



# “Billion Dollar Bets” to Reduce Concentrated Poverty

## Creating Economic Opportunity for Every American

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## PROJECT OVERVIEW

This document is part of a Bridgespan Group research project that focused on the question: *How could a philanthropist make the biggest improvement on social mobility with an investment of \$1 billion?* In answering this question, we have sought to understand “what matters most” for improving social mobility outcomes. To do this, we have drawn from extensive research conducted by leading scholars in the field. We have also outlined a range of tools to assist philanthropists seeking systemic and field-level changes that go well beyond scaling direct service interventions. Using the research and identified tools, we have created an illustrative set of “bets” that provide concrete roadmaps for high-leverage investments of \$1 billion with the potential for sustainable change at scale. (For the full report, please see [“Billion Dollar Bets” to Create Economic Opportunity for Every American.](#))

We identified a list of 15 high-potential bets through which philanthropists could have a significant impact on increasing upward mobility. In identifying these bets, we sought to elevate investments that are particularly timely, suited to the unique role of philanthropy, have the potential to create significantly outsized impact, and, as a package, could truly sum to \$1 billion. From this list, we have chosen to illustrate the following six investments. (For more information on how we selected the six bets, please see [“Overview of Research: ‘Billion Dollar Bets’ to Create Economic Opportunity for Every American.”](#)):

- Support holistic child development from birth through kindergarten
- Establish clear and viable pathways to careers
- Decrease rates of over-criminalization and over-incarceration
- Reduce unintended pregnancies
- Create place-based strategies to ensure access to opportunity across regions
- Build the capacity of social-service delivery agencies to continuously learn and improve

The concept paper below illustrates one of the six bets we have chosen to highlight.

# Reduce Concentrated Poverty

**Concept:** Help break apart the structural forces of racial and economic segregation that have created communities of concentrated poverty by investing deeply in select metropolitan areas to revitalize distressed neighborhoods and offering low-income people the opportunity to move to more resource-rich neighborhoods. At the same time, expand mobility efforts to many more communities through direct investments and the creation of a national hub that coordinates and supports housing mobility efforts

## Context

Living in poverty is a daily encounter with scarcity, whether trying to purchase food, spending inordinate time navigating complicated public assistance and social service systems, or simply figuring out how to make one's budget stretch to meet basic needs. These challenges are exacerbated when combined with living in a high-poverty neighborhood. Families in these neighborhoods often encounter higher rates of crime, poor and dilapidated housing, restricted access to quality public schools, and limited job opportunities across a spectrum of experience and income levels. As a result, these place-based barriers make it harder to escape poverty, often entrenching individuals and families in poverty across generations.<sup>1</sup>

In just the past decade, the number and proportion of people living in poverty tracts—defined as census tracts<sup>2</sup> with 20 percent poverty or higher—has increased drastically. The number has grown from nearly 50 million individuals in 2000 to nearly 77 million, or 25.7 percent of the country, in 2010. The quarter of Americans living in poverty tracts masks stark disparities along lines of race. Currently, 50.4 percent of all blacks, 47.8 percent of all American Indians and Alaska Natives, and 28.2 percent of all Hispanics live in poverty tracts, compared with 20.3 percent of all whites and 18.3 percent of all Asians.<sup>3</sup> Worse, nearly a quarter of the increase in poverty tracts comes from growth in high-poverty neighborhoods, defined as areas with 30 percent or higher rates of poverty, and in economically distressed neighborhoods, defined as areas with 40 percent or higher rates of poverty. Over the same period, the number of people living in distressed neighborhoods has nearly doubled from 7.2 million in 2000 to

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- 1 "The Enduring Challenge of Concentrated Poverty in America: Case Studies From Communities Across the U.S.A.," a joint project of the Community Affairs Offices of the Federal Reserve System and the Metropolitan Policy Program at the Brookings Institution, October 2008.
  - 2 See US Census Bureau's Geographic Terms and Concepts page for more information on how Census Tracts are defined, [https://www.census.gov/geo/reference/gtc/gtc\\_ct.html](https://www.census.gov/geo/reference/gtc/gtc_ct.html).
  - 3 Alemayehu Bishaw, "Changes in Areas With Concentrated Poverty: 2000 to 2010," U.S. Census Bureau, June 2014.

13.8 million—67 percent of those residents are black or Hispanic.<sup>4</sup> As a result, one in four of the black poor and nearly one in six of the Hispanic poor live in economically distressed neighborhoods, compared with one in 13 of the white poor.<sup>5</sup> Recent analysis by Stanford’s Raj Chetty, Harvard’s Nathaniel Hendren, and Berkeley’s Patrick Kline and Emmanuel Saez has demonstrated how geographic place and economic mobility are inextricably linked. Children born in these neighborhoods and who stay in these neighborhoods are significantly less likely to move up the income ladder than their peers who are able to move out.<sup>6</sup>

Such neighborhoods are not a natural extension of housing markets. Rather, they reflect long histories of racially discriminatory policies and practices, and systematic underinvestment. This corrosive combination has confined low-income, minority individuals and families to segregated neighborhoods.<sup>7</sup> Key factors influencing the development of concentrated poverty and economically distressed neighborhoods include:<sup>8</sup>

