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"Making Connections in the Metropolitan Age"

Introduction

I have been asked to talk about the challenge of place-based and neighborhood-based strategies in a world of decentralizing opportunity and concentrated poverty.

I would like to state at the outset my admiration for the ambition and scope of the effort that each of you have embarked upon.

> If we look around the country, we can find a few examples of innovative workforce strategies that connect neighborhood residents to regional opportunities.
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> We can find a few examples of economic security strategies that connect low-income families to the financial mainstream and help them save and build assets.
>
> And we can find examples of community economic development strategies that restore neighborhood markets and expand affordable housing opportunities.

But it is rare to find all these strategies being pursued together in a structured and disciplined and integrated way, in a way that is informed by data and evidence and practice.

So you are part of a grand experiment that, given the stature of the Annie E. Casey Foundation, has the attention of other players in the political, corporate, civic and community arenas.

I want to try to cover two major topics today.

> First, I want to set the general demographic and market and government context in which we all operate, some of which will be familiar to you, some of which may be new.
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> Second, I want to impart seven lessons or principles of action for your work that I have derived from watching and observing similar (albeit more narrow activities) around the country. In some cases, I will be placing emphasis on principles that are already contained in the Family Economic Success document. But in other cases, I will be departing from the text and pushing you to think outside of the box.

Setting the Context

Let me first set the larger context.

The release of the 2000 census created an almost euphoric mood among many longtime observers of American cities.

> New York City topped 8 million people for the first time. Cities left for dead not long ago – Atlanta, Chicago – registered strong population growth. With visible signs of prosperity in refurbished downtowns, with immigrants spurring neighborhood revitalization, with homeownership rates generally going up and poverty and crime rates generally going down, many American cities are enjoying a hard-won optimism.

Yet a closer look at the census (and other market trends) shows that the decentralization of economic and residential life, not the renewal of core cities, remains the dominant growth pattern in the United States.

> The rate of population growth for suburbs was twice that of central cities – 8.8 percent versus 17 percent -- from 1990 to 2000. Suburban growth outpaced city growth irrespective of whether a city's population was falling like Hartford or staying stable like Des Monies or rising rapidly like Denver.
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> Percentage growth only tells part of the story. Denver, for example, grew by 18.6 percent during the 1990s or 87,000 people; its metropolitan area grew by 30 percent or 486,000 people. Seattle grew by 9.1 percent or 47,000 people; its metropolitan area grew by 18.8 percent and added 381,000 people. Des Moines, by contrast, only grew by 2.8 percent or 5,500 people; its metropolitan area grew by 16.1 percent and added 63,000 people.
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> The absolute numbers hide the changing nature of the suburbs. As in earlier decades, suburbs are still the preferred domain of married couples with school-aged children – in the largest metropolitan areas, three quarters of these households live in suburbs. Yet household type, including household types generally associated with cities (e.g., singles coming of age, empty nesters), grew at much faster rate in suburbs. In fact, the 2000 Census showed that, for the first time, the suburbs contained more nonfamilies – people living alone or with nonrelatives – than married couples with children. This is NOT your parent's suburbs.

As people go, so do jobs. That is a nice cliché; it is actually true.

> The suburbs now dominate employment growth and are no longer just bedroom communities for workers commuting to traditional downtowns. Rather, they are now strong employment centers serving a variety of functions in their regional

economies. The American economy is rapidly becoming an exit ramp economy, with office, commercial and retail facilities increasingly located along suburban freeways. This is particularly true in leading technology regions like Washington, D.C., Austin and Boston where firms like American Online, Dell and Raytheon have built large exurban campuses far from the city center.

A new spatial geography of work and opportunity has emerged in metro America. Across the largest 100 metro areas, on average, only 22 percent of people work within three miles of the city center. In cities like Chicago, Atlanta and Detroit, employment patterns have radically altered, with more than 60 percent of the regional employment now located more than 10 miles from the city center.

Employment decentralization has a pernicious effect on low-skilled workers.

In the suburbs, entry-level jobs abound in manufacturing, wholesale trade and retailing. All offer opportunities for people with limited education and skills, and many pay higher wages than similar positions in the central cities. But persistent residential racial discrimination and a lack of affordable suburban housing effectively cut many inner city minorities off from regional labor markets. Low rates of car ownership and inadequate public transit keep job seekers in the core from reaching the jobs at the fringe. Often, inner city workers, hobbled by poor information networks, do not even know that these jobs exist.

