chamber of Commerce, this partnership utilized the Olympics as a marketing tool for industrial recruitment and economic development. "Operation Legacy" established a goal of stimulating the relocation of 20 major companies to create 18,000 direct and indirect jobs,[8] and added $150 million in annual payroll earnings.[9]

Operation Legacy targeted emerging industries, such as telecommunications, technology, and a broadly defined sports and entertainment industry, with the idea that these industries would respond favorably to the benefits of Atlanta's Olympic Games exposure, as well as to the "bricks and mortar" by-products of the Games – for example, fiber optic cable and other technology left behind in the media headquarters and sports facilities. One year after the Games, Operation Legacy had generated more than 2,000 new jobs; and by the end of the third year, it had exceeded its goal of 6,000 new jobs. While the Olympics may not have been an explicit factor in the majority of these business decisions, the ability of the city to leverage the increased awareness resulting from the Olympics likely contributed to their success.

Conclusion

In February 2012, the city of Indianapolis will play host to Super Bowl XLVI. This event offers substantial opportunity to shine a spotlight on the city and promote its many assets and attractions both locally and worldwide. Although the Super Bowl game is approximately four hours long, Indianapolis is leveraging this "mega" event to spark reinvestment in affordable housing, small business development, and other assets on the city's Near Eastside, which will have positive impact long after the game is over.

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Biography

Desiree Hatcher is a community development director in the Federal Reserve Bank of Chicago's Community Development and Policy Studies division. Her current responsibilities include conducting outreach, providing technical assistance, and coordinating events which promote community development and fair access to financial services. Ms. Hatcher earned a bachelor's degree in finance from the University of Detroit Mercy and a master's degree in administration from Central Michigan University. She also holds certifications as a commissioned examiner, Certified Financial Services Auditor (CFSA), and Certified Regulatory Compliance Manager (CRCM).

Neighborhoods and Labor Markets: Comprehensive Community Development in the Metropolitan Context

– an overview of part one of a three-part dialogue

by Jeremiah P. Boyle

"In many instances, regional policies have a spatial locus in places where community developers work." **Chris Walker,** director of research for the Local Initiatives Support Corporation (LISC).

Introduction

"There are implications for low-income communities in regional policies and what we do in low-income communities has regional implications," according to Chris Walker, director of research for the Local Initiatives Support Corporation (LISC). "In many instances, regional policies have a spatial locus in places where community developers work."

Walker was providing some background for participants in a national dialogue about neighborhoods and labor markets held on June 20, 2011, the first in a three-part seminar series organized by the Federal Reserve, the Institute for Comprehensive Community Development (ICCD), and the Urban Institute. The meeting started with a panel of national experts at the Federal Reserve Bank of Chicago and linked by video to the Federal Reserve Banks (and branches) in Boston, Houston, Los Angeles, Minneapolis, Pittsburgh, and San Francisco. Each of those sites then hosted a seminar that focused on labor market issues in their respective regions.

The national panel of experts was moderated by Carol Colletta, director of ArtPlace and until recently the president and CEO of CEO's for Cities. She was joined by Robert Giloth, vice president of the Center for Family Economic Success and Community Change at the Annie E. Casey Foundation; Juan Salgado, president and CEO of Instituto del Progresso Latino; and Byron Zuidema, regional administrator of the U.S. Department of Labor's Employment and Training Administration; and Mark Elliott, president of Mobility, a nonprofit dedicated to economic mobility strategies for low-income people.

Employment, labor markets, and workforce development

Dan Sullivan, executive vice president and director of research at the Federal Reserve Bank of Chicago, began the day by highlighting both the Fed's monetary response to high unemployment and the need for other strategies to address longer-term, structural issues in labor markets.

"This general area of labor market adjustments and things that can be done to help certain segments of the labor market is something that the Federal Reserve Bank of Chicago has had a running interest in.[1] There are definitely lots of gaps in our knowledge, in terms of what communities can do and what national policy should be to help different groups of workers," Sullivan pointed out.

"In my own mind," Sullivan continued, "I categorize them into the 'displaced workers' and 'disadvantaged workers.' Displaced workers are the people who have had a solid job for a long period of time and, because of shocks to the economy or something else, they become unemployed. I think we know quite a bit about what works for them and at least for some of them, training seems to be an option. Although it's not so great to necessarily train somebody who's close to retirement, so we have to think about alternative options for others."

"Disadvantaged workers are people who start out not having had one of those good, solid labor market careers. I think there's a lot less known about

Dan Sullivan, executive vice president and director of research at the Federal Reserve Bank of Chicago.

what works for them. It seems like some things work for women but don't work very well for young men. I think we need to find out what the strategies are that can actually help more broadly. I think this idea of basing it on community and strategies that involve local areas getting together to work on things have a lot of promise," Sullivan concluded.