- Rampant suburban and exurban growth, significantly outstripping population gains in central cities and older suburbs.<sup>9</sup> As cities lost their population and tax base, they also lost public investment in infrastructure, private sector investment in jobs, and cultural development of the urban core.
- Construction of both public and low-income housing units in ways that concentrated low-income families in specific areas
- Exclusionary zoning and discriminatory housing policies that denied many poor families access to high-opportunity, high-growth suburban neighborhoods and affluent areas within metropolitan regions
- Recent patterns of gentrification in a number of cities that are driving up property values, rental rates, and taxes in ways that force low-income individuals and families into concentrated pockets of poverty within or just outside the city, sometimes into already decaying inner-ring suburbs

As a result, nearly half of black families living in in the poorest quarter of neighborhoods have lived there for three generations. By contrast, just one in 13 of all white families experience this level of intergenerational poverty in place.

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4 Paul A. Jargowsky, “Architecture of Segregation: Civil Unrest, the Concentration of Poverty, and Public Policy,” The Century Foundation, August 2015.

5 Ibid.

6 Raj Chetty, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez, “Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States,” *The Quarterly Journal of Economics*, Vol. 129, No. 4 (November 2014).

7 Margery Austin Turner, “Tackling Poverty in Place,” Urban Institute, December 10, 2014.

8 These factors reflect a summary of issues outlined in Jargowsky, “Architecture of Segregation.”

9 While there has been a recent trend toward repatriation into urban areas, this movement has not reached the level and magnitude of suburban and exurban departures from cities during the second half of the 20th century.

More than half of all people who earn less than the federal poverty line<sup>10</sup> reside in poverty tracts. Furthermore, a significant portion of black and Hispanic poor live in economically distressed neighborhoods. It is clear that poverty is combination of income, race, and place; therefore, this concept aims to remove place-specific barriers that exacerbate intra- and intergenerational poverty.

## Why Philanthropy?

Taking on this amount of change requires a big appetite for risk—a hazard that most government players avoid. That reluctance is understandable. Any national-level investments in housing mobility (for example, programs that support very low-income families in moving to high-opportunity communities) would likely face strong political pushback, making it unlikely that the government would make significant investments in this area in the near future. But a philanthropist could work around this political situation.

Philanthropists have the flexibility to provide long-term, dedicated funding through a mix of pure grants, equity loans, and performance-based funding. On a regional level, strategic capital could unlock existing public resources in ways that would enable greater economic integration and asset development in areas that have been historically neglected.

To make headway, coordination is critical among local funders, government leaders, state and federal policy makers, nonprofit leaders, and business leaders. Philanthropists are uniquely positioned to set the table for collaboration and accumulation of funding resources. Consider JPMorgan Chase’s recent PRO Neighborhood initiative, which includes seed capital for affordable housing, along with partnerships with community development finance institutions.<sup>11</sup>

## Why Now?

Decades of deep philanthropic and government investments have failed to revitalize high-poverty neighborhoods. Lessons have emerged, however, including using an asset-based lens with individuals and communities, and supporting collaboration in such efforts. Yet leaders acknowledge that they are not achieving the change to which they aspire. Thus, experts and practitioners have begun to recognize that trying to change one neighborhood alone, within a larger context of segregation and isolating historical factors, may not be the right strategy.

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<sup>10</sup> The federal poverty level sets the minimum amount of gross income a family needs to purchase food, clothes, transportation, housing, and other basic needs. Set by the Department of Health and Human Services, it varies by family size. In 2016 the federal poverty level for a family of four was set at \$24,300 and \$11,880 for an individual.

<sup>11</sup> “JPMorgan Chase Launches \$125 Million, Five-Year Initiative to Drive Economic Opportunity in Disadvantaged Neighborhoods,” <https://www.jpmorganchase.com/corporate/news/pr/disadvantaged-neighborhoods-125million-5year.htm>.

Simultaneously, government and nonprofit partnerships have piloted programs using federal housing funding and philanthropic capital to help families move to better neighborhoods. The most recent evaluation reports on the Moving to Opportunity experiment (MTO) and the Baltimore Housing Mobility Program illustrate the positive impact that moving to a better neighborhood can have on a child's life trajectory, including increased college attendance and increased average income as young adults. These programs, among others, offer best practices for mobility programs, such as using existing government funds set aside for housing choice vouchers and providing supplemental counseling programs for families receiving vouchers to assist in the move.

Furthermore, the 2015 US Supreme Court decision on *Texas Department of Housing and Community Affairs versus Inclusive Communities Project* expanded the reach of the Fair Housing Act of 1968 to prohibit government housing policies that unintentionally result in negative disparate outcomes for minority groups (e.g., policies that continue to concentrate black poverty). In addition, the US Department of Housing and Urban Development's (HUD) Affirmatively Furthering Fair Housing (AFFH) final rule,<sup>12</sup> both established in 2015, have put additional pressure on local and regional housing authorities to develop plans to increase access to fair, affordable housing in their communities. These developments have boosted initiatives that expand fair and equitable housing opportunities to low-income people, especially those of color. HUD's AFFH rule, in particular, is already helping to significantly increase government pressure to reverse underinvestment in low-income communities and build new housing mobility programs. A philanthropic investment now would accelerate efforts to expand these initiatives.