What has emerged, therefore, is a spatial mismatch between where jobs are increasingly located and where low-wage workers live. Welfare reform is where the challenge of decentralizing opportunities and concentrated poverty come together. Many of the jobs that welfare recipients need cannot be found in their neighborhoods or even in their own cities. Not surprisingly, cities have a rising share of the welfare caseloads in their states, even as welfare rolls drop. Philadelphia is now home to 12 percent of all Pennsylvanians, but 49 percent of Pennsylvanians on welfare. Baltimore has 58 percent of Maryland's caseload but only 13 percent of the state's residents.

So the big picture from the 2000 census is as follows:

Cities are generally coming back but are losing ground as jobs and people and opportunity decentralize.

Suburbs are changing markedly as they become more socially diverse and evolve into centers of employment.

Because of persistent patterns of segregation and concentrated poverty, a spatial mismatch exists between the neighborhoods of low-skilled, minority workers and the sites of entry level jobs.

In most metropolitan areas, neither government programs nor nonprofit institutions have altered the way they do business in response to these broad market and demographic trends.

Governmental programs and policies, for example, are rarely organized to bridge the divide between inner city neighborhoods and regional employment and educational opportunities. In fact, governmental responses remain highly parochial and fragmented, exacerbating the spatial mismatch between workers and jobs.

> Local and county workforce investment boards, for example, generally administer Federal workforce programs. These boards rarely share information or conduct their strategic planning in a coordinated fashion, even though labor markets are metropolitan in nature.
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> The administration of federal housing programs is arguably even more parochial. The federal government devolves responsibility for housing voucher to thousands of local public housing authorities, making it difficult for low-income families to know about suburban housing vacancies. In the Detroit metropolitan area, for example, thirty one public housing agencies administer separate voucher programs.

Many nonprofit intermediaries remain highly neighborhood oriented.

> Community development corporations generally focus on building housing within small neighborhoods.
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> Community development finance institutions generally focus on lending within low-income neighborhoods.
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> In short, few nonprofit organizations – including civic institutions -- take the big regional picture.

Given this new metropolitan reality, I think you should consider 7 principles when designing and implementing your efforts.

Principle # 1: Know Your Region (particularly your regional labor market)

What I described above were large, general trends at play in the United States. Yet all regions are not created equal.

> Some, like Detroit, have decentralized radically leaving central cities devastated and workers isolated. In other metropolitan areas, like Boston, the city continues to thrive despite decentralization.

The basic fact is that regions differ markedly on the extent of employment concentration, transit linkages, and governmental fragmentation.

Take employment concentration.

> In a metropolitan area like Des Moines, for example, employment remains densely concentrated. 33 percent of its jobs are located within 3 miles of the central business district; 93 percent are located within 10 miles. Only 7 percent are located more than 10 miles from the central business area.
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> By contrast, employment in the Denver metropolis remains – even with its extensive population decentralization – fairly centralized. 18 percent of its jobs are located within 3 miles of the central business district; 67 percent are located within 10 miles. 33 percent, therefore, are located more than 10 miles from the central business area.
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> The Seattle metropolis paints a different picture. Employment there is fairly decentralized. 22.5 percent of its jobs are located within 3 miles of the central business district. Yet only 50.5 percent are located within 10 miles. 49.5 percent, therefore, are located more than 10 miles from the central business area.

The decentralization of employment is only the starting point of the conversation. It is helpful to ask some additional questions:

> How extensive are public transit connections in the region, particularly between inner city neighborhoods and employment clusters in the suburbs such as airports?
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> How fragmented is the governmental response to transportation, workforce and housing?
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> Where do low-skilled workers live in the region?

The bottom line: it is critical to know the specifics of your region and not rely on general national assumptions.

> Know your sectoral strengths.
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> Understand the locations of entry level job opportunities.
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> Know your transit connections.
>
> Know residential settlement patterns.

Taking the time to make factually based assessments on employment, transportation and housing trends is critical to the success of workforce efforts. Only then can you devise solutions that are tailored to the market realities of your place, your region.

Principle # 2: Know your Neighborhoods

Like regions, urban neighborhoods are highly diverse.

> Some are directly in the path of development, generally because they buttress central business districts and are experiencing gentrification.
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> Some are solid working class neighborhoods that are experiencing signs of decay (e.g., vacant lots) and have stagnant housing prices and inadequate retail services.
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> Some are distressed areas that have experienced massive depopulation over time. These neighborhoods often have high rates of poverty, vast areas of vacant land and large numbers of homes or apartment buildings abandoned and in a state of serious disrepair.

