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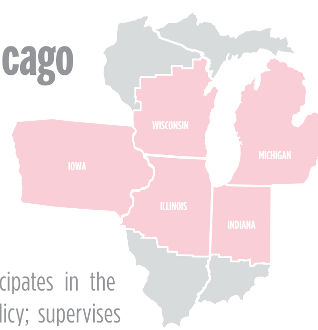
In this issue of *ProfitWise News and Views*, we feature an article by senior business economists Robin Newberger and Maude Toussaint-Comeau focusing on the Greater Chatham Initiative (GCI), which includes an analysis of demographics and key elements of neighborhood economic stability in Greater Chatham. GCI is a multi-faceted program to bring commerce and investment to historically black communities on Chicago's south side. Senior business economist Susan Longworth draws from a joint publication of the Funders' Network for Smart Growth and Livable Communities, its member organizations, and the Feds of Atlanta, Boston, Chicago, and New York, to explore the roles of place-based funders in smaller, historically industrial cities. Finally, a joint effort by Robin Newberger and Illinois economic development director Jason Keller, features a "Q&A" to the Chicago Metropolitan Agency for planning and the Metropolitan Planning Council on the role of economic inclusion in promoting regional prosperity.

The Federal Reserve Bank of Chicago



The fundamental mission of the Federal Reserve System is to foster the stability, integrity and efficiency of the nation's monetary, financial and payment systems in order to promote optimal macroeconomic performance.

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Reinvesting in the Greater Chatham neighborhoods in Chicago: New data and insights from practitioners and policymakers

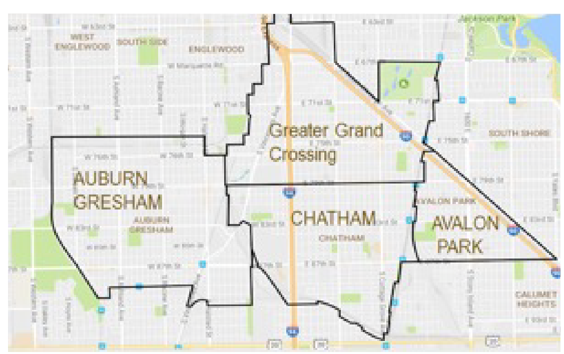
by Maude Toussaint-Comeau and Robin Newberger

In the not too distant past, Chicago was known as the center of black capitalism in America, and within the city, the Chatham neighborhood reflected the heart of black middle-class aspirations. In recent years, residents of Chatham and other south side neighborhoods have confronted a barrage of challenges to their once stable communities. In hopes of stanching this tide, Congressman Bobby Rush, whose district includes the Chatham neighborhood, and scores of civic leaders, helped launch the Greater Chatham Initiative (GCI) in June 2016,[1] to mobilize resources for a comprehensive set of interventions. As part of this initiative, the GCI Leadership Committee commissioned and published a report called The Comprehensive Plan for Economic Growth and Neighborhood Vitality, with the objective of augmenting investment in the people, firms, and places of Greater Chatham, and reconnecting them to the economic growth of the regional economy.

In this article, we conduct a case study of Greater Chatham in which we analyze key themes related to neighborhood demographics, employment, and business conditions to better understand the issues for supporting small businesses, expanding employment, and making quality of life investments in the Greater Chatham area. We also include insights and policy recommendations from community leaders, residents and other experts for increasing prosperity in Greater Chatham and other south side neighborhoods of Chicago, based on discussions during a 2017 symposium organized by the Federal Reserve Bank of Chicago in collaboration with the GCI and World Business Chicago.[2]

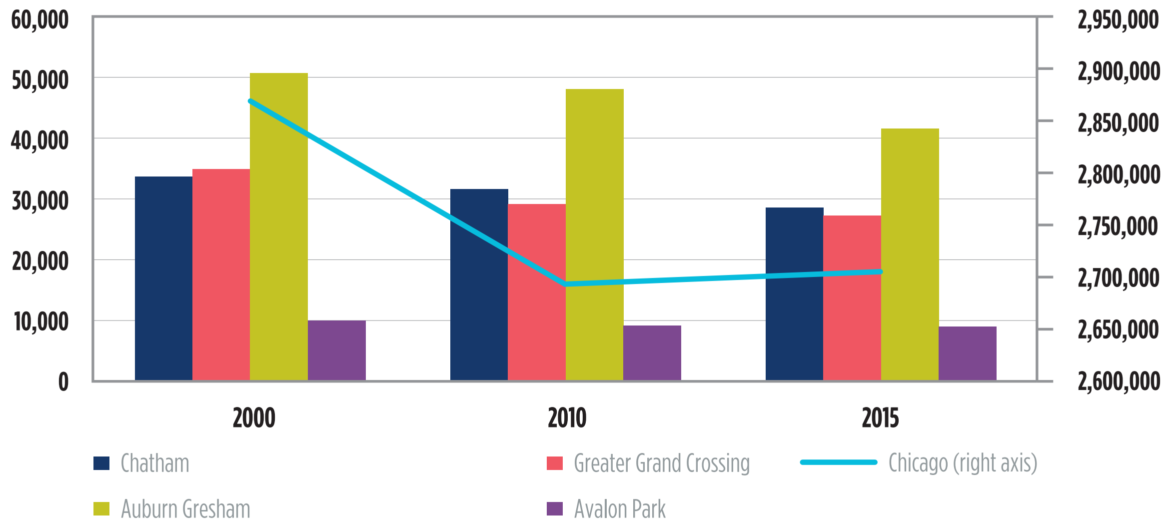
The analysis reveals important issues, including an exodus of young people and rising rates of unemployment, that make it clear why investing in Greater Chatham's economic development is so important at this time. But it also points to opportunities, like the growing share of minority-owned businesses, the existence of industrial clusters with large numbers of jobs, and the creation of first rate cultural spaces, which offer a foundation for leveraging new investments in place. As presenters at the symposium noted, a comprehensive set of responses has begun to take shape with the launch of the GCI and other efforts, as local residents and business owners, in partnership with civic leaders and the city of Chicago's economic and workforce development teams, redefine the vision for their community.

Figure 1. Map of Greater Chatham area

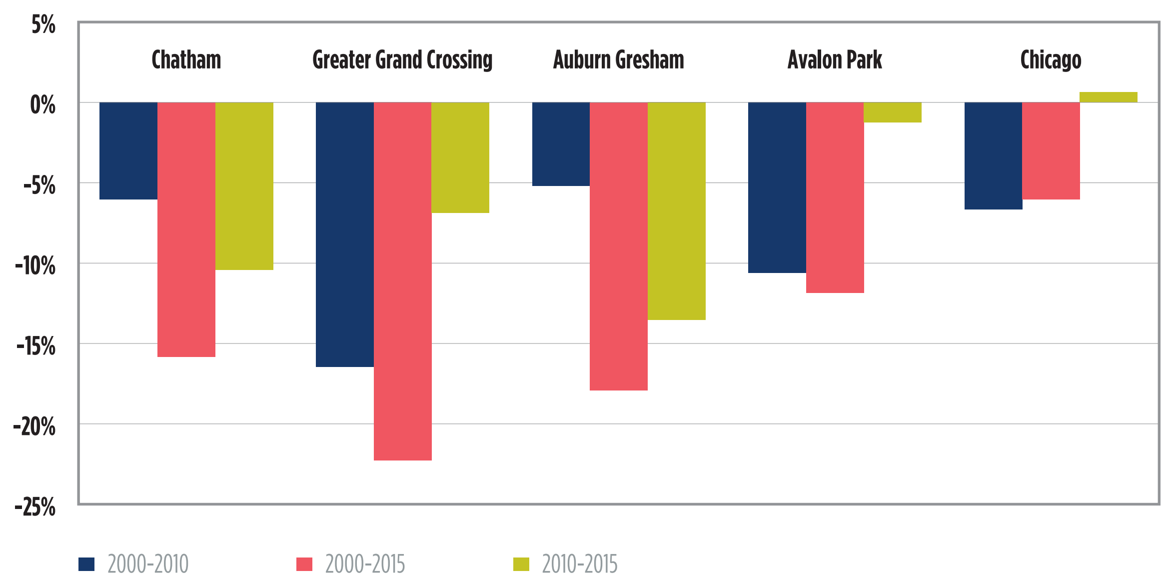


Source: The Greater Chatham Initiative.

Figure 2.
A. Total population



B. Change in population



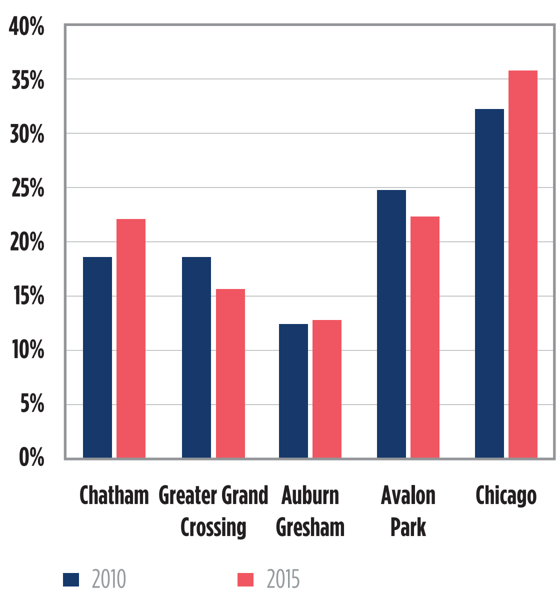
Sources: American Community Survey, 2010, 2015, 5-Year estimates;
Decennial Census, 2000.

Trends in demographic indicators

Greater Chatham is a 15-square-mile area including the communities of Avalon Park, Auburn Gresham, Greater Grand Crossing and Chatham (figure 1).[3] These are neighborhoods where more than 95 percent of the population identifies as black, but they are also places that have experienced precipitous declines in their populations in recent years. Greater Grand Crossing, for example, saw a more than 20 percent decline in population between 2000 and 2015. This runs contrary to the trend in other parts of Chicago, which have seen some reversal in population losses from previous decades (figure 2).[4]

The educational composition of people living in Greater Chatham suggests a mixed picture regarding the ability of Greater Chatham to retain valuable human capital. On one hand, the communities of Chatham and Avalon Park have relatively high educational attainment, as 20 percent or more of their populations have a bachelor's degree or higher. These rates are on par with, for example, the neighborhood surrounding the University of Chicago.[5] On the other hand, looking at changes in the education distribution of residents over time suggests some degree of human capital loss may be accompanying the decline in population. The share of residents with a bachelor's degree or more has fallen at various rates in communities in Greater Chatham[6] (figure 3). In addition, the young adult population in the age range of 19 to 34 – so called 'millennials,' who make up the largest share of the labor force, and who tend to be more educated[7] – is a lower and decreasing proportion of the population in Greater Chatham. This same age cohort constitutes a larger and increasing group in the city of Chicago overall (figure 4).

Figure 3. Percent of population with a bachelor's degree or higher



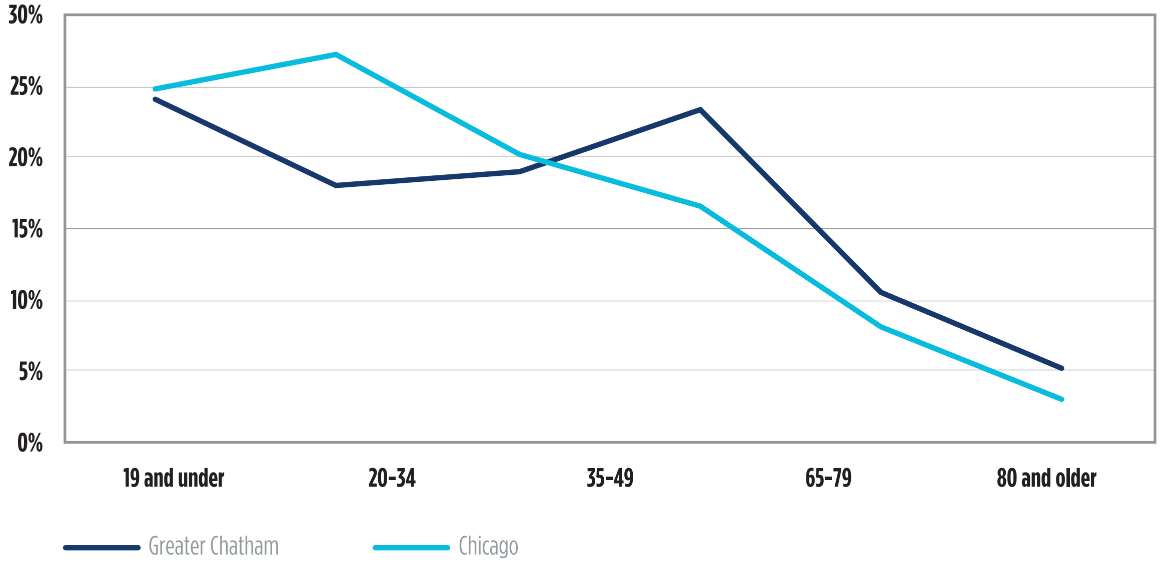
Sources: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates, 2010 ACS 5-year Estimates, Population 25 years and older; for Chicago population 25-64.