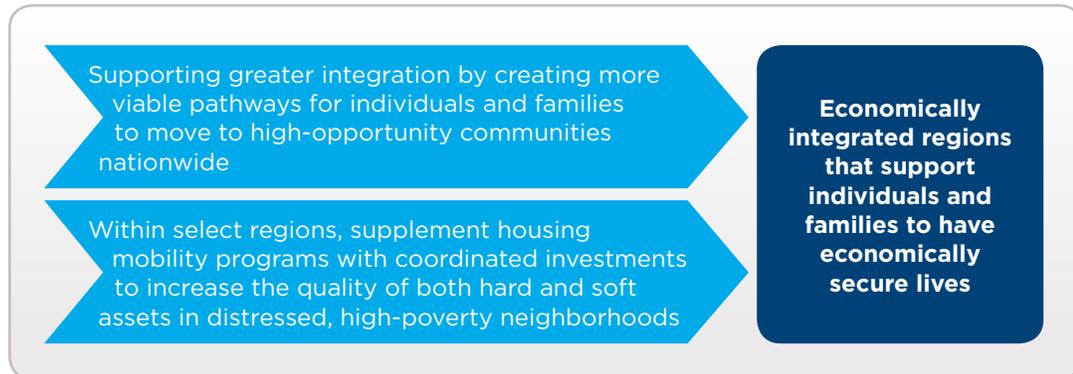
For decades, the social sector has vigorously debated the best approach to improve the economic lives of those living in concentrated poverty: transform blighted neighborhoods or help people move to communities where there's far more opportunity to climb the income ladder. Now, leaders are beginning to realize that it's not an "either/or" choice. That in fact, the best way forward is to do both. They are exploring opportunities to combine both approaches in a single region.

While governments, local organizations, and community leaders often lead the way, there is a clear role for philanthropists to offer substantial capital to accelerate the reallocation of government and market-based funds towards a combined effort.

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<sup>12</sup> US Department of Housing and Urban Development, "HUD Announces Final Rule on Affirmatively Furthering Fair Housing," HUD.GOV, (July 8, 2015), [http://portal.hud.gov/hudportal/HUD?src=/press/press\\_releases\\_media\\_advisories/2015/HUDNo\\_15-084](http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2015/HUDNo_15-084).

## Ideal Pathway



## The Investments<sup>13</sup>

It is often easy to view concentrated poverty as solely an urban issue. However, recent trends point to the need to explore poverty across an entire region. Currently, suburbs are home to nearly as many poverty tracts as cities (4,313 versus 5,353), with suburban poverty tracts accounting for almost half (46 percent) of metropolitan area residents living at or below the federal poverty line.<sup>14</sup> Given this reality, it is important to address metropolitan poverty as economic revitalization and integration across a combined urban and suburban region.

With that in mind, this “bet” consists of investments to help break apart the structural forces of economic and racial segregation that have created communities of concentrated poverty, while also investing to improve conditions in distressed neighborhoods. The goal is to accelerate the field of housing mobility and create proof points for models of inclusive communities, neighborhood stabilization, and creative public resource allocation nationwide.

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<sup>13</sup> To get to this set of investments, we reviewed numerous research and policy briefs from The Equality of Opportunity Project, The Center on Children and Families at the Brookings Institution, The Metropolitan Housing and Communities Policy Center of the Urban Institute, The Poverty & Race Research Action Council (PRRAC), and issue briefs from The Century Foundation—particularly the work of Paul Jargowsky. We also reviewed evaluation reports of key initiatives, including the Moving to Opportunity program, reviews of HUD’s approach to Affirmatively Furthering Fair Housing. We also conducted numerous interviews and collaborative working sessions with researchers, practitioners, and activists representing the opinions of community-based organizations, field practitioners, policymakers, and philanthropists. Included among these individuals are Jeff Edmondson, managing director, StriveTogether; Ben Hecht, president and CEO, Living Cities; Elizabeth Julian, founder, Inclusive Communities Project; Rolf Pendall, director of the Metropolitan Housing and Communities Policy Center, Urban Institute; Erika Poethig, Institute fellow, Urban Institute; Patrick Sharkey, associate professor of Sociology, New York University; Philip Tegeler, president and executive director, Poverty and Race Research Action Council; and Margery Austin Turner, senior vice president for Program Planning and Management, Urban Institute.

<sup>14</sup> Elizabeth Kneebone, “The Growth and Spread of Concentrated Poverty, 2000 to- 2008-2012,” Brookings Institution, July 2014.

To accelerate progress, the investments will be sequenced through multiple layers of funding, both on a national scale and within a subset of targeted regions.

