Building Sustainable COMMUNITIES

Initial Research Results

Christopher Walker
October, 2014
Our Vision:
Every low-income community has the chance to thrive.

Our Mission:
LISC equips struggling communities with the capital, program strategy and know-how to become places where people can thrive.
Working with local leaders we invest in housing, health, education, public safety and employment - all basic needs that must be tackled at once so that progress in one is not undermined by neglect in another.
Sharing our expertise of 30-plus years, we bring together key local players to take on pressing challenges and incubate new solutions. With them, we help develop smarter public policy. Our toolkit is extensive. It includes loans, grants, equity investments and on-the-ground experience in some of America’s neediest neighborhoods.

The Result:
We help create good places to live, work, do business and raise children.

Cover photo by:
Eric Young Smith
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Walker is LISC’s director of research and assessment. Prior to joining LISC in 2005, he directed a community and economic development research program at the Urban Institute in Washington, DC, where he led national studies of affordable housing, community lending, arts and culture, and other community development issues.
Message from the President & CEO

We live in a world where data drives understanding. And yet, we’ve been sorely lacking data when it comes to valuing comprehensive community development. We can easily describe projects and programs and talk at length about responsive plans and creative partnerships, but it has been difficult to quantify how these efforts all come together to drive fundamental, lasting change.

In short: Do people really live better in the places where LISC works? The answer is yes. In this first report to evaluate outcomes from our Building Sustainable Communities strategy, we focus on employment and incomes for residents in 63 low-income communities where we are investing. We found a clear correlation between increased LISC investments and improvements in income and employment. What’s more, we see a hopeful sense of resiliency in these places, as they hold their ground when faced with intense economic challenges that have decimated similar communities.

Measuring these kinds of quality-of-life gains is critical. We’ll use the data in our conversations with policymakers, investors, developers and foundations that can help us scale up efforts to revive low-income places. And, it will inform our growing body of best practices to help community development groups across the country expand their impact.

It has not all been smooth sailing, of course. We can see that progress is typically slow, and gains are sometimes uneven. But, at a time when economic inequality is deepening across the country, we see comprehensive community development beginning to bridge that gap. Opportunity grows, and families have a chance to thrive. Over time, troubled neighborhoods can, in fact, become good places to live, work, do business and raise families.

We look forward to sharing more of our research reports with you in the months to come.

Michael Rubinger
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At LISC, we know that decent and affordable housing is vital to every family. That is why we have invested billions of dollars in neighborhoods across the country to improve the housing stock, clean up vacant lots, and give derelict buildings new purpose.

But we also have long known that better housing alone is not enough to help a distressed neighborhood get back on its feet. When people choose a home to live in, they choose a whole community as well. Thriving communities – even low-income ones – offer shopping and healthy food, decent schools, parks where children can feel safe to play, and access to living-wage jobs. For housing markets to work, these other aspects of community must work too.

Over the last 20 years, LISC gradually took on the job of investing in programs to improve retail areas, make neighborhoods safer, and help people get jobs. Then in 2007 we created our Building Sustainable Communities (BSC) initiative to formally expand and solidify this comprehensive approach. In select neighborhoods, we work with community partnerships to take on affordable housing, economic development, education, health and safety, and stabilizing family income simultaneously. This way, progress in one area is not undermined by neglect of another.

To date, LISC has identified more than 100 neighborhoods where we have pledged to support comprehensive renewal. By the time we began our work there, all of these communities had suffered an historic slide into poverty. Many were crippled by the death of manufacturing. Almost all endured chronically high crime. On average, one out of three residents lived below the poverty line.

But these communities also shared, and continue to share, a strength: leaders from different walks of life determined to work together to forge a comeback. These leaders have held the neighborhoods together through their most trying times. They have given LISC someone to work with and something to build on. Indeed, we picked places where our work had helped build this community strength in the past.

A Comprehensive Approach
Examining Our Impact

We continue to believe that a comprehensive approach is the right path to renewal, but we do not expect that our long-time partners or prospective supporters will simply take our word for it. Therefore, we have assembled a large store of high-quality information about our neighborhoods and have been tracking how they change over time. We want our community partners to know how things are going, and we want to find out whether our efforts are making a difference.