Employment and income indicators

An increasing segment of the Greater Chatham population is not in the labor force. This proportion went from about 25 percent to close to 30 percent between 2010 and 2015, representing 16 percent more people in these neighborhoods who were either not employed or looking to be employed. By contrast, in Chicago, the share of the city population that was not in the labor force dropped slightly from 22 percent in 2010 to 21 percent in 2015. Even for the population that did count itself in the labor force, high rates of unemployment have remained perhaps one of the most vexing issues affecting these predominantly black communities. Unemployment rates have hovered around 20 percent in the Greater Chatham communities in spite of the general tightening of labor that has taken place nationwide (from 9.3 percent in December 2010 to 5 percent in December 2015), as well as in the greater Chicago metropolitan (statistical) area (from 10.7 percent to 6 percent) (figure 5).

Labor market woes, in addition to the age profile of the population in the area, are among the factors that have contributed to lower median household incomes and higher poverty in these neighborhoods. Median income was between 60 percent and 80 percent of the city median in the neighborhoods of Greater Chatham in 2015 – a gap that had grown since 2010. The higher percentage of older adults in Greater Chatham, perhaps in retirement, likely contributed to the lower streams of income.

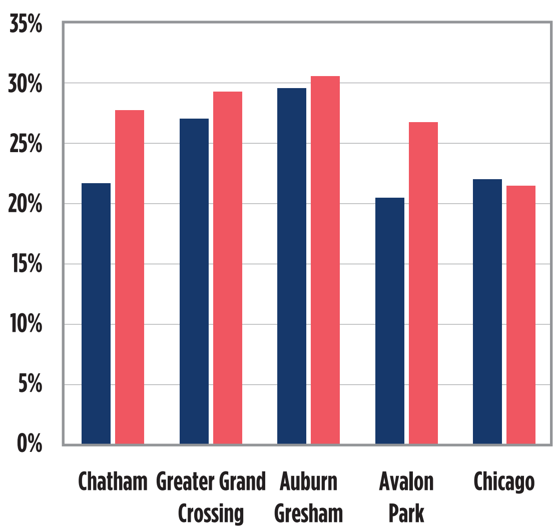
Figure 4. Percent distribution of population by age cohorts



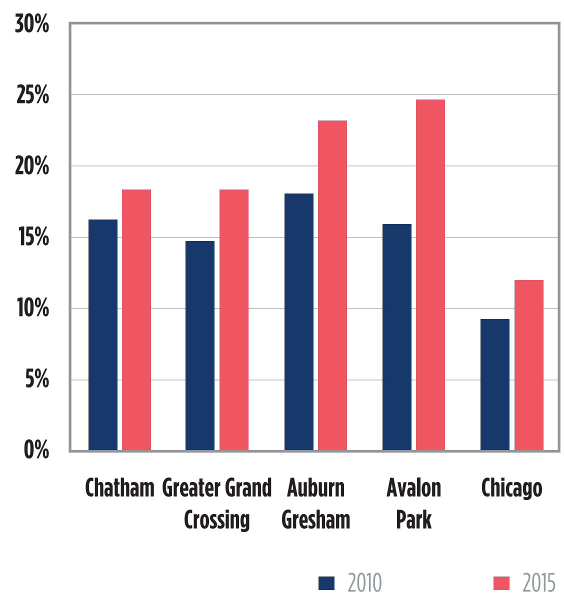
Sources: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates.

Figure 5.

A. Percent not in labor force (population, 25-64)



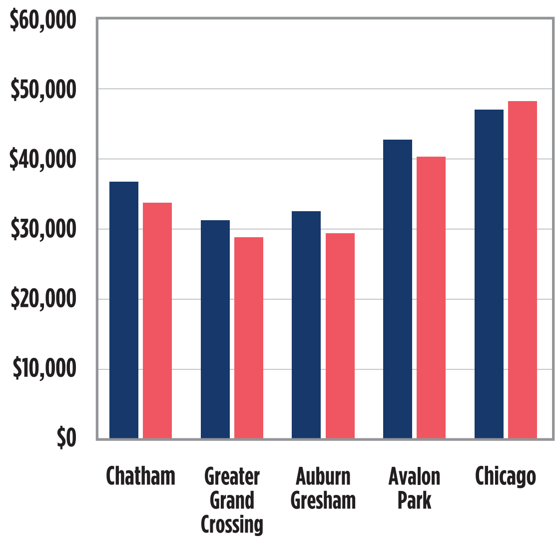
B. Unemployment rate



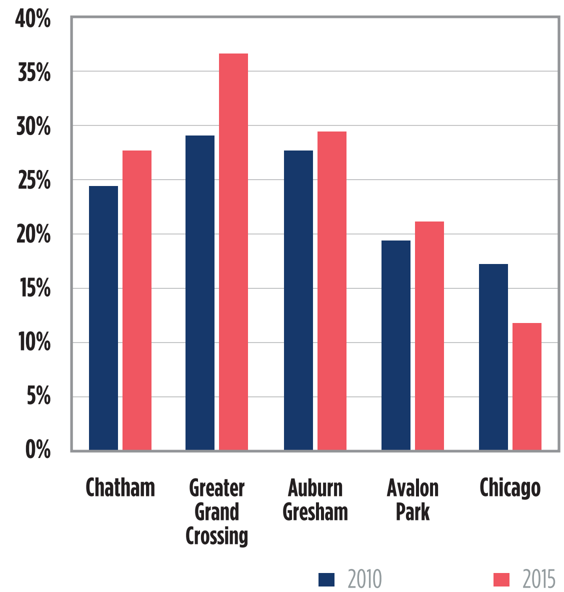
Sources: American Community Survey 2010, 2015, 5-Year estimates.

Figure 6.

A. Median income



B. Poverty rate



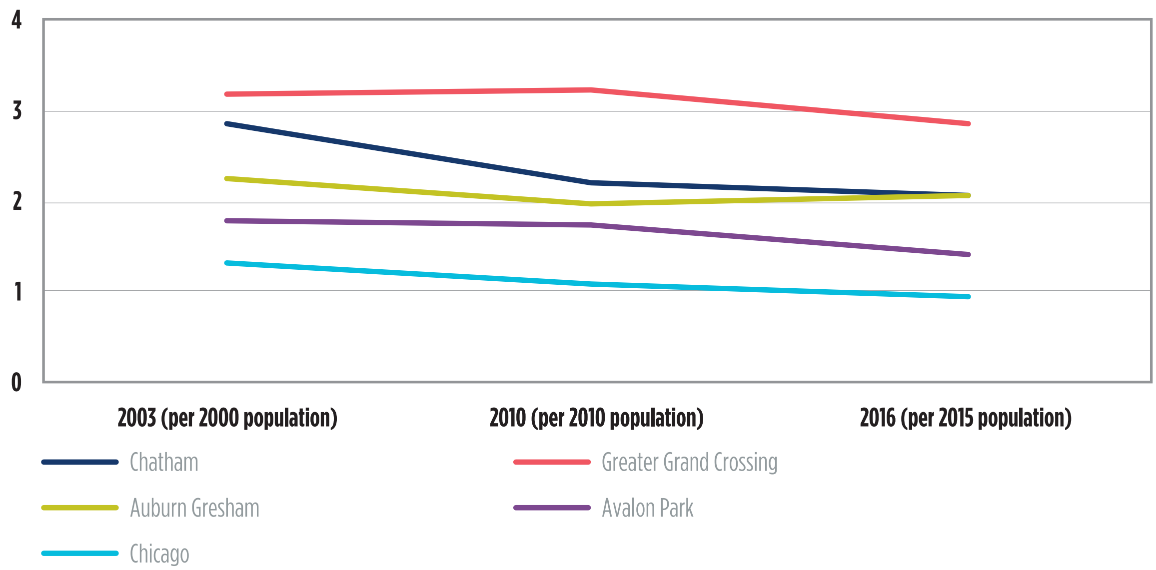
Sources: American Community Survey 2010, 2015, 5-Year estimates.

Relatedly, the Greater Chatham area has been affected by high poverty rates, which seem to have worsened in recent years. In 2015, more than 30 percent of households in places like Greater Grand Crossing and Auburn Gresham lived in poverty, compared to just above 10 percent for the city of Chicago (figure 6).

Such conditions are perhaps one of the reasons for the almost twice-as-high rate of violent crimes (per capita) in Greater Chatham compared to the rest of the city. Although violent crimes decreased in Greater Chatham between 2003 and 2016, the per-capita rate remained higher than in the city as a whole (figure 7). Joblessness and falling incomes may also help explain Greater Chatham's lingering foreclosure rates (as of July 2017) – ranging from 3 percent to 10 percent in the surrounding zip codes[8] – compared to a rate of less than 1 percent for the city of Chicago.

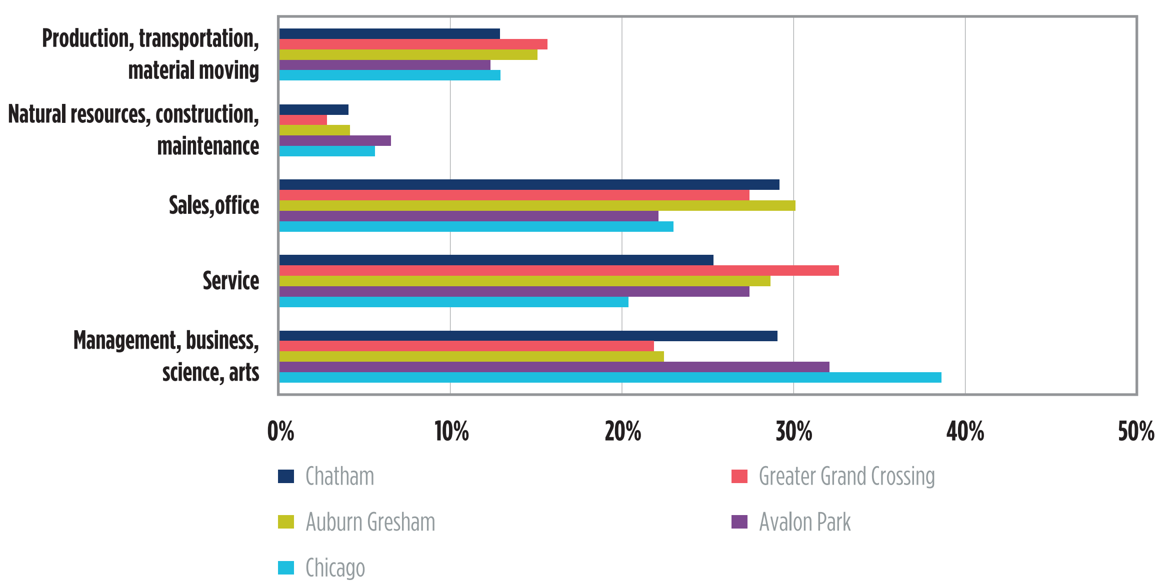
Recent trends in occupational and industry composition of the workforce provide an additional indicator of the near-term prospects for job growth in Greater Chatham. A relatively high proportion of workers are employed in sales and office occupations, as well as in service, management, business, science, and arts occupations, mirroring the occupational composition of the Chicago labor force as a whole (figure 8). The concentration of transportation and manufacturing *traded clusters*, and the presence of *local clusters* with retail trade businesses, as well as major anchor institutions including hospitals and universities, are also reflected in the data for employer industries.[9] A relatively high proportion of workers in Chatham are employed in education, health services, transportation, and warehousing[10] (figure 8). The data, however, suggest a loss of competitiveness in Greater Chatham following the 2008-2010 recession, when comparing job growth in these neighborhoods to job growth in the city as a whole. From 2011 to 2015, even the sectors which traditionally employed the highest share of workers in Greater Chatham shed jobs. While the city of Chicago has seen job growth in most of its major industries, Greater Chatham has experienced job declines for its residents in each of those industries (figure 9).

Figure 7. Violent crimes per 100 people



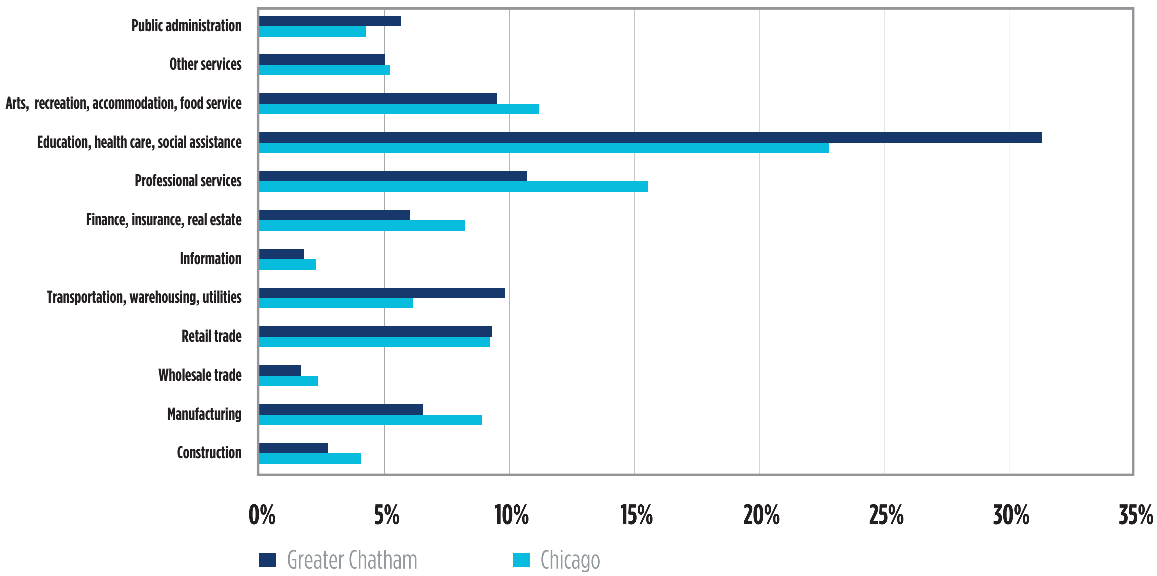
Sources: American Community Survey 2010, 2010, 5-Year estimates; 2000 Decennial Census; Chicago Tribune Crime in Chicagoland Tool, adapted from Chicago Data Portal.