Overall, they represent a two-pronged approach:

- Support greater integration by creating more viable pathways for individuals and families to move to high-opportunity communities nationwide
- Supplement housing mobility programs within select regions through coordinated investments to increase the quality of both hard and soft assets in distressed, high-poverty neighborhoods

### **Support greater integration by creating more viable pathways for individuals and families to move to high-opportunity communities nationwide**

Despite HUD pressure to increase access to fair housing, little additional resources are available to local housing authorities to achieve this goal. Core to this outcome are housing mobility programs. They fund housing choice vouchers,<sup>15</sup> but many participants need supplemental investments and supports to be successful due to the other structural and social barriers they may face when making the move. Significant research underscores the necessity of assisting families in the housing search and transition, and encouraging landlords to identify and develop more affordable housing stock in high-opportunity neighborhoods. These programs also require changes in local housing authority policies, such as a willingness to prioritize young families on voucher waitlists, as well as enforcing local fair-market rents to account for the increased cost of living in high-opportunity neighborhoods. To implement such a program, local housing authorities would need additional funding and, potentially, added economic incentives to support best practices.

The following set of investments would capitalize on the growing momentum around housing mobility and support local housing authorities in helping to adopt high-quality housing mobility programs. Such efforts will provide low-income individuals and families with significantly more access to safe, thriving, high-opportunity communities. The core areas of investment are:

- Establish a national-level organization to support simultaneous expansion and experimentation with moving-to-opportunity programs across multiple regions
- Invest in 20 to 25 targeted regions to develop regional mobility programs in partnership with the local housing authorities
- Fund a local organization in each region to support the cause of inclusion and integration

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15 According to HUD: “The housing choice voucher program is the federal government’s major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses and apartments.”

Throughout American history, three of the biggest barriers to inclusive, integrated communities have been the lack of affordable housing, the prohibition—subtle or overt—of specific minority groups or social classes from living in certain neighborhoods, and the flight of more privileged social groups to other communities once a potentially “undesirable” group moves in. This category of investments attempts to address these barriers.

**Investment #1: Create a national nonprofit to serve as a hub for expertise on housing mobility programs<sup>16</sup>**

Building on the momentum of several successful housing mobility programs, this organization would bring together leading practitioners and researchers in the field of housing mobility to provide technical assistance and seed grants to regional programs. As a national hub, this nonprofit would also provide a consistent set of quality standards for housing mobility programs and support continued evaluation and improvement or—when necessary—end funding for programs that do not meet those standards.

Ultimately, this organization would become a beacon of best practice and provide vital infrastructure to the housing mobility field. As the organization grows, it could engage in providing training for the local housing authorities and fund research and evaluation of innovations in practice. It could also provide oversight of grants for housing mobility programs in multiple regions and provide templates of effective policies at local, state, and national levels.

Philanthropic capital to support such an institution should be primarily used for seed funding with the goal of attracting other donors to help support operations in the mid to long term. This will help ensure the organization’s sustainability.

**Investment #2: Invest in 20 to 25 targeted regions to develop regional mobility programs in partnership with the local housing authorities**

Mobility programs in Baltimore, Chicago, and Dallas are generating proof points amid growing pressure from HUD for change. These trends offer philanthropists a unique opportunity to significantly scale the housing mobility program model from 20 to 25 communities nationwide. With the support of philanthropic capital, these programs would provide many families with the opportunity to use housing choice vouchers to move to higher-opportunity neighborhoods. A national learning community would support program leaders, who could count on technical assistance from the national mobility intermediary.

City housing authorities run some successful housing mobility efforts, such as the Chicago Housing Authority’s [Mobility Counseling Program](#). However, regional initiatives like the [Baltimore Housing Mobility Program](#) combine the financial and administrative capacity of several housing authorities with the resources and social services capacity of local nonprofits and advocacy organizations.

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<sup>16</sup> This idea, as well as Investment #2, was inspired by Elizabeth Julian’s concept of “Mobility Works America,” published in *Poverty & Race*, Vol. 24, No. 4, (July/August 2015).

These efforts help support a truly regional approach and a clear vehicle for philanthropic collaboration. Investments would either incubate or scale a nonprofit that would work with the regional housing authority to expand housing choices for the area's very low-income residents.

The philanthropic capital accompanying these vouchers would support the selected nonprofit in:

- Providing residents with top-tier mobility services, including counseling to support housing selection and transition services (for example, in-school enrollment and job applications) that would remain with the family for as many as two years after their move
- Coordinating with landlords and local realtor associations to expand housing options through:
  - Expanding public listings of residencies open to families with housing choice vouchers
  - Incentivizing landlords to take multiple housing choice voucher families by providing a subsidy for higher rates of rental reimbursements for a higher number of residents using vouchers
- Where applicable, assisting smaller mobility programs within the region to add organizational capacity to scale

Success depends, in part, on the regional housing authority's willingness to partner with the new nonprofit, as these local agencies control the government funding available for housing choice vouchers. Ideally, the nonprofit's ability to provide supplemental support for a large-scale housing mobility program would incent the local authority to increase investment in housing choice vouchers. If the local authorities are either unwilling or unable to partner with the new organization, philanthropic capital could be used to directly subsidize participation by, for example, providing funding for additional staff members to administer the program within the local authority. This funding would be conditional on the authority's compliance with the core tenets of the program and evidence of what is most effective for improving social mobility outcomes.<sup>17</sup>