In theory, different neighborhoods need different responses. Yet federal neighborhood policy has generally pursued a "one size fits all" strategy: build more low rent affordable housing and (occasionally) create homeownership opportunities for moderate income families.

The dominant focus on affordable housing has constrained the ability of local leaders (including community development corporations) to respond to the disparate needs of their neighborhoods and the different labor, real estate and business functions that neighborhoods play.

The Casey project represents an opportunity to break out of this box. You are not hired to be specialists in housing or workforce or economic development but to be catalysts and advocates for systemic neighborhood change.

> You have the ability to stand back and focus on hidden assets in neighborhoods – the percent of people who work, where they work, the potential purchasing power in the community, the level of business activity that already exists.
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> You also have the ability to take a frank, brutal account of liabilities – which will change from neighborhood to neighborhood. In some cases, it's the one or two abandoned homes on the block (usually owned by the city) that are undermining the broader community. In other cases, it's the sheer magnitude of vacant properties that render targeted house-by-house interventions marginal.

You have, in short, the potential to perform a very unique role in your neighborhoods – to be a source and broker of neighborhood intelligence.

> In the end, information is power. If you have it, you can tailor solutions to the real needs of your neighborhood, not the assumed needs of the "typical" inner city community,

If you have it, you can be a conduit for strategic public, private and philanthropic investments in your community.

There is always a tendency to dismiss the power of information and to focus instead on interventions that can make an immediate difference on the ground. Visible signs of progress are clearly important in neighborhood revitalization efforts. Yet I would argue that those who have patience and use information to create tailored strategies (and create conditions for private investment) are the ultimate winners.

Principle # 3: Avoid Concentrated Poverty

My former boss, Henry Cisneros, repeatedly said that he regarded the concentration of poverty as the most disturbing trend in American society.

The statistics – at least from earlier censuses – are grim. From 1970 to 1990, the number of people living in neighborhoods of high poverty -- where the poverty rate is 40% or more -- nearly doubled from 4.1 million to 8 million. The implications of concentrated poverty are severe. People in these neighborhoods often face a triple whammy: poor schools, weak job information networks, and scarce jobs. They are more likely to live in female-headed households and have less formal education than residents of other neighborhoods.

Cisneros believed that the federal government needed to resist the further concentration of poverty and provide low income families with greater choices in the housing market.

Some progress was made. The demolition of the most distressed public housing developments. The use of HOPE VI resources to create new economically integrated developments. Section 8 reforms that make vouchers more usable in suburban locations.

Yet I believe that there is still much work to be done. Federal housing programs still limit eligibility to families with low incomes, even in neighborhoods of concentrated poverty. Federal housing programs still reward projects in areas of highest needs. Banks and lenders get CRA credit for supporting low-income housing developments in neighborhoods of high poverty. Neighborhood organizations, for legitimate reasons, still focus on serving families with the greatest need.

I am not saying that we stop all this activity. Or that we terminate these programs. But all of us in the business of creating healthy neighborhoods and competitive cities need to think about the costs and consequences of any action that reinforces and perhaps exacerbates the concentration of poverty.

The bottom line is that if we want our schools to perform, if we want our housing developments to operate, if we want local markets to emerge and thrive, then we must build mixed income communities.

You are already doing some of what that takes. Connecting people to the labor market. Making work pay by helping families receive the earned income tax credit without paying exorbitant fees. Helping families get bank accounts and save and build assets.

Yet, ultimately, I think federal housing programs and policies will need to change if economic integration is to be the rule and not the exception.

Principle # 4: Create Self-Sustaining Markets

In the end, I think low-income families will build assets and neighborhoods will thrive only if they are able to take advantage of the power of markets to create wealth and opportunity.

What does that mean in practical terms?

In workforce, it means connecting to regional employers who can work closely with you in designing skills training efforts and placing graduates.

In asset building, it means connecting with mainstream financial institutions that can develop products and lines of business that can serve thousands and tens of thousands rather than hundreds.

In commercial development, it means creating a climate for business investment – safe streets, accurate information on purchasing power, streamlined procedures to assemble land and develop properties, access to a quality workforce.

The goal of creating markets will challenge you to develop broader benchmarks of success.

I think there is the tendency in many neighborhood initiatives to define success in overly narrow terms. Even efforts to build "neighborhood markets" often identify nonprofit equity participation in retail development as the example of a successful outcome.