It’s too soon to know definitively whether our comprehensive approach works in every circumstance. While we have a long track record of investing – particularly in real estate – in many of these neighborhoods, comprehensive work began more recently in about half of them, in 2007 or later. Community revitalization is typically a slow process that shows visible effects only after considerable time has elapsed. Gathering data to assess its impact also takes time. Nevertheless, it is not too soon to explore the link between our longer-term investments and any favorable trends in neighborhood conditions. If past investments already have begun to show promising results, we can be confident that our comprehensive strategy rests on a solid foundation.

The conclusions drawn in this paper rely on multiple sources of information about neighborhoods, our investments, and the work done by our partners in each of the communities profiled in the case studies below.

To begin, we calculated LISC investment totals for each of the 110 neighborhoods that LISC’s local offices designated as areas for comprehensive efforts. Because work in some of these neighborhoods began only recently, we culled the 63 communities that received at least $2 million of LISC funding between 1999 and 2011. For each of these 63 neighborhoods, we used a statistical technique called “cluster analysis” to identify similar neighborhoods in the same city based on the value of housing, the percentage of households that own their housing, poverty rate, population change, and other factors. During the same period of time, these latter “comparison” neighborhoods had received little or no LISC support.

We then analyzed changes in community quality using neighborhood-level data from a variety of federal agencies, including the Departments of Commerce, Labor, and Housing and Urban Development. To determine how well each target neighborhood has “performed” on each indicator, we compared each target neighborhood’s value to the corresponding average for its comparison neighborhoods. After adjusting for the number of poor persons in each neighborhood – a rough proxy for the degree of revitalization difficulty – we correlated level of LISC investment with comparative neighborhood performance.1

Our analysis showed that compared to similar low-income areas where we have had limited or no presence, areas of high LISC investment have performed better on employment and income indicators: more people are working, bringing larger amounts of money into the neighborhood, and earning more on average. In neighborhoods receiving the highest levels of LISC investment, the increase in the number of residents employed was 9 percent greater than those of comparison neighborhoods. The same pattern holds for changes in median income. Between 2000 and 2010, incomes in LISC high investment neighborhoods rose 9 percent faster than those in comparison neighborhoods.

1 This method is more fully described in a longer paper posted at http://www.lisc.org/docs/publications/121214_cwailer_lisc_full_analysis.pdf
Better Resident Employment Growth in LISC High Investment Neighborhoods
High LISC investment neighborhoods have 9 percent higher growth in numbers of employed residents since 2004 and 2005 than do similar neighborhoods without LISC investment.

Median Income Rose Faster in LISC High Investment Neighborhoods
Between 2000 and 2010, incomes in LISC high investment neighborhoods rose 9 percent faster than those in comparison neighborhoods.
Our statistical analysis demonstrates an overall relationship between our investments and improvements in neighborhoods, but there are many ways these investments could have produced this result. To better understand these ways, we took a closer look at four neighborhoods with different histories, demographics, geography, markets, and levels of organizational capacity. Outcomes across all indicators are not universally positive in these four case studies, but taken as a whole, the results are quite promising.

The story of these neighborhoods supports our long-held view that physical transformation – prominently including housing development – is a powerful platform for change. Derelict buildings and unsightly vacant lots harbor crime and signal disorder. As community developers demolish unsafe structures, renovate homes, build on vacant lots or transform others into parks and community gardens, people seeking homes choose the neighborhood as a place to live – sometimes moving into new and affordable homes – and existing residents choose to stay rather than to decamp to other neighborhoods. Private builders respond to increased demand by renovating older units or building new ones.

We found that better housing, more people with work, and, sometimes, increased social and economic diversity lay the groundwork for more vital business districts, safer streets, and improved schools and public services. This progress does not happen automatically, however, especially where improvements in housing markets happen slowly and incrementally. Concerted action is needed to translate gains in one domain to gains in another. This is best illustrated by neighborhood crime rates, which in our four case examples have declined faster than those in other city neighborhoods. In those cases, community-based organizations have worked hard to tie blight removal to smarter police enforcement and more community engagement. They also promote business activity in nearby commercial districts, which in turn helps stabilize residential communities.