Further investments could support the nonprofit in piloting additional service programs for residents in transition. Two potential innovative programs include:

- Piloting "posse" programs through which groups of residents move together, as families and social networks, in order to ease integration and retain social

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<sup>17</sup> In particular, recent analysis from Chetty et al. suggests these vouchers will be most effective if they are primarily targeted to families with young children (i.e., below the age of 13), and contain requirements that they must be used on housing in communities with low levels of poverty (i.e., less than 10% of the population living below the Federal Poverty Level). Administering a housing choice voucher program that complies with these conditions may require changes in the local housing authority's policies. Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," *American Economic Review*, Vol. 106, No. 4 (April 2016).

capital (Local housing authorities may face limitations in implementing such a program. As a result, the funder may need to find other methods to cover the cost of these vouchers.)

- Piloting innovative methods of providing access to transportation to families as they move, through grants for higher-quality cars, memberships in sophisticated car-sharing programs, or transit services such as van services to work and school

### **Investment #3: Fund a local organization in each region to support the cause of inclusion and integration**

As mentioned, people living in neighborhoods to which low-income families seek to move sometimes strongly resist mobility initiatives. One way to soften people's pushback is to fund local community organizations that are willing to speak up for integrated communities.<sup>18</sup> The ideal type of organization may vary, with current successful housing mobility programs benefiting from the voice of regional leaders, public newspaper statements, welcoming committees within neighborhoods, or broader work to organize individuals and advocate for integration-friendly policies. To allow for this flexibility, a philanthropist could send out a request for proposals within each of the 20 to 25 regions, calling for organizations to devise plans for promoting inclusion within their regions. Grants could fund something as small as adding a couple of additional staff members or could be large enough to fund regional community meetings. Funds could also cover the cost of additional technical assistance from the national mobility intermediary.

### **Within select regions, provide additional investments to increase the quality of both hard and soft assets in distressed, high-poverty neighborhoods**

Recognizing that not all families will choose to leave their neighborhoods, even with access to a housing mobility vouchers, a significant proportion of the investments would be dedicated to improving the outcomes within the most severely distressed communities. The emphasis would be on supporting community members in surfacing and addressing their own core needs. Considering the complexity of supporting place-based change, this portion of investments should be focused in three to five regions that are taking part in the housing mobility program.

The ideal regions for these deeper investments would have neighborhoods with a mix of high-quality assets and sources of economic growth and opportunity, alongside pockets of concentrated poverty. It is important to note that this requires differentiating between poverty tracts (20-plus percent), which offer different levels of need and potential for intervention, versus distressed neighborhoods (40-plus percent), which may require more ambitious types of intervention. Neighborhoods currently undergoing gentrification may also require a different set of interventions and may need to be the priority area for intervention in a limited number of regions. It will be necessary to preserve

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<sup>18</sup> Interviews with housing practitioners (see full bibliography for further detail).

opportunities for low-income families to remain in these neighborhoods and to support preservation efforts in neighborhoods adjoining gentrifying areas.

The ultimate goal is to create national proof points for ways to alleviate the stress of concentrated poverty and transform distressed neighborhoods into springboards for low-income individuals to reach their full potential. If successful, the investments could spread to all of the regions involved in the housing mobility programs. Philanthropists pursuing this path will need to gain the support of mayors and other civic leaders to champion this effort.

### **Support a community-driven planning process to develop a thorough understanding of the regional assets and potential**

The necessary first step of a regional initiative of this scale is to understand the local context and use this knowledge to properly design the path forward. Core to this is assessing the relative concentrations of poverty and economic distress across the region, as well as information on relative concentrations of community and regional assets. New research tools, datasets, and sensibilities are quickly emerging to measure these variables.

For example, the Life Course Metrics Project's index of "concentrated disadvantage" and the Community Development Financial Institution (CDFI) Fund's<sup>19</sup> "distress indicator" both use Census Bureau and American Community Survey data to measure relative distress within communities, based on poverty level and family structure, among other variables. Local CDFIs use the indicator to prioritize investment in the most distressed communities. In addition, HUD's 2011 Housing Choice Voucher Marketing Opportunity Index provides a robust tool for measuring the relative opportunity for housing voucher recipients within certain communities, based on both communities' opportunity levels and the number of rental units that accept vouchers. HUD's recent Affirmatively Furthering Fair Housing rule is compelling local housing authorities to use this index to develop regional plans for addressing disparities.

These tools can be further leveraged at the regional level in order to plan for comprehensive change through the following investments.

### **Investment #4: Support a thorough mapping of neighborhoods by relative assets, concentrations of poverty, conditions of blight, and barriers to economic opportunity**

Using the tools outlined above, philanthropic capital could help bring together stakeholders including regional housing authorities and CDFIs to collate their data on the relative distress and opportunity within the region. Where necessary, grants could supply additional data gathering and analysis. Each community/neighborhood/census track should be given a rating on level of distress, opportunity, and the current availability of low-income housing.