Figure 8. Share of employed population by occupation

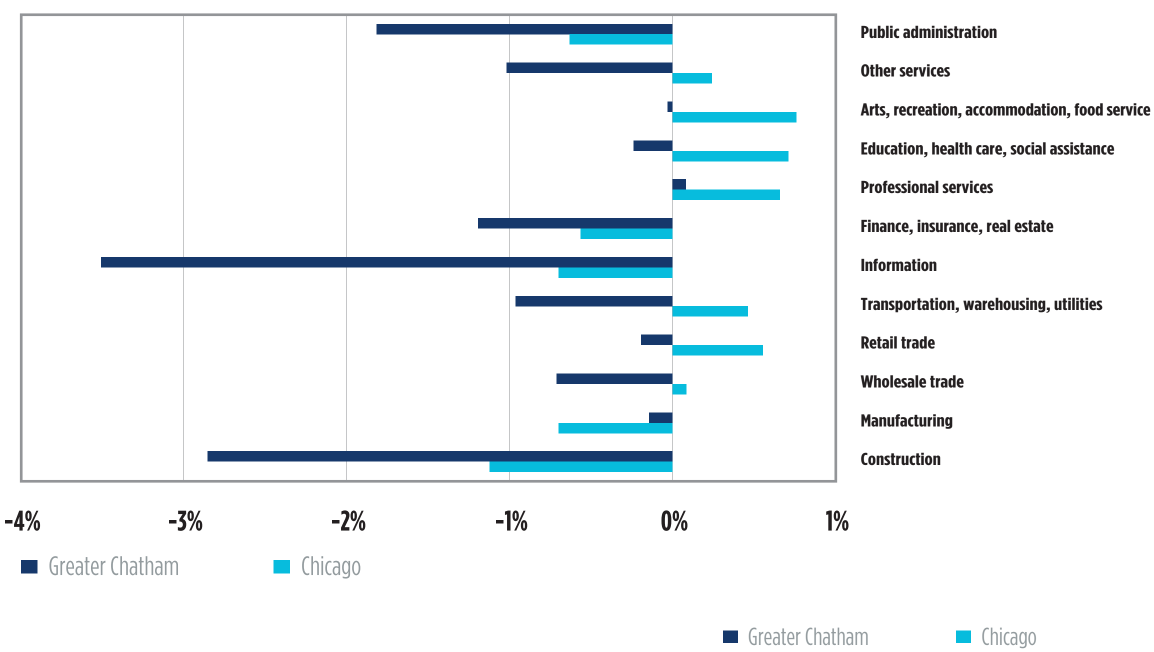


Sources: American Community Survey 2015, 5-Year estimates.

Figure 9.
A. Share of employed people by industry, 2015



B. Change in number of employed people by industry, 2011-2015



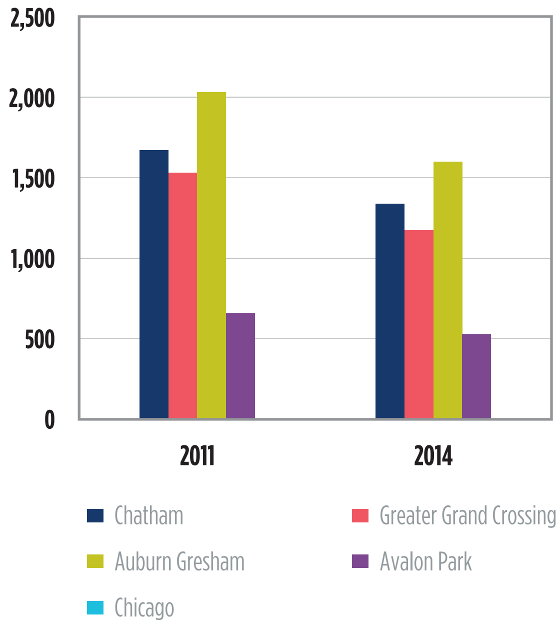
Sources: American Community Survey 2011, 2015, 5-Year estimates.

The business landscape

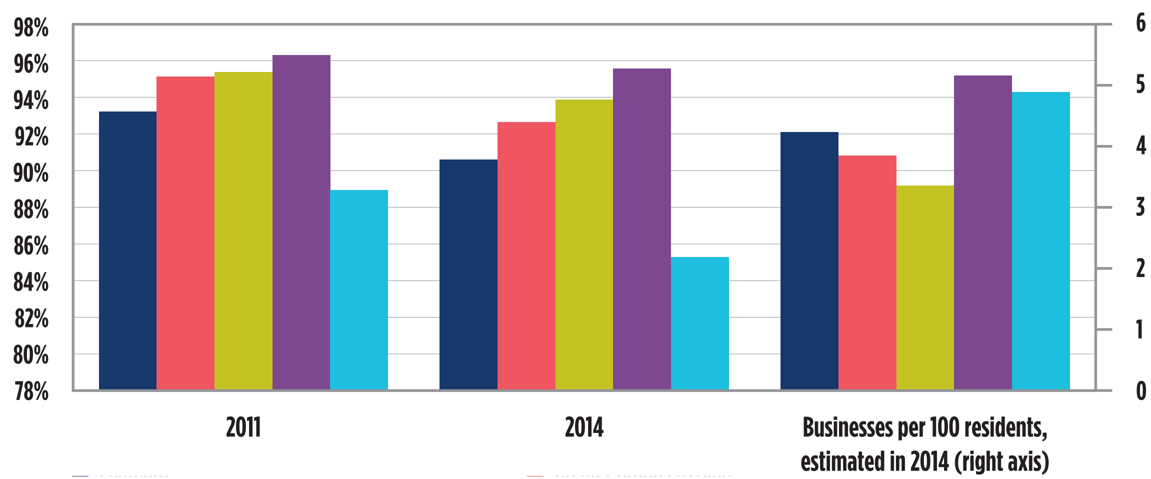
The decline in population and income in Greater Chatham has coincided with weakening business performance.[11] Establishment (i.e., business) counts have fallen in Greater Chatham since the 2008-2010 recession, as they did in the city of Chicago overall. The number of businesses fell by 22 percent between 2011 and 2014 (the latest year available), compared to a drop of about 15 percent in the city of Chicago. This means that Greater Chatham went from having more than 6,000 businesses to having fewer than 5,000 businesses, though places within Greater Chatham varied with respect to the number of businesses per capita compared to the city of Chicago. As of 2014, Avalon Park had five businesses per 100 people – on par with the rate for the city as a whole. By contrast, the communities of Auburn Gresham and Greater Grand Crossing had between three and four businesses per 100 people. This signals some potential gaps in the presence of business in those communities.[12]

In addition, businesses in Greater Chatham tend to be of different sizes or types compared to the city as a whole. For example, as of 2014, about 95 percent of businesses in Greater Chatham were small (defined as businesses with revenues under $1 million), compared to 85 percent in the city of Chicago. Interestingly, comparing the percent of small businesses in 2014 and 2011 reveals some important dynamics occurring in the small business landscape, which extend beyond the specific communities of Greater Chatham. In each of the communities and in the city of Chicago as a whole, we note a shrinking proportion of small businesses, suggesting a potential shift in the composition of businesses in the region toward larger-scale operations[13] (figure 10).

Figure 10.
A. Number of establishments



B. Small businesses as a share of all businesses and per 100 residents



Sources: National Establishment Time-Series Database 2011, 2014.

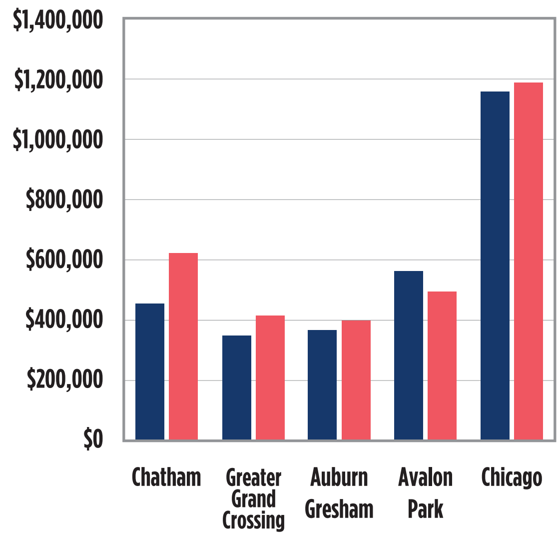
Post-recession, average business revenue has increased in communities in Greater Chatham, although revenue per business in Greater Chatham has tended to be about half of that per business in Chicago overall. Normalizing revenue by business size shows a reduced but still marked gap in revenue (20 percent) between small businesses in Greater Chatham and those in the city of Chicago. These small businesses serve a community, which, as the data on income and poverty suggest, may have relatively more income constraints (figure 11).

An equally important question is the extent to which minority-owned businesses operate in this predominantly majority-minority area, and how they are performing.[14] According to census data, the percent of self-employed individuals in Greater Chatham went from somewhat close to that in the city of Chicago (about 9 percent) in 2010 to about half that rate as of 2015. To the extent that self-employment or entrepreneurship coincides with greater income and wealth for households, as suggested by the research,[15] this could also explain in part weaker economic conditions in the Greater Chatham area vis-a-vis its region, and would suggest that there is room to stimulate and support entrepreneurship (figure 12).

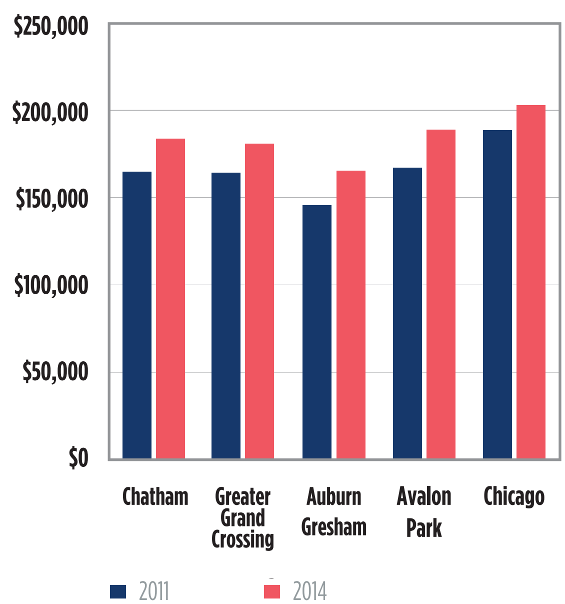
Self-employment declines notwithstanding, minority-owned businesses have been well represented in the Greater Chatham area, at least in comparison to the city overall. Greater Chatham had more than 400 minority-owned businesses as of 2014, representing 7 percent of minority-owned businesses in Chicago. (By comparison, 12 percent of the minority population in Chicago lived in Greater Chatham.) While the overall count of minority businesses fell slightly compared to 2011, the percent of these establishments rose as a share of all businesses. Within each of the Greater Chatham neighborhoods, between 7 percent and 11 percent of businesses were minority-owned, compared to 4 percent of all businesses in Chicago (figure 13).