I have a different measure of success. I think ultimately you want to create the conditions for self-sustaining markets that operate without the need to "go through" or align with neighborhood nonprofits. That is uncertain. That is unpredictable. That is less controlled. But that is ultimately a sign that the market is functioning on the same terms as it functions in the rest of the city and the rest of the country.

Principle # 5: Leave institutional legacies

I talked earlier about the lack of institutions, government, nonprofit or otherwise, that bridge the divide between poor neighborhoods and regional markets and mainstream capital.

We have a positive base to build on – community development corporations, faith based groups -- which have labored on affordable housing.

But one tangible success of this effort will be to create new kinds of intermediaries.

Labor market intermediaries that act as bridges between neighborhoods of low income workers and employment clusters, wherever they are. That will entail identifying employers, suburban or urban, that have the right kinds of jobs for neighborhood workers; tailoring skills training efforts to the needs of employers; working with local government and others on alternative transportation strategies and necessary work supports like child care.

Financial sector intermediaries that work with low income families on financial literacy, with city governments on EITC outreach campaigns, with financial institutions on branch policies and account policies.

Market intermediaries that help organize local merchants and help them upgrade the local business corridor and grow the number and quality of neighborhood businesses.

We need to, in short, grow neighborhood institutions that are nimble and entrepreneurial, cognizant of market trends, neighborhood potential and family needs and capabilities. Institutions that are "built-to-last" ultimately have the best shot to be catalysts for neighborhood change.

Principle # 6: Be clear about your theory of change

My sense is that given the scope of your enterprise that you have multiple theories of change.

You want to build models of big and little success that can be replicated by others in this project and others in similar circumstances.

You want to use understanding of successful models to drive more systemic change in policy in the private and philanthropic sectors as well as at all levels of government.

You want to use understanding of broken programs to drive more systemic change in policy in the private and philanthropic sectors as well as all levels of government.

To convert these theories of change into practice, you will need to do several things.

You will need to be disciplined in collecting, articulating and sharing your **practical** learnings in ways that are easily understood by institutions in other cities.

You will need to be disciplined in collecting, articulating and sharing your **policy** learnings in ways that are easily understood by policymakers and relevant constituencies.

And you will need to identify the targets of opportunity for systemic change, targets that will vary depending upon which policy area you have selected:

In the workforce area, there are clear federal, state and local targets, particularly given the upcoming reauthorization in 2003. But there is also a need to show examples of intermediaries that are operating on a regional scale and employers that increasingly rely on such institutions for the labor needs.

In the building assets area, there may be a potential to upgrade the enforcement of the "services test" under the Community Reinvestment Act. But there is also a need to work closely with financial institutions on model account policies that are market sensitive and replicable.

In the neighborhood markets area, there are near term opportunities presented by the implementation of the federal new market tax credit. But there is also a need to identify local governments that have successfully created a climate for business investment by fixing basic systems like land disposition and assembly practices.

I think your theories of change are solid, in theory. To make them real will require you not just to "do", but to also evaluate and communicate the lessons of what your are doing.

Finally, Principle # 7: Make Connections

The title of the Casey effort, "Making Connections", accurately describes the overriding purpose of the enterprise: to connect low-income families and inner city neighborhoods to the mainstream economy.

Yet the term also defines what you should be doing on a daily basis to be successful.

Making connections to urban and suburban employers who can participate in workforce efforts.

Making connections to financial institutions that can help low-income families begin to save and build assets.

Making connections to local government leaders who can make the necessary reforms in basic systems.

Making connections to other local philanthropic funders who can pursue their neighborhood efforts in an integrated and targeted fashion.

You have jobs with enormous potential – to connect the dots between neighborhood issues and efforts that are related but often kept separate and distinct, to be organizers of people and interests and ideas at the neighborhood level, to be catalysts for change. These are great jobs! Teach us what works and how to grow this critical field of work.

Conclusion

As you can tell, I think Making Connections is a special effort that can make a profound difference both in particular neighborhoods and regions as well as in the general public and private policies and practices that affect these places.

You are working at a time of dynamic, even volatile change in our country.

You are working on some of the central challenges of our time:

how to build an opportunity society;

how to build a sustainable society;

how to build an entrepreneurial society;

how to build an inclusive society.

I wish you the best and urge you to use this remarkable effort to propel broader changes in the way we leverage the potential of low-income neighborhoods and families.

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