Although some people fear that neighborhood improvement leads to gentrification – a legitimate concern – we do not observe a flood of well-heeled residents into our communities. We are, however, seeing greater diversity of income earners, which is certainly beneficial for neighborhood stability. Communities where LISC works are, and will remain, neighborhoods where low- and moderate-income families live. That is a core value of our mission. This means that high-quality social supports – in health, education, and youth development, among others – remain important to the well-being of many families. It also places a premium on strong networks among community-based organizations, able to resist economic shocks, and sustain comprehensive efforts to further improve communities. This is why LISC’s role as real estate investor, supporter of community initiatives, and backer of community partnerships is central to the community improvement story in these places.
This residential and industrial community of 8,000, just north of downtown Providence and once a center of the nation’s textile industry, was until recently another chapter in a familiar story of industrial decline and resident flight. For many years, LISC supported Olneyville Housing Corporation’s efforts to fight deteriorating housing and spreading blight in a neighborhood where one in three residents fell below the poverty line. By the end of the 1990s, these efforts had begun to pay off; over the next decade, the neighborhood saw outright population growth, primarily in Hispanic households attracted by low rents, as well as an increasing supply of decent affordable housing and clear signs of community physical transformation.

Over the past 14 years, community developers have brought a comparatively large number of newly constructed and affordable units to the housing stock. Private developers have converted largely empty industrial buildings into moderate-income rental and condominium units, including live-work spaces for artists. Investors have bought and converted three-deckers formerly occupied by a single household into rental units.

As of 2010, fully 10 percent of the rental stock had been created in the last decade. LISC alone financed 219 units, most through Olneyville Housing. This relatively small neighborhood saw more than $150 million in diverse public and private investments between 2005 and 2012 for housing, restaurants, a live music venue, offices, an art gallery, and street improvements. Renovation and redesign of Riverside Park, once a crime hotspot, and nearby affordable townhome construction became a prominent symbol of Olneyville resurgence.

These changes attracted working families to Olneyville and helped retain those already there. Between 2000 and 2010, the percentage of those over age 16 who had jobs or actively sought work
increased dramatically – from 53 percent to 73 percent – and now exceeds the national average by 10 percentage points. Helping to anchor future job gains, the percentage of those with a high-school education roughly doubled, from 18 percent to 34 percent. Bachelor’s degree holders went from 4 percent to 16 percent. Between 2004 and 2011, resident employment increased by 6 percent, even as a set of statistically matched comparison neighborhoods in Providence suffered dramatic job losses. And between 2000 and 2010, median incomes increased by 60 percent in Olneyville, compared to 20 percent in comparison neighborhoods.

Throughout the decade, the Olneyville Housing Corporation and the Providence police carried out a groundbreaking community safety effort, emphasizing community engagement, active policing, and physical revitalization, including construction of housing for working families. Evidence points to solid gains in the three most active crime hotspots: reported crimes dropped 50 percent between 2002 and 2007 and maintained these levels for the following four years for which we have data, compared to a 30 percent decline in Providence overall.

Moderately strong house price appreciation in the first part of the 2000s helped spur private investor entry into the market, though some of this was fueled by subprime lending, which proved unsustainable. But the sharp increase in foreclosed homes and resulting vacancies, a product of the housing market collapse of 2007, has now ended and the inventory is slowly being reduced.

The shock of the economic downturn also dealt a blow to both employment and incomes. Median incomes have risen over the decade, but poverty remains high at 35 percent. Employment gains overall have been solid, though jobholding has ebbed a bit since 2008 as the city was hammered by the severe downturn. Jobs available in and around Olneyville declined throughout the recession, but rebounded sooner than in other Providence neighborhoods, aided by commercial redevelopment of several large industrial spaces.