A look at revenue generated by minority-owned businesses, totaling more than $300 million in 2014, makes it clear why the Greater Chatham area is known as one of the most frequent destinations for shopping at minority-owned establishments in Chicago. The average revenue of minority businesses in Auburn Gresham, for example, was higher than the average revenue of minority business for the city of Chicago as a whole, suggesting that businesses in

Figure 11.
A. Average revenue per business

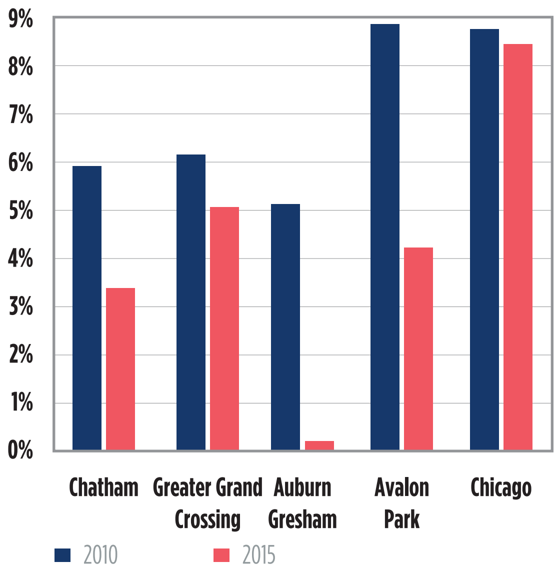


B. Average revenue per small business



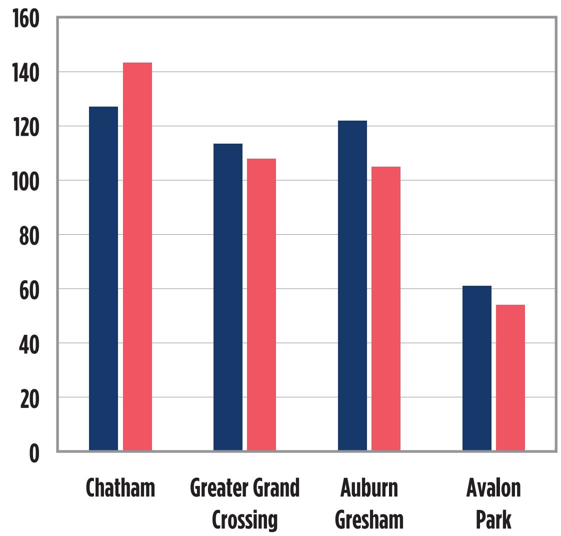
Sources: National Establishment Time-Series 2011, 2014.

Figure 12. Households with self-employment income

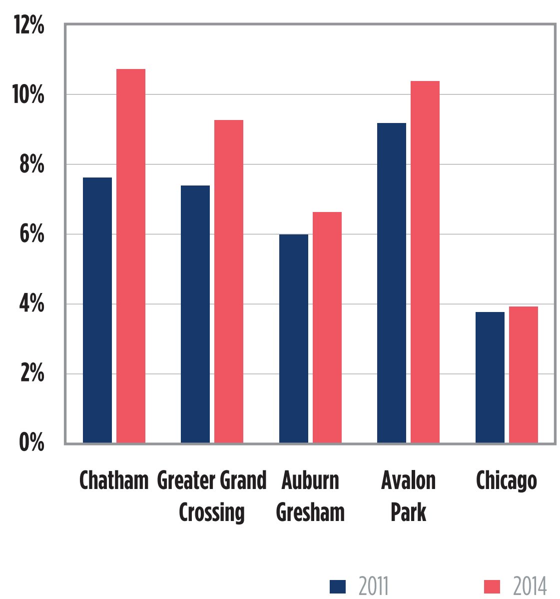


Sources: American Community Survey 2010, 2015, 5-Year estimates.
Note: Self-employment income in the past 12 months for households.

Figure 13.
A. Minority-owned businesses

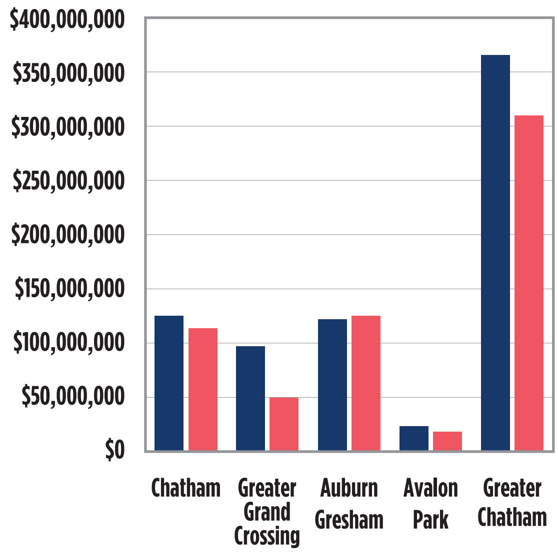


B. Minority-owned businesses as a share of all businesses

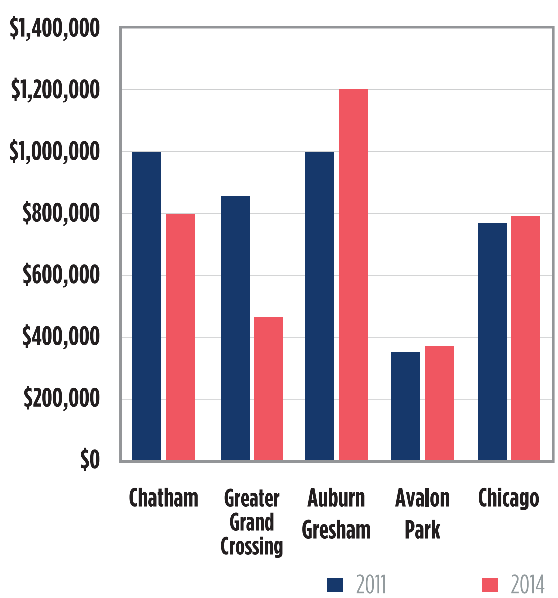


Sources: National Establishment Time-Series Database 2011, 2014.

Figure 14. A. Revenue generated by minority-owned businesses



B. Average revenue of minority-owned businesses

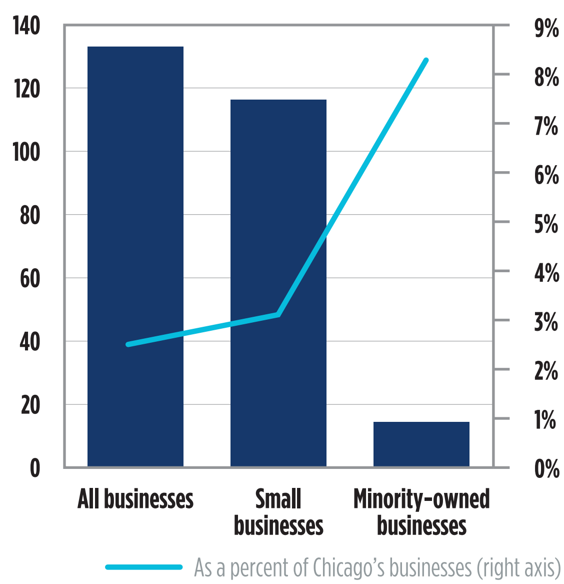


Sources: National Establishment Time-Series Database 2011, 2014.

this particular community are larger and ostensibly provide a more substantial source of employment than is representative of minority businesses elsewhere in the city. Moreover, average revenue per business increased in Auburn Gresham between 2011 and 2014, in contrast to the stagnant trend for minority businesses in the city overall. The picture is somewhat reversed for Chatham and Greater Grand Crossing, where the average revenue generated by minority-owned businesses declined between 2011 and 2014, suggesting that some of those businesses may have found it more difficult to grow compared to other minority businesses in Chicago (figure 14).

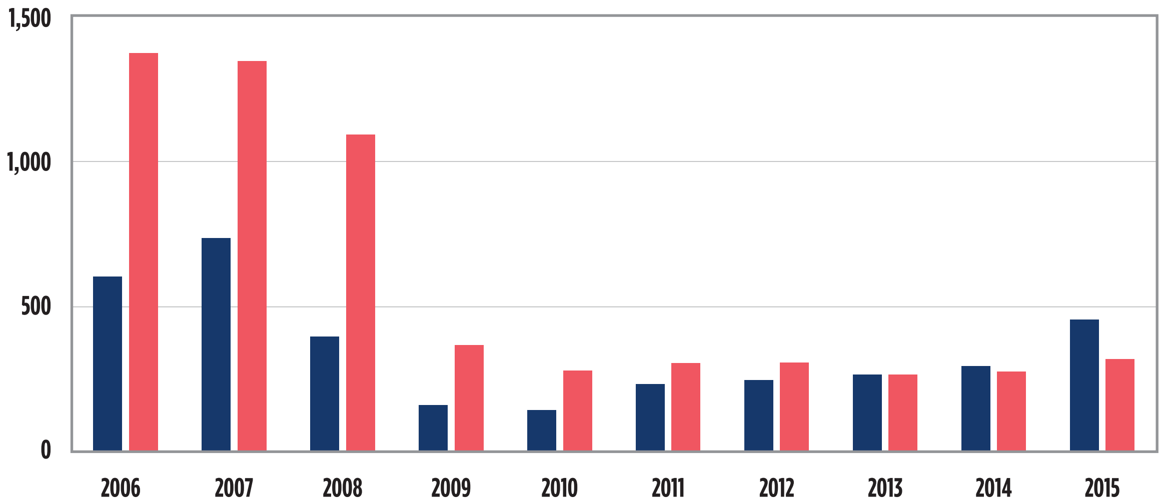
An analysis of new business formation suggests some potential degree of positive dynamics in the business landscape of Greater Chatham. Based on data from 2014 alone (the latest available), more than 120 new businesses were formed in Greater Chatham, which represents 2.5 percent of new businesses created in the city of Chicago. Three percent of *small* businesses created that year in the city of Chicago were in the Greater Chatham area, and more than 8 percent of newly formed minority businesses in the city were established in Greater Chatham (figure 15).

Figure 15. Business formation in Greater Chatham, 2014

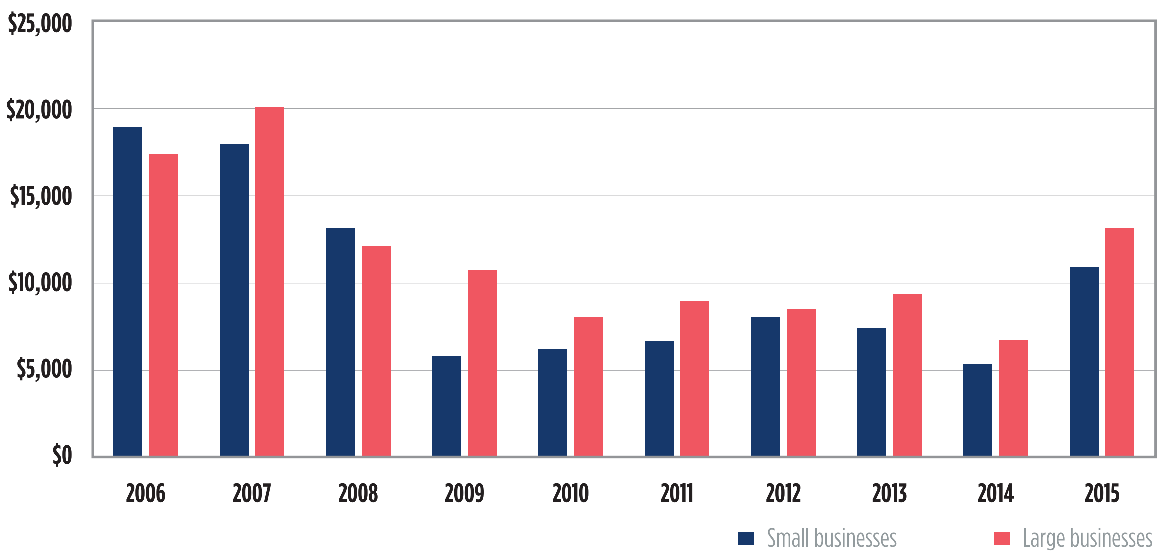


Source: National Establishment Time-Series Database 2014.