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<sup>19</sup> The CDFI Fund is the national aggregate of funds available to local CDFIs across the country.

### **Investment #5: Develop a regional plan for community investment**

Building off the data, the next phase of the planning process should identify communities for investment. Targeted communities should be chosen based on the need and level of distress, and on the potential for investments to unlock and build on latent assets, such as available government funding and effective community organizations.

In addition, philanthropic capital should support the region in adopting metrics for success, such as community scorecards, which could be tied to the region's specific needs. If needed, capital should also improve the capacity to track and collect data across the region. This could be through funding positions for data analysts within the city or contracting with a third-party provider.

### **Increasing the quality of both hard and soft assets in distressed, high-poverty neighborhoods**

Billions of dollars of philanthropic and government investment has focused on improving the conditions and vitality of distressed neighborhoods over the past 60 years. Approaches have evolved with changing perceptions of what communities need to thrive. They have moved from the wave of high-rise government public housing that began to swell under President Lyndon Johnson to the last two decades' efforts to subsidize mixed-income housing alongside increasing access to services.

Currently, one of the approaches with the most traction among researchers and practitioners is the provision of cradle-to-career services. In this model, children throughout the neighborhood have access to a full set of integrated resources supporting them from a very young age (for example, parenting classes and early literacy interventions) through the secondary and post-secondary education (for example, career counseling and on-the-job training), with some level of coordination along the way. Exemplars of this approach include [StriveTogether](#), the [Harlem Children's Zone](#), and the recent [Promise Neighborhoods](#) grant program administered by the US Department of Education.

Other approaches include building on the work of organizations such as Choice Neighborhoods, which focuses on rehabilitating housing and commercial real estate, and scaling initiatives like Purpose Built Communities, which provides improved social services to distressed neighborhoods. However, some advocates for economic and racial integration have pushed back on these efforts in recent years, arguing that through building more affordable housing in low-income communities they may unintentionally contribute to the further concentration of poverty.

Most of these initiatives have struggled to fully realize their ambitious goals or to scale their accomplishments in single communities. While these approaches face many challenges, the investments proposed here will seek to overcome the following primary barriers:

- Limited understanding of the community’s latent assets, including the personal and collective assets of residents as well as other assets available within the region (for example, jobs available in nearby communities and underutilized public funding sources)
- Lack of agreed-upon metrics and the capacity to track data on implementation and participant outcomes over time
- Insufficient support (both financial and political will) to integrate services across the silos that have amassed in many programs and organizations
- Insufficient attention paid to levels of gentrification and the rising cost of living during periods of revitalization
- Lack of desire or ability to provide funding over a long time period with limited intermediate success outcomes

To fuel community revitalization, while addressing the above barriers, philanthropy’s role will be to fund direct services and advocate on behalf of the community to city government and market interests. Specific investments will vary, based on local assets and the sources of distress. With this in mind, we posit that the core areas of investment will be the following.

**Investment #6: Engage community members to identify the most difficult or distressing aspects of the neighborhood in which they live (for example, crime, poor air quality, and blighted housing) and identify available assets to address these needs**

As with the regional plan, each neighborhood change effort should begin with a community planning process. Where possible, this process should build on past community initiatives and can involve surveys, canvassing efforts, and open community meetings. Meetings should be anchored in the region-wide data analyses and be as realistic as possible about the data on the neighborhood, including lack of previous investment and conditions of blight. The process should also be informed by a survey of assets that are available within the community (such as potential government funding streams that could be redirected or increased). Where local housing authorities are undergoing planning processes in conjunction with HUD’s new AFFH rule, efforts should be highly coordinated and build off the robust community engagement required by the rule.

With this information, philanthropists should support community members in surfacing and voting on priorities and first steps for neighborhood improvement. Ample time and resources should be dedicated to this process to ensure the highest level of clarity and agreement on priorities and appropriate metrics to track the selected priorities.

**Investment #7: Alleviate conditions of blight and insecurity**

In line with community-identified priorities, philanthropic capital should provide direct, emergency investment, where other funds do not exist, to improve conditions of blight and insecurity. Investments should align with community

priorities and emerging best practice in neighborhood stabilization. Several potential activities include:

- Increase safety and security: Provide funding to programs like Becoming a Man and Homeboy Industries, which support young people who are at risk of committing crimes, as well as grassroots community policing initiatives like paid neighborhood watch programs
- Improve access to transportation: Provide funding for pilots of innovative car-sharing or other collaborative transportation programs
- Provide direct investment in redevelopment of the physical housing and community assets, alongside cradle-to-career programming (for example, Purpose Built Communities)
  - *Note: If this last approach is chosen, it may become the investment's primary focus due to the high cost of building physical infrastructure.*

#### **Investment #8: Advocate for basic community needs by supporting grassroots advocacy efforts and using personal influence**

In line with community-identified priorities, philanthropic leaders should act as listeners, supporters, and brokers to push for a greater share of government and market-based services. The approach should focus on developing latent assets, which would be identified during the planning stage. Potential investments include:

- Fund grassroots initiatives that would push local government authorities to improve core services: For example, community policing and police training initiatives could improve safety and security in communities; advocating for the creation of a magnet school to improve educational outcomes and attract students from wealthier communities could catalyze efforts to upgrade an entire school system; and where applicable, incentivizing public investment could fund innovative pilot programs in community policing in collaboration with the local police department
- Attract core services, such as banks and grocery stores, by working directly with major retailers and other businesses to understand what is preventing them from opening stores and bank branches in neglected areas: Where applicable, make the case for investing in the community by, say, showing that there's profit in providing banking services to the poor. Another approach would be to help corporations overcome barriers to investing—if safety is a concern, philanthropists could subsidize the cost of providing private security

#### **Investment #9: Provide direct investment and attract additional funding to support core sources of community vitality**

Focusing solely on alleviating blight and connecting residents to core services is not enough to build a cohesive and vibrant community. A philanthropist could play an additional role by bringing other local donors to the table to help stabilize and grow the community's anchor institutions, such as the Boys and Girls Clubs and neighborhood centers.

**Investment #10: Support community preservation strategies that are aimed at purchasing and maintaining housing stock for qualified low-income families**

Any effort to revitalize communities where poverty is concentrated will encounter headwinds from the affordable housing rental market. Stocks of affordable rental units are declining due to larger trends of “foreclosure, age-related deterioration, rising maintenance and utility costs, demolition, and expiring use restrictions and affordability controls.”<sup>20</sup> This potentially creates an opportunity for philanthropists to invest in the three to five regions where revitalization efforts could otherwise inadvertently displace residents. Such intentional, timely investments to preserve the nature of the community and the ability of those currently living in the community to stay would help ensure that everyone can benefit from the region’s growth.

Building on the preservation compact model established in Cook County, IL, Ohio, and state [Housing Trust Funds](#) in Washington and Delaware, investments in this area would support multipronged approaches to preserving affordable housing. Activities would include investing directly in state and local housing trust funds that are in the process of buying up existing properties in the distressed communities. The goal is long-term preservation and affordability, as well as advocacy for policy innovations such as below-market interest rates for nonprofits, which would help them compete with for-profit investors in acquiring at-risk properties.

## Risks Involved

A philanthropist should know that risks could arise from adverse political pressure, potential policy changes, and low levels of adoption among the population.<sup>21</sup> For example, a public announcement of a plan for racial integration could draw attacks from a range of socioeconomic classes. Also, dominant ethnic groups, primarily whites, could flee neighborhoods targeted for integration. While these risks are addressed in some of the investments outlined above, a philanthropist should evaluate the ideal level of community engagement, publicity, and proportions of integration that would be necessary within each region to further mitigate risk and support sustained positive outcomes from the investments.

Moreover, the plan’s long-term nature will require sustained political support. For this reason, the leadership of the initiatives within each region should be, at least in part, composed of individuals who could sustain shifts in the local political climate (e.g., roles not directly tied to mayoral leadership).

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<sup>20</sup> *Evidence Matters: Transforming Knowledge into Housing and Community Development Policy* (U.S. Department of Housing and Urban Development, Fall 2013).

<sup>21</sup> John Goering, “The Impacts of New Neighborhoods on Poor Families: Evaluating the Policy Implications of the Moving to Opportunity Demonstration,” *Economic Policy Review*, Vol. 9, No. 2 (June 2003).

## Projected Impact

The projected impact of this bet is increased social mobility within a region. While the analysis by Chetty et. al (2014) did not prove a causal relationship between decreased racial segregation and increased social mobility, there is evidence that suggests these factors may impact one another. Primarily, the more recent work by Chetty, Hendren, and Katz, which [analyzed the Moving to Opportunity](#) (MTO) experiment, demonstrates that a low-income child growing up in a mixed-income neighborhood is likely to have a higher annual income by adulthood than her peers who grew up in neighborhoods of concentrated poverty. Furthermore, emerging research supports improved mobility for children of all economic classes when communities are economically integrated.

Thus, while it is difficult to calculate the expected increase in rates of overall social mobility, the concept estimates the positive effects a regional mobility program may have on young children who would otherwise be living in communities of concentrated poverty. The Chetty et al. analysis of the MTO experiment, mentioned above, showed that children of parents who used experimental vouchers<sup>22</sup> reported an increase in annual income by adulthood of \$3,477, which they **estimate will lead to an increase of \$99,000 in lifetime income.**

Due to less-than-robust data on the effects of neighborhood transformation efforts on individuals and families, the estimates for this concept only cover the implementation of investments related to increasing housing mobility, including the creation of a national housing mobility intermediary and medium-scale housing mobility programs in 20 to 25 metro areas.

These investments will provide 4,000 to 8,000 families living in very high-poverty neighborhoods, where 30 percent to 40 percent of the population lives below the federal poverty level (FPL), in each of the 20 to 25 regions with a housing mobility voucher. The voucher would help families secure housing in high-opportunity neighborhoods, where less than 10 percent of the population lives below the FPL. The families would also receive two years of mobility counseling, which would help them search, secure, and transition into housing in economically diverse neighborhoods.