A strong platform of community action – represented by the Olneyville Community Contract, through which local leaders pledge to work together – has enabled the community to resist the downturn’s effects and lay the groundwork for further revitalization. In 2010, HUD awarded a Choice Neighborhoods grant to replace Manton Heights, a public housing complex with the highest poverty concentration in Rhode Island, with 450 units of rental housing for people at various income levels. The plan also envisions reuse of a vacant factory for a charter school and 90 more housing units, and an additional 75 rental units in now-blighted or vacant properties throughout the neighborhood.

LISC has supported the work of the Olneyville Housing Corporation and its many community partners throughout the long process of neighborhood transformation. From 1999 through 2013, LISC invested $25 million into affordable housing, economic development, and community programs, including direct support to sustain and create new community partnerships able to maintain investment flows into Olneyville and provide the community supports that low-income people need.
The area just east of Temple University in North Philadelphia was once one of the most blighted and dangerous neighborhoods in the United States, another victim of manufacturing job loss. More people moved out and fewer people moved in, but the community slowly re-emerged as a home for newly arrived Puerto Ricans. Supported by LISC, Asociación Puertorriqueños en Marcha (APM), one of the largest Hispanic social service agencies in the country, mounted an effort to attack property abandonment and blight by demolishing decrepit buildings, rebuilding on these and other reclaimed lots, renovating deteriorated properties, and converting overgrown and rubbish-filled lots into community parks and gardens.

The scale of this effort was substantial. In 2010, researchers from the Fels Center at the University of Pennsylvania counted 475 newly constructed or renovated buildings and 908 improved lots on derelict vacant lots or those once occupied by vacant structures. Two-thirds of all neighborhood lots that were vacant in 1998, and more than one-half of all lots previously occupied by vacant buildings had been improved by 2010. During a time when the Census reported increases in the vacancy rates in most high-poverty neighborhoods nationwide, Eastern North Philadelphia registered a vacancy rate decline between 2000 and 2010, from 21 percent to 11 percent.

The combination of blight removal and new affordable home construction induced working people to stay in the neighborhood, rather than leave as their incomes rose, and prompted other low-income workers to move in. Taken together with unemployed residents who found work, these workers helped the number of employed residents overall increase by 12 percent.
compared to a mere 2 percent gain in similar Philadelphia neighborhoods. Labor force participation rates also rose in three of the four census tracts comprising Eastern North.

In these rising working class communities, the median incomes of neighborhood households rose modestly between 2000 and 2010, a 15 percent gain. Incomes, however, did not keep up with comparison neighborhoods taken as a group. This is because incomes spiked in two of the 20 areas we identified. Nevertheless, Eastern North housing values trended upward, long-term residential vacancy rates declined, and the neighborhood cleared out its foreclosure inventory more rapidly than did comparable neighborhoods (though as is nearly universally true, the rate remains high by historical standards, an unwelcome legacy of the 2007 housing market downturn).

LISC has played a large part in the revival of Eastern North. Between 1999 and 2011, $15 million in LISC investments helped fund 541 housing units, or approximately 14 percent of the neighborhood’s entire housing stock. Since 2011, we have invested an additional $12.4 million, including $11.3 million in the newly opened Paseo Verde housing and commercial development, taking advantage of rail access and proximity to Temple to anchor this part of the neighborhood.

We have also supported APM’s ambitious efforts to suppress rampant crime. Following the community policing approach that worked so well in Providence, APM, the police, and partners helped drive down calls for service by 22 percent between 2008 and 2013. This compares to an 11 percent decline in the broader police district surrounding Eastern North.

As is true in low-income neighborhoods in most parts of the country, Eastern North went through a tough time following the recession’s onset. But with LISC’s support, APM and its partners have laid a strong foundation for a renewed assault on community problems. Clearly, increased attention to job creation, resident skills development and other efforts to improve incomes are the next order of business in the neighborhood.
This community of some 35,000 people is comprised of four neighborhoods that once formed the heart of Chicago’s Black Metropolis, centered on the Bronzeville commercial district just north of the University of Chicago and about two miles south of the Loop. Just a few years after the Second World War, this thriving community lost much of its middle class, which was slowly replaced by thousands of desperately poor people concentrated in public housing high-rises. As the buildings themselves deteriorated, so too did the neighborhood surrounding them.