Figure 16.
A. Total number of CRA business loans in Greater Chatham



B. Total volume of CRA business loans in Greater Chatham (in 000s)

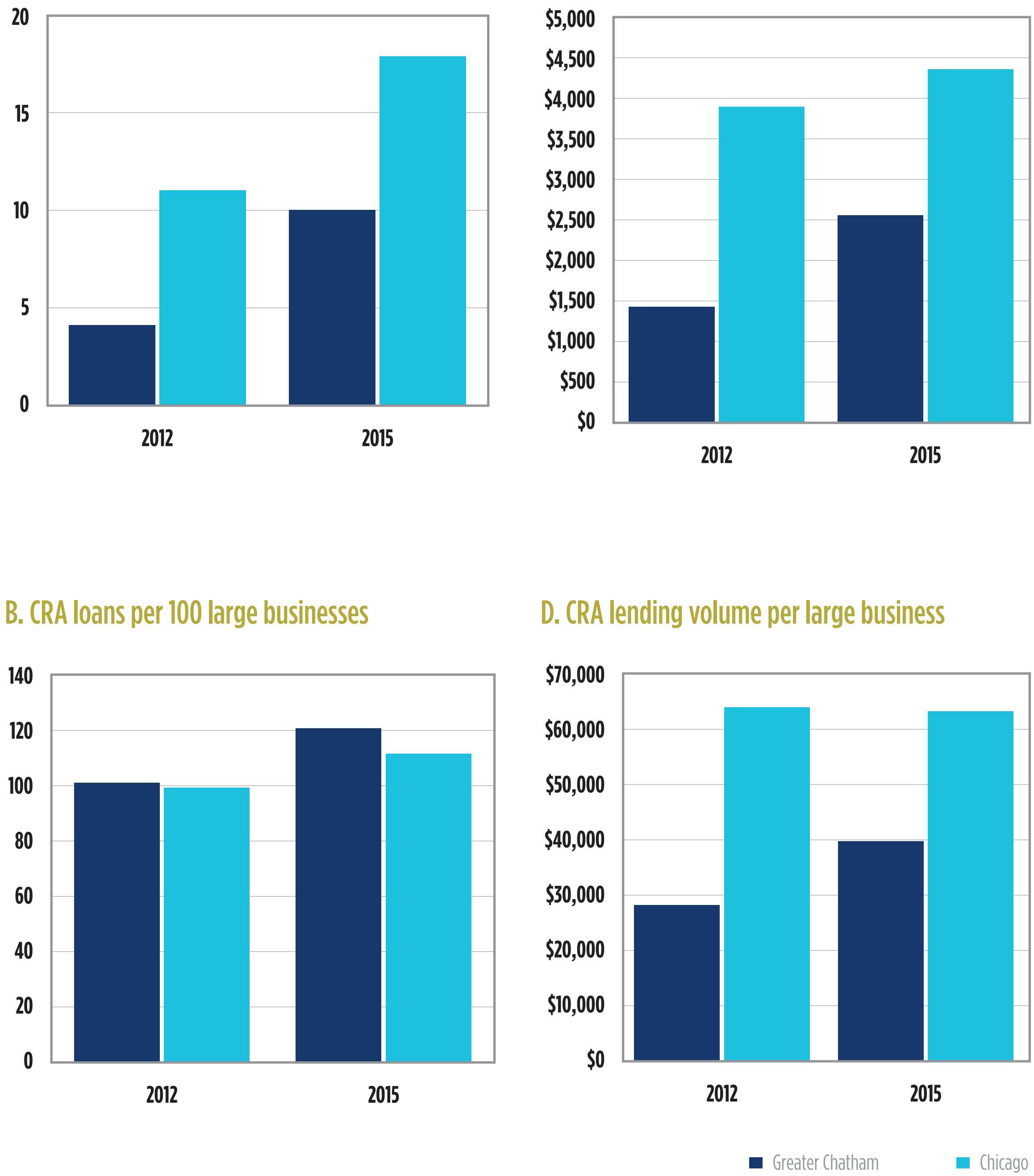


Source: Community Reinvestment Act (CRA) Small Business Aggregate Lending Reports.
Notes: Small business is defined as $1 million or less revenue. Large business, as more than $1 million revenue.
CRA business loans are defined as loans in amounts of $1 million or less.

Finally, an important issue has to do with business financing. Indeed businesses at different stages are in need of or utilize various and different sources of funding. Previous research has shown that businesses and entrepreneurs or households in ethnic minority neighborhoods like Chatham use both informal and formal financing; and in some cases, they have less access to the latter given greater liquidity constraints.[16]

In addition, high rates of denial and perceived or experienced discrimination may discourage people from even applying for credit.[17] Even so, bank lending remains an important component of funding sources for businesses, and access to formal sources of capital is vital for local businesses to thrive and enhance the health of a community.

Figure 17.
A. CRA loans per 100 small businesses



Sources: Community Reinvestment Act (CRA) Small Business Aggregate Lending Reports; National Establishment Time-Series Database 2011, 2014.
Notes: Small businesses is defined as businesses with $1 million or less revenue. Large businesses, as more than $1 million revenue. CRA business loans are defined as loans in amounts of $1 million or less.

An analysis of business lending in Chatham suggests that post financial crisis, banks have expanded their lending to Greater Chatham communities, as they have been doing for businesses throughout Chicago, although still below the levels from before 2008 (figure 16). After normalizing lending by business size (revenues less than or greater than $1 million), lending per business in Greater Chatham trails that of the city, however (figure 17). Businesses in the Greater Chatham area may find it harder to expand due to difficulties accessing the credit market, an issue which is exacerbated when small businesses operate in markets where individuals are themselves more income- and credit-constrained. The changing banking landscape, whereby bank branches have closed and many small and mission-oriented banks that specialized in business lending are no longer in operation, may also contribute to decreased credit access to small businesses. These results suggest that initiatives to understand the credit needs of the community and address the factors affecting credit may offer additional ways to strengthen and expand local businesses.

Recommendations

Making Greater Chatham more competitive

Presenters at the June 2017 symposium nearly unanimously acknowledged that south side communities, including Greater Chatham, have the assets, including both physical infrastructure and community-based institutions, which provide a strong basis for economic growth and development. The Greater Chatham area has freight rail and interstate highway access, large tracts of land that are available for industrial and manufacturing purposes (GCI, 2016), and a collection of long-established black-owned businesses, as seen in the data.

What would make Chatham an even more competitive and prosperous community, according to some of the speakers, would be for community developers to focus on industrial development and to pursue strategies that align neighborhood job creation with job growth in the regional economy. From this perspective, focusing on *traded* industry clusters with large numbers of jobs, clusters of businesses in the Chicago region that export goods and services to other places in the country and the world, would be one method for directing investment towards south side employment.

An additional employment strategy on a more micro level would be to train people for jobs who have a demonstrable career ladder, including those in the manufacturing sector. At the front end, this strategy entails encouraging certain employers to institute wage thresholds – that is, making the case to employers to build enough margin in their plans so that they can pay wages that incentivize good employees and minimize job turnover. Enabling employees to work their way up the job ladder also takes credentialing, such that high-quality training resources need to be available to workers. Presenters noted that the organizations that make up the public workforce training system[18] are equipped to teach specific technical skills, and that many employers do not realize that this essentially free system is available to them at no direct cost.

Spreading the word about the changing nature of manufacturing employment is another facet of getting more south side residents – especially younger workers – into manufacturing jobs. Exposure to this information needs to take place as early as grammar school, so that young workers know that these jobs might align with their skill sets and passions, and that many of these companies offer entry level employment right out of high school.

Strategies for stimulating small business growth

Small business activity is another important piece of economic development in Chatham, and the expansion of anchor procurement programs has become a growing area of opportunity for small businesses on the South Side. Corporate headquarters, hospitals, and educational institutions offer broad-based procurement opportunities for small businesses – from high-end legal work and accounting to bookkeeping, laundry, and food services. By participating in the Chicago Anchors for a Strong Economy (CASE),[19] for example, the University of Chicago shifted its procurement rubric from one of business diversity to one of support for the surrounding community, and in doing so, opened up opportunities for working with business-to-business firms, as well as traditional business-to-consumer and 'mom and pop' establishments. Presenters noted that this model has the potential to be replicated in other neighborhoods, where middle- and small-sized organizations, including chambers of commerce or social service agencies, can reframe their roles and develop or facilitate local purchasing programs.

Additional programs from anchors, nonprofits, the city, and foundations are also presenting small businesses in these underinvested neighborhoods new sources of capital and assistance. The Polsky Exchange[20] at the University of Chicago is a business incubator that draws about 600 of its 3,000 members from the surrounding community, most of whom have had no previous affiliation with the university. Through a change in the zoning code, Chicago developers doing projects in the central business district are now paying into a fund – called the Neighborhood Opportunity Fund[21] – to which businesses along designated (underinvested) corridors can apply for commercial and cultural projects. In addition, the mayor and city treasurer's office have created the Chicago Community Catalyst Fund (also called Fund 77),[22] a "fund-of-funds" administered by a board of trustees acting as investment managers, that uses $35 million in public money to leverage investment dollars from the private sector. Benefit Chicago[23] is another newly-created vehicle from foundations and social impact investors to address financing needs among nonprofits and startups, and provides loans and investments to mission-oriented businesses and social enterprises. And Chicago Neighborhood Initiatives,[24] The Chicago Community Loan Fund,[25] and others are also lending to small businesses in Chatham, Auburn Gresham, and other south side neighborhoods.

While banks have always been a traditional source of business capital, community banks are contributing to business development in other ways as well.[26] Illinois Service Federal Bank, whose representative spoke at the symposium, is one of the few remaining black-owned banks in Illinois, and provides business owners with technical assistance for preparing social security taxes, financial statements, and tax returns as a free service to its borrowers.[27] As presenters also noted, the latest update of the Interagency Questions and Answers Regarding Community Reinvestment, published in July 2016,[28] re-affirmed that bank support for business startups, entrepreneurship, and technical assistance are CRA-eligible activities, as are bank activities related to job creation, job retention, and workforce development. The most recent update also added revitalization of main streets in urban and rural markets as examples of CRA-eligible bank activity.

Strengthening infrastructure and networks to promote community development and economic growth

Presenters acknowledged that there is no single solution to address all of the employment and business challenges facing Chatham and the surrounding neighborhoods. In addition to the programs and strategies enumerated above, the city must invest more in public infrastructure – transportation, parks, schools, and public safety – because these too draw both people and private investments to neighborhoods. Funds for environmental remediation are also needed to enable smaller businesses and investors to buy property and vacant land. Many south side businesses could also benefit from better access to broadband infrastructure,[29] as well as to information about programs that offer capital to minority-owned businesses or distressed neighborhoods.

Last but not least, there are core principles that planners, policymakers, and investors may need to adhere to, according to presenters, in order to ensure that programs remain funded and that investments have a positive impact on community members. Guidance on what neighborhoods need – what amenities or infrastructure make residents want to be near each other – should include the residents' perspectives, and not just those of city government or outside developers. Imaginative thinkers should collaborate with experienced local developers, including community development financial institutions (CDFIs) and local nonprofits, who are already involved in building out the spaces within these neighborhoods, to help ensure their ideas translate into reality. Purposeful activities that encourage communication and build empathy across community residents are also needed to engage more people in the community development process. More precisely, efforts to build social capital between different groups of people – contact networks and relationships of trust – may be as important as building financial capital. Social capital allows local business owners and community members to have a seat at the decision-making table, and when economic development projects get underway, to make that case that they too can deliver high quality products, services, or engagement.

Conclusion

In this article, we conduct an analysis of the most recent available data to understand key elements of neighborhood stability and employment conditions in Greater Chatham. This majority-minority community is grappling with significant challenges, including losses in its black population (as is the city as a whole), high unemployment, and lower labor force participation, reflecting the relatively low pool of 19- to 34-year-old residents who live in the area. The Greater Chatham community is still lagging in the recovery of its housing market.

Yet Greater Chatham remains a community with relatively high levels of human capital, where more than 20 percent of its residents have at least a college education. The area also remains strong in various *traded* and *local* industry clusters, including manufacturing, transportation, health, education, and retail trades, in which a large portion of residents are employed, at rates that are more highly representative of the workforce for the city. While there is room for increasing and stimulating entrepreneurship in the community, the area remains a stronghold for minority-owned business activity, as well as a destination for newly formed minority-owned businesses. As the recent convening at the Federal Reserve Bank at Chicago made clear, leaders from the community and throughout the city are investing substantial effort and resources in reversing the declines in this once-stable, middle-class neighborhood. They are leveraging existing clusters of industry assets with employee training and other company assistance, adding new sources of capital for corridor development, and adding training and supplier opportunities for local businesses. They are also opening channels of communication between residents and planners to build social capital and networks that promote economic and financial inclusiveness.

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Notes

1. See http://www.greaterchathaminitiative.org.
2. For a summary of the symposium, see Newberger and Toussaint-Comeau (2017). The Community Development and Policy Studies department of the Federal Reserve Bank of Chicago has long been interested in understanding patterns of utilization of financial services and credit access in Chicago's black neighborhoods and the Seventh District, including Chatham. (See for example Bond and Townsend, 1996). More recent work has focused on neighborhoods in Detroit (e.g., Toussaint-Comeau and Newberger, 2014a). For data, resources, and research on the banking and financial infrastructure in Detroit, see CDPS Resources for Small Business and Growth in Detroit at https://www.chicagofed.org/region/community-development/community-economic-development/detroit-project/index.
3. Residents not only identify with these four community areas, but also with the neighborhoods within them such as West Chatham, Park Manor, and Chesterfield. The analysis here is at the level of the four communities based on the census tracts that make up these communities.
4. While the black population of Chicago has contracted, the white and Hispanic populations of the city have been growing (e.g., Eltagouri, 2016; Loury, 2017).
5. By comparison, less than 10 percent of residents in many other black neighborhoods on the South Side of Chicago have graduated from college. Source: Statistical Atlas https://statisticalatlas.com/place/Illinois/Chicago/Educational-Attainment.
6. Some of the observed changes in education rates may reflect the in-migration of residents from neighborhoods after the closing of public housing in those neighborhoods.
7. See Fry (2015) for an analysis of the labor force composition by generation.
8. Based on foreclosure data from McDash Analytics and includes first lien prime/near prime, first lien subprime, second lien prime/near prime and second lien subprime. Data is based on zip codes 60617, 60619, 60620, 60621, and 60637.
9. "Traded clusters" are groups of related industries that serve markets beyond the region in which they are located. According to the U.S. Cluster Mapping Project website, companies within traded clusters are free to choose where they operate (unless the location of natural resources drives where they can be), but are highly concentrated in a few regions, tending to only appear in regions that afford specific competitive advantages. Examples of traded clusters include financial services in New York City, information technology in Silicon Valley, and video production in Los Angeles. Traded clusters are the "engines" of regional economies; without strong traded clusters it is virtually impossible for a region to reach high levels of overall economic performance. This is in contrast to "local clusters," which consist of industries that serve the local market. They are prevalent in every region of the country, regardless of the competitive advantages of a particular location. Examples include local entertainment, retail trades, and local health services such as drug stores and hospitals. Local clusters provide necessary services for the traded clusters in a region, and both are needed to support a healthy and prosperous regional economy. For a review of the importance of clusters in inner cities, see Toussaint-Comeau, Newberger, and Augustine (2016).
10. The top five employers in of Greater Chatham residents are University of Chicago, University of Chicago Medical Center, Advocate Trinity Hospital, Saint Bernard Hospital and Health Care Center, South Shore Hospital, and Finkl Steel. Source: MNI, Hoovers (accessed 4/26/17).
11. We use census data as well as proprietary data from the National Establishment Time-Series Database (NETS) to analyze business data.
12. The scope of this research is not accounting for demand for goods and services.
13. Literature from both the banking and finance fields, and the health and environmental fields, point to increased risks for small scale businesses operating in today's financial and regulatory environment (e.g., Reed, 1999, and Gates et al., 2006).
14. The data does not allow us to break down minority ownership by ethnicity and race.
15. See for example Friedline and West (2016).
16. See Bond and Townsend (1996).
17. Bates and Robb (2016).
18. See http://www.workforceboard.org/ and https://www.doleta.gov/business/pws.cfm.
19. See http://www.chicagoanchors.com.
20. See https://polsky.uchicago.edu/polsky-exchange.
21. See https://neighborhoodopportunityfund.com.
22. See http://www.chicagocitytreasurer.com/treasurer-summers-announces-125-million-in-investment-portfolio-earnings-for-fy-2016-57-million-more-than-budgeted.
23. See http://www.benefitchi.org.
24. See https://www.cnigroup.org/neighborhood-lending.
25. See http://cclfchicago.org.
26. For more information on the changing bank infrastructure in high-minority areas and the closing of African-American-owned banks, see Toussaint-Comeau and Newberger (2014b), and Toussaint-Comeau and Newberger (2017).
27. See https://www.isfbank.com.
28. See https://www.ffiec.gov/cra/qnadoc.htm.
29. See Toussaint-Comeau and Newberger (2015).

