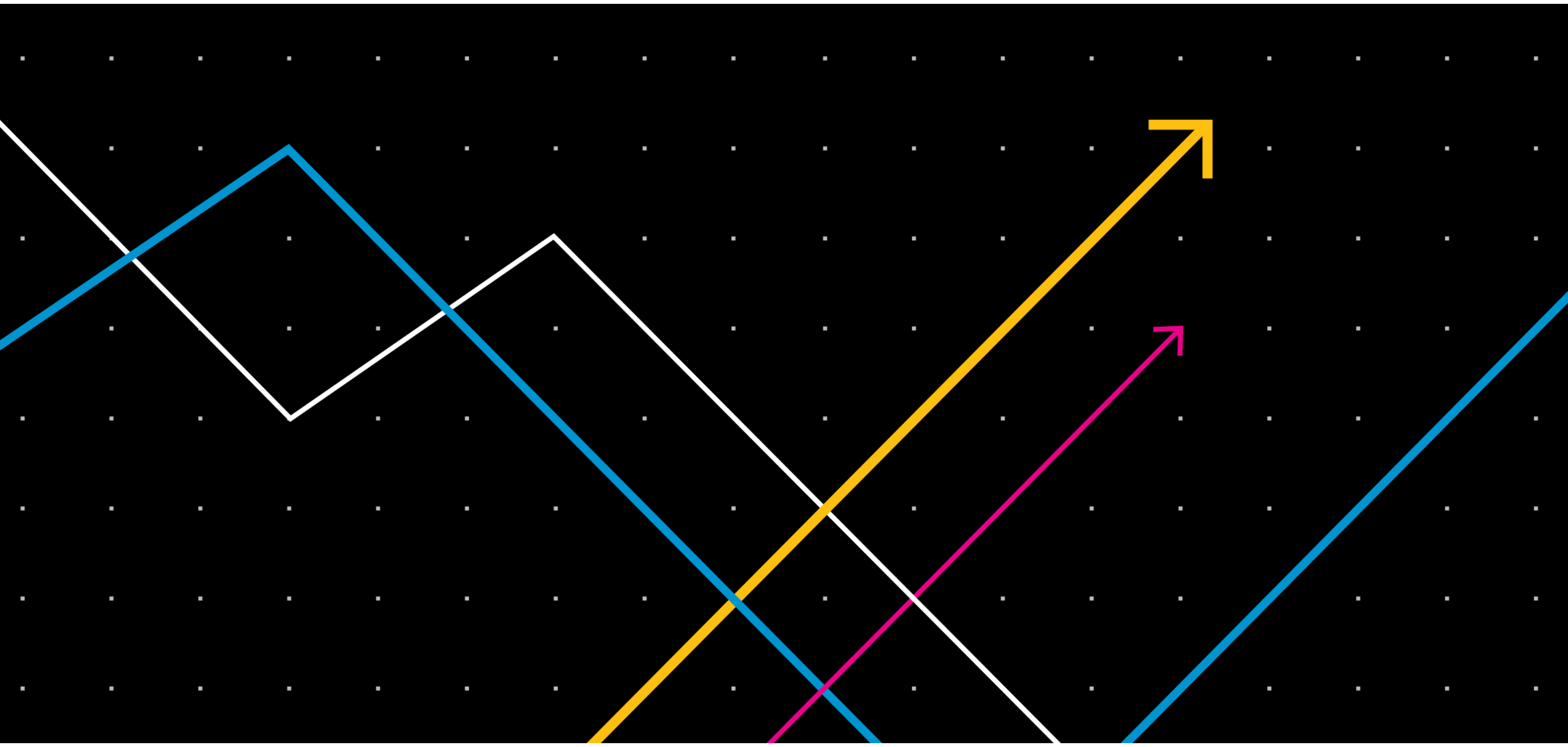

RESEARCH PAPER

Race, Gender, and Equity in Community Development

Ten Findings, Six Ways Forward

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URBAN INSTITUTE · ELEVATE · THE · DEBATE

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Contents

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Foreword

Renewal. The ability to renew indicates life, openness, change, and vibrancy. This paper urges a renewal of the community development paradigm, with race and social justice welded more deeply into investments in place. Nancy Andrews calls for a fieldwide discussion of what it will take to bend place-based practice more strongly toward justice and equity, toward breaking the isolation of segregation that is at the root of so much inequality. She sketches a pathway toward renewal and calls upon practitioners and social justice advocates to reframe the vision and theory of change behind our place-based work.

This paper offers a radical critique, revisiting the roots of the community development framework. Only by embedding an explicit race, gender, and social justice lens into place-based work, it argues, can we reach the goals we set 50 years ago, when community development first emerged from the civil rights movement. The paper goes further, with three concrete steps laid out, and suggesting favorable policies and new tools that could put wind in the sails of practitioners trying to bring these ideals to life. We hope you enjoy it and, along with us, that you will use your own creative powers to imagine how we continue to improve, renew, and infuse justice and equity throughout our work.