National perspectives on neighborhoods and labor markets

The importance of community-specific strategies was echoed in remarks by Mobility's Mark Elliott. In low-income communities, men are more likely to have challenges in the labor market than women, Elliott observed. "They have barriers to the formal economy in the form of child support orders and sometimes criminal records. The good news is that public agencies in both criminal justice and child support are eager to work with communities in an effort to keep people out of jail and to get them paying some modest forms of child support."

Elliott identified isolation, education, and skills as key barriers preventing neighborhood residents for qualifying for available jobs. He reported that a demonstration study that he was deeply involved in concluded that reverse commute programs were not supportable in the long run because they are hard to sustain through economic cycles. Elliott suggested, instead, that community groups focus on becoming expert on their local economy and labor markets to identify two or three sectors of sustained demand and to work with major institutions that have tended to stay in central cities, such as hospitals and universities.

"My personal favorite," Elliott emphasized, "is to consider how you could use informal networks in a formal workforce development strategy. We all know that most people get jobs through co-workers, friends, and family. Yet, in workforce development, we've never really used those to our advantage."

Elliott and LISC's Walker highlighted some broad trends impacting communities and labor markets.[2] According to Walker, if we look at access to jobs broadly defined by proximity to those jobs, in almost every sector, "there are more jobs per resident in cities than there are in suburbs, suggesting that spatial mismatch – which we used to think about primarily as a central city problem – may indeed be more of a suburban one instead."

Elliott pointed out that in the U.S., the fastest growth in employment is happening in the suburban periphery of major metropolitan areas; the majority of every major ethnic group lives in the suburbs; and the number of poor people in suburbs outnumbers the poor people in cities by at least 1.5 million people. "That may mean," Elliott said, "that the most isolated, low-income communities are in the suburbs rather than the central cities. We may be focusing on the central cities disproportionately to the amount of poverty there is in the suburbs."

Robert Giloth highlighted the scale of the issue in the neighborhood of East Baltimore. "If we were to 'equalize' the rate of employment in that neighborhood with

(Left to right) **Carol Colletta**, ArtPlace; **Byron Zuidema**, U.S. Department of Labor, Employment & Training Administration; **Juan Salgado**, Instituto del Progreso Latino; **Robert Giloth**, Center for Family Economic Success & Community Change.

(Left to right) **Paul O'Connor**, Skidmore, Owings & Merrill; **Will Edwards**, Chicago Department of Housing & Economic Development; **Howard Snyder**, Northwest Side Community Development Corporation (Milwaukee, WI).

the city as a whole, we'd have to connect 1,000 people to jobs. If we're just looking at individual success in the adult population, we may not get that."

Giloth noted the barriers to connecting people with jobs in East Baltimore where 80 percent of the residents have less than a high school degree. According to the Casey Foundation's estimates, individuals need upwards of 1,000 hours of basic education and training over time to get to a middle-skilled job in the healthcare and construction industries. He also noted that housing instability – 60 percent of people move every three years and many move more than two miles – is both a cause and effect of lack of jobs.

Juan Salgado said the Instituto del Progresso Latino agreed. He highlighted the institute's development of a "networked organization" that connects people to multiple institutions. "We talk about three ladders," Salgado said, "the academic ladder, the career ladder, and the social ladder. If your programs don't account for the social ladder equal to the academic and career ladders, then you are missing something incredibly important." Connecting clients who have improved labor market outcomes to community resources such as homebuyer assistance agencies strengthens the fabric of local communities.

Mark Elliott emphasized that "program design and implementation are by far the biggest challenges we face in this field. You've got to be smart about how you approach what the opportunities are and whether you can design something that's going to address those challenges."

Perspectives from Chicago and Milwaukee

Paul O'Connor, urban strategist at Skidmore, Owings & Merrill, moderated the afternoon panel. He started the panel by confessing two biases: "I think spatial mismatch is a hollow concept," he said, and focusing on regional issues "makes it easy to ignore the inner city. The statistics look better, everything looks better when you blast them out to the CMA or the MSA. It's a distracter."

O'Connor offered an analogy to promote an alternative to "spatial mismatch" theory. "Here is an unlit match, and here is an unlit fuse. When you bring them together nothing happens because they both require an altered state – fire. The fire in the case of workforce development is mutual benefit," he said, "for both employers and employees."