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Looking for progress in America's smaller legacy cities: A report for place-based funders[1]

Excerpted from a joint publication of the Funders' Network for Smart Growth and Livable Communities, its members, and the Federal Reserve Banks of Atlanta, Boston, Chicago, and New York

by Susan Longworth

Executive summary

Place-based funders[2] can play an important role in connecting economic growth to economic opportunity. *Looking for Progress in America's Smaller Legacy Cities* describes a study tour undertaken by representatives from four Federal Reserve Banks and more than two dozen place-based funders, under the auspices of the Funders' Network-Federal Reserve Philanthropy Initiative. What began as an inquiry into the economic health of four small legacy cities – Chattanooga, TN; Cedar Rapids, IA; Rochester, NY; and Grand Rapids, MI – that experienced some measure of revitalization in the post Great Recession period evolved into an understanding that revitalization in these places is moving along two distinct paths: an "arc of growth" and an "arc of opportunity." In the context of these small, legacy cities, growth and opportunity is unfolding separately along these metaphorical "arcs," leading to the conclusion that broad community prosperity lies in: 1) recognizing that growth alone does not naturally lead to opportunity; and 2) advancing deliberate policies, investments, and programs that connect growth to opportunity. Tour participants observed that this connection arises from local action by local, concerned (and resourced) organizations like placed-based funders.

Given the common narratives emerging from the study tour and the dual arcs framework for evaluating place-based revitalization, participants in the tour put forward a short, non-exhaustive list of conclusions for funders.

Patient capital builds local capacity. The long-time horizons of most types of community revitalization require capital for both social and financial return, but not immediate (or short-term) return. Place-based funders are uniquely positioned to address the long-time horizon that this work dictates, and the resources they control may be critical aspects in its acceleration or deceleration.

State policy often limits the flexibility and authority of local leaders to connect the arcs of growth and opportunity. Funders can take an active role in identifying those policy bottlenecks or opportunities that facilitate local action toward connecting growth to opportunity. Place-based funders can be catalytic change agents for both policy and practice without engaging in lobbying.

Jurisdictional authorities impact policy to connect the growth and opportunity arcs. The levers of power and resource allocation accorded to any number of public or quasi-public authorities have a significant, often negative impact on the efficacy of efforts to connect the dual arcs. Funders can facilitate alignment toward common goals, in part by working to identify and break down or circumnavigate local jurisdictional obstacles that prevent positive action.

Effective marketing and communication advances positive momentum. 'Messaging' on community revitalization goals often falls to place-based leaders. In most cases we examined, the local community foundation or another place-based funder had a role in articulating and funding the narrative of a community's recovery, including potential and desired steps toward economic recovery.

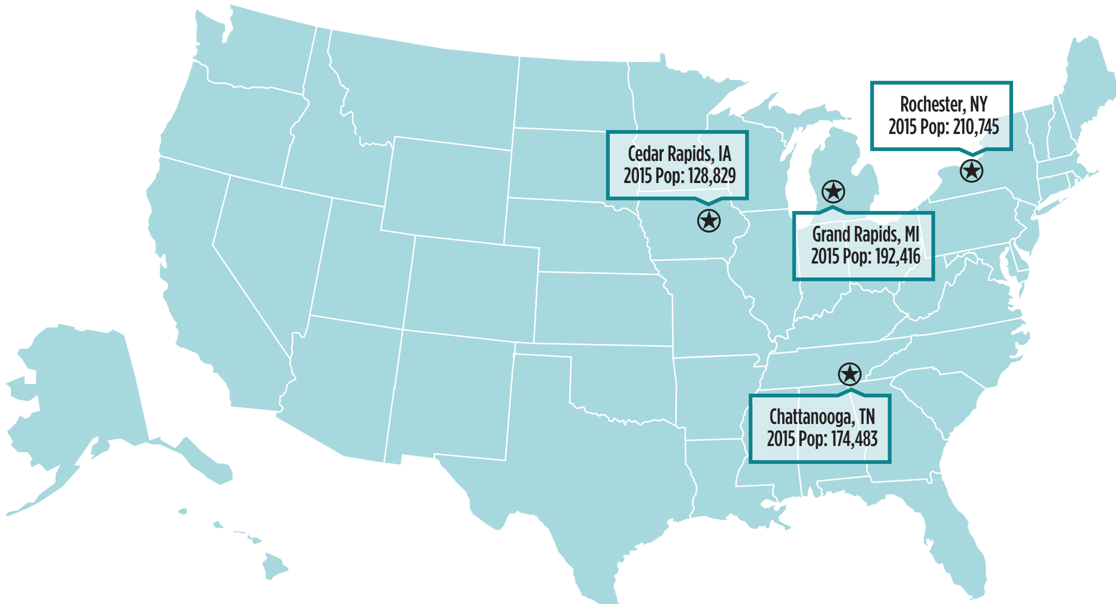
Accountability for shared prosperity from growth is the linchpin for connecting the arcs. Cities around the country (including the four visited) have revitalized in various ways over the last several decades. But, outcomes of that growth have left many behind. Place-based funders should be strategic in holding local stakeholders accountable for connecting the growth and opportunity arcs.

Despite the challenges of connecting the arcs, local place-based foundations in the four cities studied played a lead role as a funder, convener, or 'steward' of revitalization efforts that employed a variety of approaches or "tools" to bridge growth and opportunity, which may provide valuable examples to other communities. These tools were observed within a local context, and were often part of a broadly articulated plan or vision, suggesting that while tools are helpful, the environment in which they are most likely to succeed is also important.

- Addressing concentrated poverty by place: Interventions in this category were geographically targeted, but multi-faceted and cross-generational. Distressed neighborhoods that were located near assets – for example, transportation or a good school – were seen as good places to start.
- Addressing concentrated poverty through policy: Interventions in this category were explicit in channeling more gains from growth to opportunity through local policy, either by removing barriers or being prescriptive in the intentional distribution of benefits.
- Revitalizing downtown with greater attention to preserving and increasing affordable housing: Investments in making communities more attractive by building downtown entertainment or "innovation" districts and increasing desirable amenities, raised property values but also increased living costs. Funders and other local partners recognized the need for more affordable, family-friendly housing options near emerging employment opportunities.
- Business recruitment led by business retention: Community and economic growth strategies focused on strengthening existing businesses by attracting businesses in their supply chain, placing retention and success of existing business as a higher priority than traditional recruitment alone. Coordinated workforce development was often key to local business growth.
- Developing leaders: Concern about where the next two generations of leaders will come from and how they will support broad-based collaborative efforts prompted attention to formal and informal leadership development efforts. Strong leaders in business, government, and nonprofits are critical to building a regional approach to both arcs.
- Evidence-based decision-making: Data has played an important role in the cities visited. Data should be publicly available and granular enough to support neighborhood level understanding, as well as robust enough to present an aggregated, comprehensive city – or MSA-wide – profile.

While local dynamics dictate the timing, sequence, and particularities of the interplay between growth and opportunity strategies, the study concludes that revitalization efforts that recognize the dual arcs of growth and opportunity and plan for their meaningful integration are more likely to yield robust, long-term results. Because place-based funders are so integrally linked to the history and prospects of the communities they serve, they have unique roles and responsibilities not only as funders, but as local institutions and innovators to make these linkages across place and time.

Map and population of study tour cities



Source: Base map is from Wikimedia and is licensed for comercial re-use.
Data are taken from the 2011-2015 5-year American Community Survey.

Table 1. Post-recession economic revitalization trends in select cities

	Cedar Rapids, IA	Chattanooga, TN	Grand Rapids, MI	Rochester, NY
Population	3%	5%	4%	0%
Jobs	2%	5%	10%	2%
Building permits	1%	9%	26%	6%
New firms	1%	3%	1%	2%
Median household income	11%	6%	1%	1%
Educational attainment	4%	8%	7%	2%

Sources: Population growth in the city, 2010-2015 from the U.S. Census Bureau, Population Estimates Program (PEP), and the 2010 Census of Population; Job growth in the county, 2009-2014, measured as the number of paid employees in the county on March 12 of year, all sectors and drawn from the U.S. Census Bureau, County Business Patterns; Building permit growth in the county, 2010-2015 measured as the annual new privately-owned residential building permits, estimates with imputation from the U.S. Census Bureau, Construction Building Permits; Establishment growth in the Metropolitan Statistical Area, 2009-2013, measured using the calculation 100 * (estabs_entry at time t divided by the average of estabs at t and t-1) from U.S. Census Bureau, Business Dynamics Statistics; Median household income growth in the city (in 2014 dollars), 2009-2014 from the U.S. Census Bureau, ACS 5-year estimates; Education attainment growth in the city, 2009-2014, measured as percent of population 25 or older with some college or more including associates, bachelors, and graduate degrees from U.S. Census Bureau, ACS 5-year estimates.

Site selection and process

Four cities were selected for the study tour: Chattanooga, TN; Cedar Rapids, IA; Rochester, NY; and Grand Rapids, MI. Two of these are located within the Federal Reserve's Seventh District.

Cities were selected based on these rough criteria:

- following a significant loss of population and economic activity, some level of post-recession revitalization as reflected in population, jobs, building permits, firm creation, household income, and/or educational attainment (see table 1);[3]
- an economy dominated previously by a single company or closely tied industrial sector that has declined;
- existing research, media or documentation available to support a narrative of recent economic revitalization; and
- hosts in the community to assist in facilitating visits and provide background information.[4]

Local conversations took the form of interviews and small group/panel discussions to enable candid discussions about the arc of each city's revitalization, the fits and starts, and the ramifications – both positive and negative – of decisions that were made along the way. Site visits were roughly similar and included meetings with elected officials; city planning officials; community groups; philanthropic, business, and civic leaders; emerging leaders; and off-the-record discussions with media, community colleges, and regional planning agencies. Site visits were short (36 hours) and admittedly provided only a snapshot that was not intended to result in understanding a 'complete' city, but to provide a comparative baseline across communities. An interview protocol, informed by the work of Alan Mallach, was developed to guide local conversations.[5]

'Dual arcs' of revitalization

The study tour began as an exploration of why some small legacy cities have rebounded from economic decline in the post Great Recession timeframe while others have not. It was informed by earlier work, which led us to ask: "Is there an 'arc of recovery' that can be observed across several cities that appear to be rebounding?" The concept of an arc was seen as being distinct from a formula as advocated by many in the period of urban renewal. The work began with an assumption that no single approach would lead to comprehensive community revitalization in every local setting. The metaphor of an 'arc' also allowed that different places could be at different points along a spectrum of revitalization.

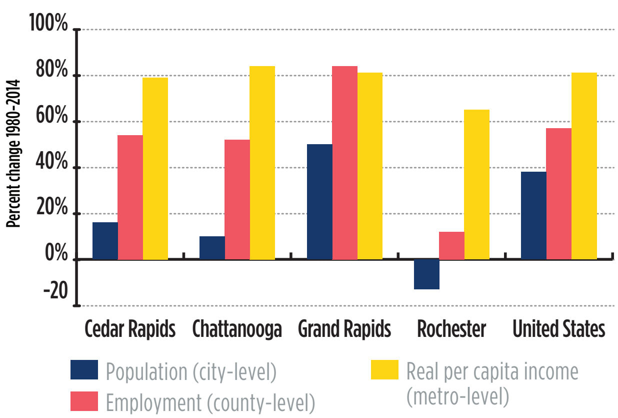
Early on in the study tour, a divided pattern of progress became evident. A starting assumption was that an "arc of growth" – as measured by increasing population, jobs, building permits, firm creation, household income, and education attainment – was an appropriate construct through which to understand the overall trajectory of a community. Places that are moving along a trajectory with positive economic growth, was the line of thinking, and should also be places where that growth translates into opportunity. A corresponding assumption was that the Great Recession timeframe (changes in the local economy between approximately 2008 and 2014) was sufficient to assess revitalization for the purposes of selecting cities for this inquiry.