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Race, Gender, and Equity in Community Development

Community development emerged from the activism of the civil rights movement of the 1960s. Then, turmoil in our cities forced Americans to wake up to the depth of poverty and inequality that threaded through urban and rural communities alike. Our national reaction ushered in a wide-ranging response—the War on Poverty—that included the early seeds of community development. But today, 50 years later, we are sobered by events from Ferguson to Baltimore, Charleston to Chicago, and now Charlotte and Greenville. Many community development leaders are questioning whether we have done enough to address racial and gender inequality. We are forced to reconsider whether our work has become too narrow, whether we have drifted too far from our roots in the civil rights movement. There is a broad move afoot to dig deeper on the issues of race, gender, equity, inclusion, and social justice.

This paper looks at the work of leaders within the community capital movement. It summarizes how 15 leaders of community development finance organizations are intensifying their focus on race, gender, and equity. It draws lessons from this experience. And, it provides a prescription for change. That prescription calls for a fieldwide reformulation of the community development vision that embraces equity and justice explicitly; it calls for an expanded policy agenda to update the tools we use (the Low-Income Housing Tax Credit, the New Markets Tax Credit, and others) to include segregation-busting features; and it calls upon us to broaden our work toward "both-and" and inclusive strategies—that is, not only investing in the most distressed places, but enabling low-income families access to high-opportunity places.[1]

The leaders interviewed for this paper uniformly start from the belief that, as a field, we haven't done enough respond to racism, misogyny, and inequality. The goal of this review is to understand what we're doing now, to shine a light on where this is taking us, and to use these efforts to lay a pathway forward for all.

Of the 15 organizations surveyed, most if not all are focusing internally, on staff and board diversity, on training and staff awareness—that is, on organizational elements under their control. They are less focused on fundamentally altering community development's theory of change; they are less clear on how our programs, our investment strategies, or the enabling environment need to change to incorporate inclusion, equity, and justice more completely. Yet, to have an impact beyond ourselves, many leaders recognize that these are indeed the areas that need to change. Some community development leaders are openly calling for a paradigm shift. Their call to action urges us to use the power of our voices and our influence—much as we did in the 1960s when the field was born—to change how public resources are delivered, to incorporate justice and equity more intentionally within the enabling environment of public policies, funding, and resource delivery.

For example, how can the Low Income Housing Tax Credit, sometimes criticized as concentrating poverty and racial disparity, be amended to include a segregation-busting focus? How can we incorporate a focus on equity when our investments ***succeed*** in creating economic growth that, in turn, causes gentrification and displacement? How do we amend the entire ecosystem of programs, from Community Development Block Grants to essential housing subsidies, to incorporate attention to breaking down segregation and isolation?

Fifty years after the start of the civil rights movement, we are beginning to see that racism and misogyny are less susceptible than we first imagined to economic growth. In fact, perversely, growth sometimes exacerbates these underlying social attitudes. Our intense focus on reinvesting in places, combined with an understandable demand to concentrate scarce resources on those in greatest need, has led to unintended adverse consequences: at times concentrating poverty in low-income places, worsening segregation and isolation. We have invested billions of dollars and improved many poor communities, but we have not undone the racism baked into our system of laws and policies, our cities' zoning rules, the private sector's investment priorities, our social attitudes. This is not the fault of community development, but it is happening on our watch. And it reveals a gap in our thinking and our practice. Recognizing this gap is painful. But it also means we can learn, change, improve. Ultimately, it's a hopeful sign.

Bending our work to a deeper focus on race, gender, equity, and inclusion will require a fieldwide conversation, a national brainstorming; it calls on the imagination and creativity of all of us working in community development. How we go about this, how we change ourselves, will be the next chapter in our field's evolution.

“We kind of left out the impact of structural racism”

It is important to remember how radical the idea of community development was when it began. Neighborhoods as a locus for federal policy was disruptive thinking—and often opposed bitterly by conservative forces of the time. Investing national resources directly into poor communities to reverse economic decline, to produce opportunity and equality for low income residents, was brand new. It had no precedent in American social policy. Community development theory held that by reversing decades of disinvestment and channeling that reinvestment into local economies, we would stimulate economic growth, create jobs and opportunity, and lift families out of poverty. And the nation would begin to repair a history of racism and discrimination.

Today, we have a chance to reflect on this idea anew. What has worked, and what has fallen short? What have we learned from our efforts to create opportunity and equity over the past 50 years? Were our basic ideas sound? Are we doing everything possible to serve our mission, or are there lessons for us to improve how we work? How should we change what we do?