Two developments created the conditions for a neighborhood turnaround. The U.S. Congress sent millions of dollars in aid to local public housing authorities to demolish their blighted apartments, enable their residents to move to better neighborhoods, and to build the new mixed-income housing the community wanted. And the John D. & Catherine T. MacArthur Foundation, encouraged by early results, committed millions more to the LISC-designed New Communities Program, a pilot community-building initiative operating in 16 Chicago neighborhoods that enabled new community partnerships to pursue change comprehensively.

Beginning in the early 2000s, the Chicago Housing Authority demolished some 3,000 largely vacant units in Quad Communities. Not including unit renovations, approximately 3,000 new, mixed-income units were built during the decade, on housing authority sites and elsewhere, amounting to
20 percent of the entire neighborhood housing stock. The number of vacant lots declined by one-half, from 1,000 to 500. The number of vacant housing units dropped by 43 percent, and not just in the immediate vicinity of housing authority properties; nine of the twelve census tracts in Quad Communities saw declines.

LISC played an important role in financing this transformation, investing $30 million in some 2,800 units between 1999 and 2011. Loss of the deadweight of massive blighted public housing unleashed the housing market, producing an increase in residential property prices and eliciting new investment from private sources. The neighborhood attracted new people and kept a larger share of those who lived there previously. By 2010, there were 4 percent more households in Quad Communities than were living there in 2000. The majority of the new residents and those who stayed had jobs. The percentage of adults in the labor force rose from 55 percent to 62 percent between 2000 and 2010 and the absolute number of those employed rose 17 percent between 2005 and 2011, even as the number of people with jobs declined in other neighborhoods.

Median incomes rose from $17,000 to $31,000, substantially outpacing the mere 6-percent rise in statistically similar neighborhoods, and the poverty rate declined from 45 percent to 33 percent. All the while, the community remained more than 90 percent African-American. Spurred in part by the building of new homes for sale, the share of households that own their homes rose dramatically—from 15 to 25 percent. Further, the Quad Communities mortgage market depended far less on subprime lending than did other Chicago neighborhoods and the foreclosure wave that hit there ebbed more quickly.

Even with the loss of large numbers of housing authority units—some of them occupied—there remain some 8,000 publicly assisted housing units, including low-income tax credit housing, constituting 30 percent of all housing in the neighborhood. These units serve a range of low-income households, from those at the very bottom of the ladder to those earning up to 200 percent of the poverty level.

Simultaneous with these shifts, new and stronger community institutions were able to build on these changes by making complementary improvements. Backed by MacArthur Foundation funding, LISC helped create the Quad Communities Development Corporation (QCDC) to fill a void in the complement of local nonprofit organizations able to take a leadership role in developing and improving the neighborhood.

With its partners, and backed by LISC investments, QCDC turned its attention to the Cottage Grove commercial corridor. This effort included incubating the Bronzeville farmers’ market, creating a business improvement district, supporting new mixed-use commercial buildings, working with the Little Black Pearl Art and Design Center to brand and market the corridor, and partnering with Muntu Dance Theater to help make arts and culture a part of revitalization.
Together with housing market improvement, these efforts helped drive down long-term business vacancy rates from 20 percent to 12 percent between March 2008 and December 2013. From vacancy levels far higher than similar neighborhoods, Quad Communities vacancies now are lower than in similar neighborhoods. As another measure of economic strength, Quad Communities businesses did not shed jobs during the recession, even though similar neighborhoods saw a 7 percent decline.

Building on housing and commercial area improvement, explicit efforts to fight crime have paid off. Violent crime reports dropped by two-thirds in Douglas and Grand Boulevard, the two higher-crime areas within Quad Communities, compared to a 50-percent reduction for Chicago as a whole. Property crimes across the entire city declined about 25 percent, but Grand Boulevard dropped 30 percent and Douglas 50 percent. Backed by LISC, QCDC has also widened its reach to improve community access to health care, expand educational opportunities, help working families increase their income and build assets, and otherwise prepare the community for a new decade of community transformation.
Southeast Indianapolis is made up of a variety of neighborhoods that feature everything from historic homes to industrial areas, residential areas for working class families, and the Fountain Square commercial and cultural district. The long exodus of residents out of the city, loss of once-plentiful manufacturing jobs, and earlier patterns of Appalachian migration, have turned Southeast into one of the few largely white, high-poverty urban communities remaining in the United States.