What was observed is that the broad indicators of growth – population, employment, and income per capita– often fail to translate into improved opportunities for populations traditionally marginalized from the mainstream economy; assessing revitalization also necessitated a much longer time horizon. Based on the visits, the 'dual arcs' of revitalization in terms of economic *growth and opportunity* emerged, recognizing that economic growth is necessary but not sufficient for sustained, broad-based community revitalization.

While the study tour was not designed to produce a definitive set of metrics for each arc, the age-old metaphor of the "economic pie" seems to apply. The growth arc is manifest primarily by changes in the size of the pie, while the opportunity arc is represented by the size and distribution of its slices. The arc of growth might be measured by, among other things, the long-term trajectory of a place in terms of changes in population, employment, and personal income. While the magnitude of change may be different, figure 1 demonstrates that each city on the study tour largely improved across these growth metrics over the last 30 plus years.

On the other hand, the arc of opportunity could be assessed by examining factors such as housing affordability, poverty, and unemployment. Figures 2-5 are included for illustrative purposes to demonstrate the challenges of intersecting the arcs. For example, figure 2 indicates that while each city on the study tour and the US as a whole have experienced increases in unemployment (blue bars), the magnitude of the increases in poverty (red bars) suggests that something other than unemployment is affecting family poverty levels. Figure 3 offers another perspective: the disconnect between rising home values (red bars) and lagging incomes (blue bars) resonates nationwide. Figures 4 and 5 illustrate the challenge through other lenses and indicate that increases in population can be challenging to correlate with increases in jobs, especially following an economic downturn. However, in the cities we visited, the divergence is more pronounced. As can be observed, while growth metrics have been largely positive, opportunity as measured by housing affordability and poverty have trended largely in a negative direction. To complete the metaphor, in these cities (and in many other parts of the United States), the pie has grown while its slices have been thinning for many parts of the community.

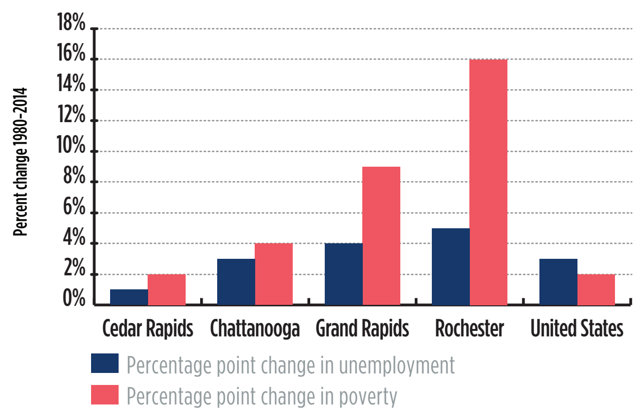
Figure 1. Select growth metrics in study tour cities (1980-2014)



Sources: U.S. Census Bureau: ACS and 1980 Decennial Census (IPUMS); Bureau of Labor Statistics: Quarterly Census of Employment and Wages and the Bureau of Economic Analysis.

Figure 1 indicates that each city on the study tour largely improved across growth metrics from 1980 to 2014.

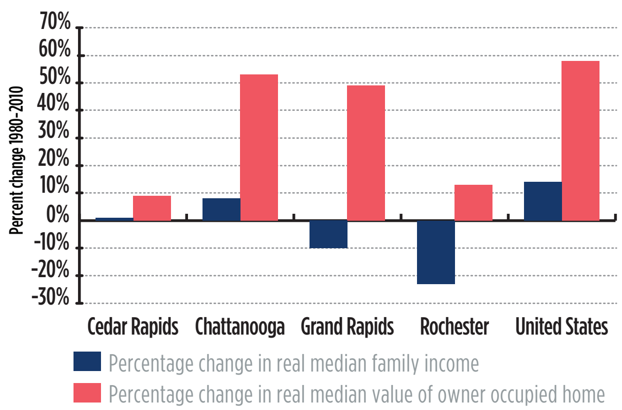
Figure 2. Change in unemployment/ change in poverty (1980-2014)



Sources: U.S. Census Bureau. American Community Survey, Five-Year Estimates 2010-2014. Historical data from U.S. Census Bureau via Minnesota Population Center. National Historical Geographic Information System: Version 11.0 [Database]. Minneapolis: University of Minnesota. 2016. http://doi.org/10.18128/D050.V11.0.

Figure 2 illustrates changes in the poverty rate since 1980 and changes in the unemployment rate over the same time period. The conclusion is that while unemployment (blue bars) has trended at or near national levels across the four cities, poverty (red bars) has trended significantly higher, indicating that job creation may not always be the primary factor in alleviating persistent poverty.

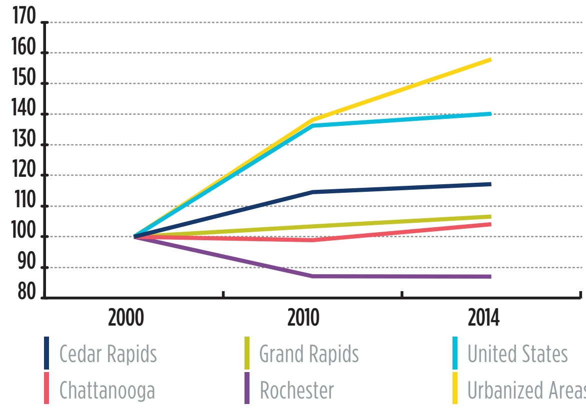
Figure 3. Change in median family income/ change in home values (1980-2010)



Sources: U.S. Census Bureau. American Community Survey, Five-Year Estimates 2010-2014. Historical data from U.S. Census Bureau via Minnesota Population Center. National Historical Geographic Information System: Version 11.0 [Database]. Minneapolis: University of Minnesota. 2016. http://doi.org/10.18128/D050.V11.0.

Figure 3 illustrates changes in median family incomes since 1980 and changes in median home values over the same time period. The conclusion is that changes in median family incomes (blue bars) have not kept pace with national levels, while changes in median family home values (red bars) vary widely, indicating affordability challenges in some places.

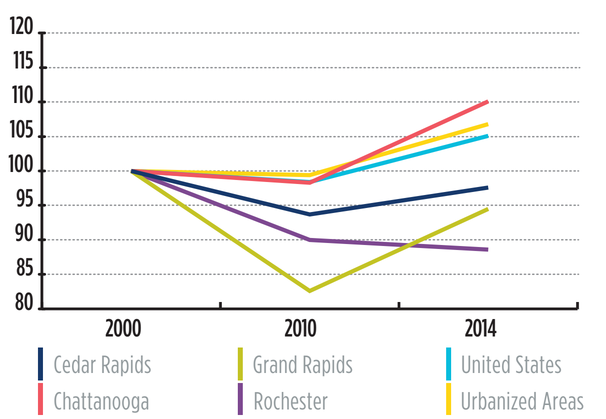
Figure 4. Population index (2000-2014)



Sources: U.S. Census Bureau. American Community Survey, Five-Year Estimates 2010-2014. Historical data from U.S. Census Bureau via Minnesota Population Center. National Historical Geographic Information System: Version 11.0 [Database]. Minneapolis: University of Minnesota. 2016. http://doi.org/10.18128/D050.V11.0.

Figure 4 compares population growth since 2000 by indexing to 100. The trajectories of the four cities are featured, as are those of the United States as a whole, as well as just "urbanized areas." The graph illustrates how population growth trends in the four cities differ from the country as a whole, as well as other cities.

Figure 5. Jobs index (2000-2014)



Sources: U.S. Census Bureau. County Business Patterns: 2014. Historical data from U.S. Census Bureau. County Business Patterns: 2010; and, U.S. Census Bureau. County Business Patterns: 2000.

Figure 5 compares job (number) growth since 2000 by indexing to 100. The trajectories of the four cities are featured, as are those of the United States as a whole, as well as just "urbanized areas." The graph illustrates how job growth trends across the four cities have followed both similar and divergent paths, and certainly have not followed population trends.

The most salient manifestation of the disconnect between the two arcs is a city with both increasing population *and* employment and increasing poverty levels, or increasing household income *and* an increasing share of residents who struggle to afford housing. In some parts of the cities on the study tour, civic leaders were heavily invested in creating an environment attractive to millennials and families alike, trying to stimulate economic growth with nightlife, grocery stores, bike lanes, and other sought-after amenities. In other parts of these same cities, long-term residents lived in virtual isolation from growth efforts, where aging housing and lagging schools foretold more of the same for their children. To be sure, these conditions are not unique to the four cities visited, but the dilemma was noted by residents and leaders alike.

If communities are to prosper and that prosperity is to be broadly shared, the growth arc and the opportunity arc must intersect. Leadership across the communities we visited presented differing views on the interplay of growth and opportunity. One perspective is that the benefits of growth will eventually extend to all residents. An opposing perspective is that opportunity creation must take precedence. The optimal approach most likely lies in striking a balance between the pursuit and creation of growth, with effort focused on ways to share prosperity.

Conclusion

Although diverse, the four cities visited for this study are by no means unique. They share a common narrative of crisis and recovery, challenged by chronic socioeconomic distress but bolstered by a spirit of resilience and civic pride honed over decades. New leadership is still emerging in all four places, but demonstrates enthusiasm and innovation as it waits for the right time and space to make its mark. Each place also benefits profoundly from a ‘community champion’ in the form of a community or private foundation that works alongside and among an array of community partners.

As a result of the site visits summarized in this report and informed by prior work done by various Reserve Banks and the Fund for Our Economic Future in Northeast Ohio, it is the consensus opinion of the contributors to the report that, if communities continue to pursue the arcs of growth and opportunity as separate strategies, they will continue to struggle to restore broad-based prosperity in their communities. If the goal is to help these proud communities restore greater prosperity for their residents, place-based funders are uniquely positioned to help move their communities in the right direction by deliberately forcing the two arcs of growth and opportunity to intersect and interact more strategically.

This is not to suggest that funders undertaking the difficult work of revitalization must enact growth and opportunity strategies in equal measure along exactly the same timeline. The study was not designed to determine how best to sequence growth and opportunity initiatives to maximize revitalization potential, if such a determination were even possible. As the experience of these and other legacy cities undergoing revitalization has demonstrated, an initial focus on downtown redevelopment can provide the needed momentum to both spur a virtuous cycle of reinvestment and to reshape the public mindset around a narrative of change and renewal. However, efforts that fail to incorporate inclusionary measures such as affordable housing provision and low-cost transit and mobility options, or that begin and end with physical redevelopment are unlikely to unlock the full potential of local and regional economic growth. Where the goal is resilient, long-term prosperity, place-based revitalization requires intentional investment that connects education, workforce, and other strategies designed to maximize human capital in struggling cities with broader business and economic development initiatives. While the dynamics at play within any given community will dictate the timing, sequence, and particularities of the interplay between growth and opportunity strategies, the larger lesson of this study is that neither a growth nor an opportunity approach is likely to be successful in the absence of the other. Revitalization efforts that recognize these dual arcs of development and plan for their meaningful integration are more likely to yield robust and lasting results.

Because place-based funders are so integrally linked to the history and prospects of the communities they serve, they have unique roles and responsibilities not only as funders, but as local institutions and innovators. In concluding this essay, the authors of the report urged place-based funders to do the following:

1. Be patient and help to guide projects with a long-time horizon, potentially over decades rather than years.

2. Inform both questions and answers with data.

3. Stand behind difficult choices. There is never enough money to do everything. Place-based funders must be resolute (and informed) in their commitments, and able to say, "Not yet."

4. Stay on message. In times of crisis – and even in times of economic stability – place-based funders can be the keepers and articulators of a vision of possibility for their communities.

5. Finally, continually ask "for whom?" to ensure that leadership and decision-making bodies are truly representative of the entirety of the community served. In a global economy, competition takes place on a regional level; philanthropies (that often bear the names of the places they serve) are uniquely positioned to "call the equity question," ensuring that all residents share in the benefits of new opportunities.

Comprehensive community revitalization in economically distressed cities is a long undertaking that requires the vision and fortitude to unremittingly bend the arcs of growth and opportunity toward one another. We hope that this report offers some measure of encouragement and support to funders to embrace the challenge of uniting these arcs for the betterment of both the people and the places they serve.