Will Edwards, an assistant commissioner at the Chicago Department of Housing and Economic Development, elaborated on the point. "There is a difficulty in matching people to jobs, but I think it is more about the skills mismatch than it is about being able to get to the jobs. People always find a way to get to the jobs in Chicago."

"Your opportunity is to help somebody do something that they can't do," said Howard Snyder, executive director of the Northwest Side Community Development Corporation in Milwaukee. "We found that the nonprofit didn't have to do a lot if you made strategic alliances." In Snyder's case, that alliance involved helping a Fortune 500 Navy contractor hire residents of the neighborhood in which it is located.

Will Edwards agreed, using the development of a Ford plant and supplier campus on Chicago's South Side. The success of the project depended on the city's ability to tap "many community-based organizations across the city to find individuals who met a specific threshold skill level and train those individuals to the specific skill levels of those manufacturers that were going to occupy the supplier campus."

Snyder provided an example of extending the reach of his neighborhood-based jobs program across the state. Marinette Marine, based in the far northeast part of Wisconsin, will be building the U.S. Navy's new Littoral Combat Ships (LCS). Snyder's next challenge is to leverage his long-term relationship with a Navy contractor, and the experiences with the Wisconsin Energy Research Consortium to bring more jobs in the supply chain for that ship to Milwaukee. "A lot of times, the prime contractors don't want to go find a lot of people that they may need. I have time. I will go find people they need if they are people who are located in Milwaukee," he said.

Is it just skills?

Paul O'Connor pointed out that, as of April, Chicago had more than 400,000 people unemployed and at least 150,000 open job positions. He also highlighted a critical skills shortage in manufacturing: "For 20 years in manufacturing we have seen high-level skills always in demand no matter how bad the economy. So what is mismatching? Is it just the skills?" O'Connor asked.

Will Edwards responded: "When you say 'just skills,' there is a whole lot missing there. The workforce development system has this huge task – including everything from primary education through post-secondary education, occupational training and education, and mentoring programs. Workforce development is asked to take individuals where they stand and whatever they have missed throughout their lives and education, and form them and fit them to these jobs." Edwards concluded, "We need a really thorough process of identifying where the opportunities are going to exist for a longer period of time and how we move people to those opportunities that have those career ladders attached to them."

"To me," O'Connor added, "the problem has always been one of scale." He highlighted Chicago's ManufacturingWorks Center's relationship with employers. Juan Salgado, who runs the ManufacturingWorks Center, agreed. "We engage the employer to understand that we are here for the long haul, and we care about their growth. We can bring the (workforce development) system to you and the system does provide a lot of added value for both incumbent workers and new hires."

Videos of both the national panel and the Chicago regional panel can be found at http://chicagofed.org/webpages/events/2011/neighborhoods_and_labor_markets.cfm.

The next session in this series is scheduled for January 23, 2012. If you would like to receive an invitation to the next session, please let us know via e-mail at ccaevents@chi.frb.org.

Notes

1 See Understanding Isolation and Change in Urban Neighborhoods; Job Loss: Causes, Consequences and Policy Responses; and Strategies for Improving the Economic Mobility of Workers. Accessible at http://www.chicagofed.org/webpages/publications/chicago_fed_letter/2003/june_190a.cfm, http://www.chicagofed.org/webpages/publications/chicago_fed_letter/2004/october_207.cfm, and http://www.chicagofed.org/webpages/publications/chicago_fed_letter/2007/december_245.cfm, respectively.

2 Mark Elliott's paper, *Neighborhood Employment Strategies in Metropolitan Labor Markets Prepared for the LISC-Urban Institute-Federal Reserve Discussion Series,* can be found at http://www.instituteccd.org/library/2673; and Chris Walker's paper, *City and Suburban Job Holding and Job Locations Background Tables for LISC-Urban Institute-Federal Reserve Discussion Series*, can be found at http://www.instituteccd.org/library/2674.

Biography

Jeremiah P. Boyle is managing director of Economic Development for the Federal Reserve Bank of Chicago's Community Development and Policy Studies Division. Mr. Boyle has served as an advisor to the Milwaukee Urban Entrepreneur Partnership and as a member of the Governor's Advisory Council on Financial Literacy in Wisconsin. Before joining the Fed, Mr. Boyle served in Chicago Mayor Richard M. Daley's administration as an assistant commissioner of Planning and Development. He has served as economic development coordinator for the Village of Arlington Heights, Illinois; and held several positions with the North River Commission, a nonprofit housing and economic development group in Chicago.

Mr. Boyle holds a BA in political science and a master's degree in urban and regional planning from the University of Illinois at Urbana-Champaign, and an MBA from North Park University in Chicago.

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