Additional investments include landlord outreach, advocacy efforts to create more inclusive communities, and additional services to help families that move, such as increased access to transportation and social network supports.

Given the geographic spread of the investments for regional mobility programs (20 to 25 regions), the concept estimates that as many as 100,000 families, comprising roughly 182,000 children under the age of 13 would reside within the regions that are slated for investments. Assuming the parallel investments

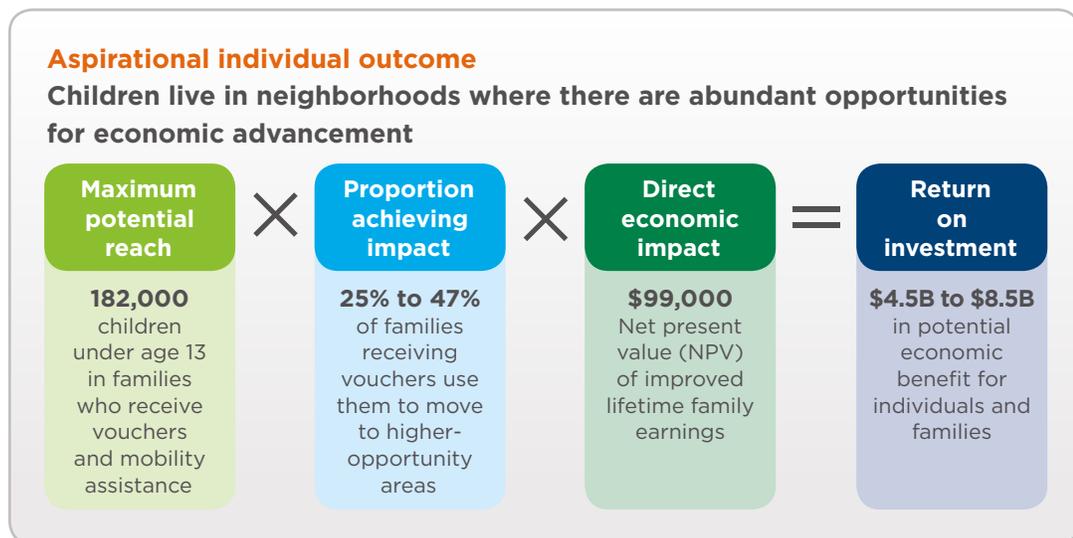
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<sup>22</sup> Experimental housing vouchers were accompanied by a condition that they must be used in a community in which less than 10% of the population lives below the Federal Poverty Level.

can enable sufficient expansion into additional opportunity neighborhoods, the estimated upper boundary of the population achieving the desired outcome would be 47 percent—in line with the existing MTO pilot—and a lower boundary would be 25 percent. However, it’s possible that fewer families will elect to move. It’s also possible that parallel investment will fail to create enough rental units to support this approach. Additional questions arise as to the dilution of the effects of the MTO program when a far greater number of families decide to move. These and other factors lead to the lower estimate. **As a result, the concept would translate to between 45,000 and 85,000 children benefiting from vouchers and moving to high-opportunity neighborhoods. This would lead to potential lifetime family earnings returns of between \$4.5 billion to \$8.5 billion.**

There are, of course, additional benefits that could be achieved via the impact of growing up in a high opportunity neighborhood. For example, using similar figures from the MTO study, the estimated per-child increase in taxes paid over their lifetime is \$22,400.

*Note: Additional benefits of cost savings to the government due to a decrease in the use of social services and the potential multiplier effect on future generations should also be considered but are not calculated here.*



## Breakout of Costs by Investment Area

In order to determine the likely cost of the investments outlined above, we researched the cost of applicable benchmark programs and investments. We then multiplied the cost of the benchmarks to represent the scale at which the above recommendations are presented. For this paper, the benchmark programs that were considered were Moving to Opportunity, Baltimore Housing Mobility Program, StriveTogether, Purpose Built Communities, NeighborWorks America, and the Inclusive Communities Project.

Pathway	Investment Area	Estimated Cost
<b>Investing in field infrastructure</b>	Create a national nonprofit to serve as a hub for expertise on housing mobility programs	\$100,000,000
	Support mapping of relative assets and racial/economic concentrations across communities in 20 to 25 regions, and develop a regional plan for economic integration and community investment	\$50,000,000
<b>Honing promising programs and helping them grow</b>	Partner with local government to build large-scale regional mobility programs in 20 to 25 regions, fund nonprofit to provide high-quality mobility services and work with landlords	\$250,000,000
	Fund a local organization in each region to support the cause of inclusion and integration	\$50,000,000
	Engage community members in distressed areas in three to five cities to identify the most pressing areas for improvement, provide direct investment in improving core assets and relieving conditions of blight, and support preservation of affordable housing stock for low-income residents to remain in their communities	\$500,000,000
	Advocate for increased investment in distressed neighborhoods in three to five cities, fund grassroots efforts, and broker with government and market leaders to invest in and improve core services	\$50,000,000
<b>TOTAL</b>		<b>\$1,000,000,000</b>

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