Notes

1. The full report can be accessed at https://chicagofed.org/region/community-development/community-economic-development/looking-for-progress-report.
2. One of the primary audiences for this publication is what are commonly referred to as 'place-based funders,' e.g., community foundations or other philanthropic efforts focused on a specific place. However, the findings may also be of interest to other individuals and entities with a (financial) commitment to a targeted geography.
3. We note, however, that comparing data across places and across time masks intra-time highs and lows and does not allow for full consideration of place-specific events, such as the effects of the 2008 flood in Cedar Rapids, IA.
4. In each city selected for the study tour, a local host assisted with planning, organization, and logistics. Hosts included the Lyndhurst Foundation in Chattanooga, TN; the Greater Cedar Rapids Community Foundation in Cedar Rapids, IA; the Rochester Area Community Foundation, the Farash Foundation, and the United Way of Greater Rochester, all in Rochester, NY; and the Grand Rapids Community Foundation in Grand Rapids, MI.
5. See, for example, Mallach, A., 2012, "In Philadelphia's Shadow: Small Cities in the Third Federal Reserve District, A Special Report by the Community Development Studies and Education Department," Federal Reserve Bank of Philadelphia; and Mallach, A., 2014, "Out of the Shadow: Strategies for Change in Small Postindustrial Cities, A Special Report by the Community Development Studies and Education Department," Federal Reserve Bank of Philadelphia.

Biography

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Advancing regional prosperity through economic inclusion: A brief conversation with Chicago planning agencies

by Robin Newberger and Jason Keller

For years, arguments on behalf of economic inclusion were built on the principles of equity and justice – the idea that everyone, including those with less income or fewer assets, should have access to resources and opportunities. But more recently, a growing number of entities, including metropolitan planning organizations, have broadened the motivation for inclusiveness to argue for the benefits that it bestows on all residents of a region, not just to those in economically marginalized neighborhoods. Two recent publications, "Inclusive Growth," by the Chicago Metropolitan Agency for Planning (CMAP),[1] and "The Cost of Segregation," by the Metropolitan Planning Council (MPC),[2] add to this newer thinking in the context of the greater Chicago metropolitan region. According to these reports, economic exclusion, if allowed to persist, depletes the economic and educational potential of a region, while burdening all residents with added costs to public safety and lower levels of growth.

This emergent perspective aligns closely with longstanding priorities of the community development advocates. While employment strategies that support the leveraging of industry clusters, employer-driven job training, and transit have traditionally fallen within the toolkits of economic developers, activities related to education and training, financial access, and wealth-building have typically been the province of the community development sector. The prospect that both sectors are prioritizing investments in lower-income areas signals potential new opportunities for idea-sharing and collaboration between regional planners, community development professionals, as well as the private sector including financial institutions, corporate foundations, and philanthropies.

Recognizing these shifts in thinking, the Federal Reserve Bank of Chicago's Community Development and Policy Studies (CDPS) division reached out to authors of CMAP's and MPC's recent publications on inclusion to talk about next steps in identifying their (respective) priorities for action. We highlight excerpts from these conversations below to bring attention to the progress each body has made in terms of addressing the economic inclusiveness of the Chicago region, and to give an overview of the follow-up work they hope will lead to meaningful changes on the ground.

FRBC: How does "inclusivity" fit within the overall goals of your project?

MPC: MPC released its report in March 2017 that answered the question of the costs of segregation. As early as 2014, when the city of Chicago was revisiting its inclusionary zoning ordinance (called the Affordable Requirements Ordinance), various builders had made the case that it was not feasible to include affordable units on the site of market-based developments. That's when it occurred to us that we don't know what it costs us to live so separately from each other. So MPC started asking if this was a question that was answerable, and if so, whether people in other cities have done this research. MPC found its way to the Urban Institute as a research partner to help us examine what changes we have seen across the 100 largest metros in the country with respect to per capita income, educational attainment, life expectancy, and homicide rates, when racial and economic segregation has changed over time. The MPC/Urban Institute study found that the Chicago region is the fifth most racially and economically segregated in the nation. Higher levels of economic segregation in the Chicago region are associated with lower incomes for blacks, lower educational attainment for whites and blacks, and lower levels of safety for all area residents. Although segregation levels in Chicago have fallen since 2000, levels remain high for black and Latino residents. If *both* the economic and racial (black/white) segregation measures were at the median levels, the associated increase in black per capita income would be 15.1 percent or $2,982, and the aggregate increase would be $4.4 billion.

CMAP: The CMAP Inclusive Growth report is an interim step in the process of our putting together the next long-term plan, ON TO 2050.[3] As a metropolitan planning organization (MPO), CMAP is responsible for making a new long-range transportation and economic development plan every ten years, and the plan needs to look forward for 30 years. When it came time for CMAP to begin the next comprehensive plan, the question was how we were going to acknowledge that this is ten years later from when we began our work for GO TO 2040, and the world is different in important ways and experiencing different trends. Our process for this update has been to revisit GO TO 2040, keep the things that did not need to be overhauled, and engage in an exploratory exercise where we asked whether CMAP's existing framework on these issues reflects our contemporary understanding of best practices and the state of the literature in the policy field.

This work led us to produce a series of strategy papers with teams of internal experts, connect them with external experts, and go through a policy-development process in which we explore ideas in ways that could lead to realistic, strategic recommendations. That was the process behind CMAP's Inclusive Growth strategy paper as well. That study reports that productivity (gross regional product) in the Chicago region is low compared to other large metros such as New York and Los Angeles, and that the Chicago region compares poorly to other large metros in terms of job growth, population growth, real median household income, economic inequality and economic mobility. The Inclusive Growth paper also includes findings from (other) emerging research on the negative relationship between persistent economic disparities among residents and a region's economic success.

FRBC: What is the process for choosing the issues that will become priorities for action?

MPC: Whereas phase one was the research question and report, phase two is deciding which issues will be the initial areas for action. Given the negative impacts of segregation on equity, what are the things that the city, county, or region could be doing better or more deliberately? MPC is working with the Urban Institute to move towards a set of recommendations by first quarter 2018, and to map population projections up to 2030, in order to inform priorities in terms of geographies and topics based on what the region will look like in the near future. In addition, MPC interviewed people around the region in policy, in government, and at the community level, about different interventions for different geographies – grouping strategies and ideas by type of geographic area they might best apply to. It is clear why housing issues would be thought of first when addressing segregation, but MPC has also coordinated working groups on other policy topics such as public safety, schools, public health, jobs, and economic development. Some of the ideas being discussed relate to where people live, but other ideas are a-spatial and relate more to addressing inequities no matter where people reside.

CMAP: CMAP and its advisory committees are going to look at all of the strategy papers and try to understand the most important things that rise to the top in all of them and how they can be threaded together into the final ON TO 2050 plan, which will be adopted in October 2018. As a starting point, inclusive growth has been established as one of the three core principles of the plan. That is, inclusive growth will be embedded across the recommendations of the final plan – from green infrastructure to housing. So for example, when CMAP evaluates transportation investments in the forthcoming plan, it will take into consideration the benefits to economically disconnected areas (i.e., census tracts with a concentration of either low-income and minority households, or low-income and limited English proficiency households).[4] Another aspect of this work is a mapping exercise called the Layers Project, which is a geospatial analysis to help target recommendations in locally relevant ways. This is particularly important for economically disconnected places and how they overlap with other layers, such as flood-prone areas. CMAP has found that a third of the region's population live in these areas. In addition, one of the things CMAP took care to do in the development of the plan was to create resource groups to vet the plan's ultimate recommendations. These are in addition to the committee structure that CMAP has convened for many years. The resource groups are meant to bring together experts in various economic development and policy areas to generate and then critique the ideas CMAP has recommended.

FRBC: Are there metrics for success? Is there an example of successful economic inclusion that you would point to/emulate?

MPC: We are learning from other places. When MPC looked at the results for other regions that are closer to the median levels of economic and racial segregation across the 100 that were studied, specifically those that have similar racial demographics as Chicago, we saw that over time the Chicago region moved from eighth most segregated place to tenth place in terms of African American segregation. As an example, Atlanta improved by 20 places in the same time period, from 21st to 41st. So we are planning to visit Atlanta and meet with key entities there to try to understand this dynamic. Did they improve based on a deliberate action plan? Was it based on a huge influx of population that allowed for creative planning? Was it a massive change in their public housing policy? Was it all of those things? That is what MPC is working on now to inform future recommendations.

CMAP: CMAP is still developing indicators regarding land use, the economy, and all other aspects of the plan, and is planning to develop a new set of inclusive growth indicators for ON TO 2050. These will help us measure our progress toward the goals that CMAP sets. In addition, many examples exist from around the country for how metropolitan planning organizations are partnering with entities in their communities to promote inclusive growth. One example that we share in the paper is from Minneapolis. The MPO there is a big part of a coalition that has come together to make more equitable outcomes in the Twin Cities. One of the roles they play is to prepare data for a "dashboard" of inclusive growth indicators. But each region is different. Because the civic and other stakeholders are different in every regional economy, there is not a one-to-one transferability of effective coalitions or partnerships. Whatever comes together will have to be informed by the realities on the ground in the Chicago region.

FRBC: What steps are you taking so that the recommendations that are made can ultimately be implemented?

MPC: One of the most important motivators for MPC's Cost of Segregation Report was that a conversation about the real costs of the status quo was not taking place. When developers say it is not feasible to build affordable units within market-based developments, the assumption is that it is cost-neutral to live separately from each other by race and income. If that is the assumption, then anything to change the status quo will be viewed as cost-prohibitive. Going into this study, our argument was that parts of the city with lower property values should not be the only places where quality affordable housing is being built. Affordable units should be built city- and region-wide. That is something we have been deliberate about in the way we frame how we talk about this in the study. If we allow a huge part of our region to feel like segregation is not their problem, or that (there is a problem, but) they do not contribute to it, then they will have no real sense that they need to be part of the solution.

As follow-up work to our report, we identified the need for qualitative interviews to test policy ideas. It is important that people around the region have a chance to weigh in on whether they think an idea will work in their community. Is this a bad idea? Should we start over in another way? What is needed politically for this to fly? It's a step that we don't often do in the policy community. We often stop at 'this is a great idea that should work.' We interviewed about 25 people in total – some elected officials, some policy people, and some people at community based organizations. There was an interview protocol, and we spent about two hours with each person. We are analyzing all of those results now and looking at what can be learned from people on the ground. In addition to these interviews, we held four focus groups that were deliberately not policy-based and instead focused on the lived experience. These included young people, the aging population, and others. To be sure, there is also some room for new kinds of thinking about things that can only get done through elected bodies. The wish list coming out of these qualitative discussions may include federal or statewide legislation. The results will depend largely on our partners who have the authority to implement policy changes, whether that is through the government, through privately-funded programs, or through dialogue and debate at the community level.

CMAP: CMAP recognizes that we do not have the capacity or authority to do all of the things that are going to be in the plan. In addition to our technical assistance and funding roles, we have to educate and persuade major implementers of inclusive growth initiatives, like municipalities. One of the ways we are approaching the adoption of an inclusive growth agenda is by talking about prosperity for everyone across the region. We are talking about making everyone's prosperity stronger and more assured by including more people in that prosperity. And a key way to talk about that is to show how we are lagging behind other regions, and this is holding us back as a region. We are also looking to incorporate stories from real residents as we launch the plan towards implementation. We want to include the success stories of people who are affected by this from all socioeconomic levels and have them help us advocate, along with the policy experts. There are many people who don't need to be convinced of the value of and necessity for "inclusive growth," but need to be made aware that CMAP is a new partner in this work. A big task for CMAP is to introduce ourselves to people who already care about this topic and let them know we want to work in partnership.

FRBC: Do you see investable opportunities for banks related to economic inclusion in connection to their Community Reinvestment Act (CRA) responsibilities?

MPC: That is what gets us to the third phase of this work, which has not been fully fleshed out or funded yet. We are interested in how we can take the recommendations in the different geographies that we are interviewing in and exploring, and try out pilot projects on the ground. We are thinking of doing partnerships with community based organizations so that we can craft what an initiative looks like based on the research. Projects could be things that groups are doing that they wanted to ramp up to a larger scale, or things that groups have long wanted to try out.

CMAP: That is a fertile ground for future work. There is not as much knowledge about the way CRA can be used for community reinvestment among planning stakeholders, as compared, say, to community development and affordable housing stakeholders. There could be a good role to work with the Federal Reserve to help entities better understand that as a potential tool that is available for community investment.

Notes

1. CMAP is the official regional planning organization for the northeastern Illinois counties of Cook, DuPage, Kane, Kendall, Lake, McHenry, and Will. CMAP developed and guides implementation of the GO TO 2040 comprehensive regional plan, which establishes strategies to help the region's 284 communities address transportation, housing, economic development, open space, the environment, and other quality-of-life issues. The agency and its partners are developing ON TO 2050, a new comprehensive regional plan slated for adoption in October 2018. See http://www.cmap.illinois.gov/about.
2. MPC is an independent, nonprofit, nonpartisan organization that serves communities and residents by developing, promoting and implementing solutions for sound regional growth. See http://www.metroplanning.org/about/index.html.
3. See http://www.cmap.illinois.gov/onto2050.
4. A census tract with a concentration of low-income households is one with 5 percent or more households below 60 percent of Chicago MSA median income by household size. Thresholds for people of color and limited English speaking are tracts at or above the regional average of 47.5 percent for minorities and 12.1 percent for limited English.

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