For many years, the Southeast Neighborhood Development Corporation (SEND) pursued a modest repair and renovation effort in the neighborhood, targeting housing as well as vacant land and parks, intended to keep blight in check as older homes deteriorated. But in the late 1990s, SEND turned its attention to the Fountain Square commercial district, also a victim of disinvestment and the loss of local businesses. Community leaders hoped that a stronger commercial area would help bolster the sagging housing market.

This commercial revitalization effort took on a strong arts-and-cultural flavor, as renewal of the historic Fountain Square Theater – including restored marquee, four restaurants, a ballroom, and duckpin bowling – was followed by renovation of an older industrial building into artist live-work space. SEND converted a former Murphy’s five-and-dime into gallery space, an art supply store, 23 artist studios, and a restaurant. LISC pro-
vided early loan and grant support to these projects, and granted funding for core SEND operations.

These projects did not stand alone, but were carried out within the framework of the city’s commercial corridor program, managed by LISC. This effort supported SEND as it organized area businesses, marketed their offerings, recommended upgrades to infrastructure, and offered grants to fix up storefronts. These investments helped attract 82 new businesses and create 251 new jobs in the Fountain Square commercial area; LISC alone supported developments worth $26 million.

The city’s Cultural Trail System, a network of bike and pedestrian lanes, reached Fountain Square in 2013, further cementing the community’s identity as a destination for arts and entertainment. Several decades of investments in arts and culture supported the emergence of a vital commercial district. Business vacancies have declined to the point where they are now on par with the city’s average for low- and moderate-income communities.

Although Southeast remains a work in progress, the commercial area’s resurgence appears to have benefited nearby residential areas and otherwise helped stabilize a housing market that did not fare particularly well in the 2000s. Between 2000 and 2010, population declined 17 percent, though not all sub-neighborhoods lost residents.

The central part of the neighborhood around Fountain Square today shows signs of strength: stable population, an upward shift in education and increased employment in professional occupations, signs of decline in poverty rates, and comparatively strong housing prices. The western end of the neighborhood is stable compared to other Indianapolis neighborhoods, with flat
but not declining incomes, stable labor force participation rates, and stable homeownership percentages.

Employment that was on the upswing before the economic downturn took a slide in Southeast, just as it did elsewhere in Indianapolis. It stabilized at about a 9 percent loss, even as the rest of Indianapolis and the comparison neighborhoods have continued to slide (down 14 percent by 2011). Median incomes rose slightly – about 4 percent – while those in similar neighborhoods declined. A revitalizing commercial district and new efforts to fight crime may have led to recent (post-2007) declines in the most serious crimes and in juvenile charges, even as crime rates overall appear to be trending upward in the rest of Indianapolis.

Midway through the decade, Indianapolis LISC began its Great Indy Neighborhoods Initiative (GINI) following the principles for community-based comprehensive change developed in Chicago. With LISC’s support, SEND enlisted a range of partners to improve the Southeast community across a broad front, including public safety, education, and efforts to raise family incomes and savings.

Over the last decade, the neighborhood’s schools have seen improvement in third-grade reading and math scores. LISC has supported new charter school facilities in the area as well as creative writing and out-of-school-time programs for children. Because of the strength of community partnerships, new resources have begun to flow to Southeast to help it respond to the wave of foreclosures and vacancy by acquiring and demolishing derelict properties. Building on the success of the GINI program, LISC is now redoubling its investments by embarking on a new program to get even more physical redevelopment into this community including creating a walkable “town center.”
Summary

LISC is not alone in using a comprehensive approach, but we are implementing it in more neighborhoods and on a larger scale than any other organization in the country. Our statistical analysis of this work, although preliminary, is encouraging. As LISC continues to raise capital and invest it with our community partners, we will continue these analyses, updating neighborhood results, conducting other types of research, and drilling deeper into the results of our strategy.

Above: Solar panels at Paseo Verde and view of Philadelphia