When asked to reflect on the strengths and gaps of the past five decades of work, one leader in the community development finance sector said, “We kind of left out the impact of structural racism.” This is not because the founders of the community development field were blind to the impact of racism (though they *were* blind to the impact of misogyny). But our original way of thinking assumed these forces would give way to the more powerful forces of economic change. This is the portion of community development theory that needs to be challenged.

Ten Findings from Leaders’ Interviews

In total, we conducted 15 interviews with leaders of community development financial institutions (CDFIs) and community development corporations (CDCs). Ten key findings emerged:

1. **All CDFI leaders are eager and motivated to change and to infuse equity and justice more deeply into their work.** In all the interviews, there was zero argument and an absence of defensiveness that the field can or should do more. There was a genuine hunger for better ways forward. There was unanimous agreement that we should be doing more to embrace equity concerns. There was a willingness to be open and self-critical.
2. Nearly all organizations approached social justice and equity issues from the viewpoint of internal **organizational staff and board composition.** They focused on areas under their control, such as diversity among staff members, on the board of trustees, and within the ranks of management.

3. Some organizations are evaluating and improving their **human resources policies and benefits**, along with other pertinent policies, to be more disciplined in articulating the values of equity for all groups.
4. Several organizations had established organized **staff-led equity, diversity, and inclusion committees** to evaluate organizational practices and recommend improvements. Some had even added staff positions devoted to supporting this work.
5. Some organizations, but not many, were **auditing their practices and benchmarking their vendors and customers** for racial and other aspects of diversity.
6. A few organizations had developed **equity scorecards**, against which projects and investment decisions were evaluated.
7. Only a few organizations were **evaluating their strategies, programs, and impact** for equity and social justice outcomes. For example, in urban areas, displacement is an obvious place to start with a programmatic response. Strategic and programmatic change is the most nascent area of change but also the most difficult for CDFIs to address. One leader said: "We can't do this alone. This requires a fieldwide conversation"—meaning, addressing the issue of strategy, how our programs much change to incorporate segregation-busting features, is bigger than a single organization and requires a collaborative effort.
8. Only one organization had developed **an explicit partnership with a rights and justice organization**, although one or two more recognized the need for this.
9. Two organizations articulated the need for a **paradigm shift**, an adjustment to the fundamental theory of change behind community development to include explicit attention to rights and justice. This perspective will have the most profound and the most powerful shaping influence on the community development field overall.
10. Finally, one leader pointed to the need for **new or transformed resources and tools** to support equity goals. This leader mentioned the limitations of traditional, place-focused tools and subsidies like the Low-Income Housing Tax Credit or the New Markets Tax Credit. Absent resources and tools that support new directions, this leader made clear that we are swimming upstream.

We cluster these 10 findings into four main areas:

- unanimous agreement: an urgency to change
- first point of entry: organizational diversity
- strategic responses: programs and impact
- transformation: a paradigm shift

Unanimous Agreement: An Urgency to Change

During the interviews, one leader said,

> When you look back, we were a movement that was mesmerized by the power of real estate to fix places. We didn't focus as much on people. We learned more about the capital stack than we learned about the people that live in these places.
>
> If we were to take the clock back, we would put more focus on the people. We would still be doing real estate, but we'd also be focusing more on putting race and equity on the agenda. This would be on the agenda more front and center. But, we're moving there now. It's not too late.

He later said, **"There has got to be a paradigm shift NOW!"**

Another leader reflected, "There's a piece of equity in everything we do. But it's not enough." Yet another said, "Displacement needs to be front and center for CDFIs," making the point that successful development will make distressed places attractive and more valuable. This increased interest will lead to higher home prices and rents, forcing low-income people out. He cautioned, "We need to focus on **inclusive** development." He added, "It's not just about moving to opportunity. It's also about the neighborhood."

Every leader interviewed felt the CDFI field should be doing more to integrate racial and gender equity into their work. Indeed, the passion, hunger, and soul-searching were palpable in all interviews. Leaders focused first on the composition of the field itself, recognizing that too few people of color helm CDFIs and CDCs. The gender balance of leadership has changed markedly over the past 15 years, but the development of leaders of color has lagged.

Several individuals remarked on their growing awareness of the lack of success in alleviating racism and poverty in the hearts of our cities, the starkly obvious racial disparity in policing practices documented through cellphone footage, and the gender bias lifted up through the #MeToo movement. All these events have been wake-up calls for community development leaders. The sense of forward momentum that many believed was under way has been belied by current events, they said. Is it that our approach is ineffective, or not effective enough? Is it that we need to change something fundamental about what we do? Is it a question of scale? No matter the underlying cause, with few exceptions, leaders feel a sense of urgency about bringing race, gender, equity, and justice more deeply into our work.

When asked about the root causes of this, several leaders reflected on the history of the community development movement. They reflected on the irony that civil rights groups and urban development organizations are working in separate lanes: civil rights groups are litigating to protect and expand civil liberties, while development organizations building and investing in disinvested communities. “We were working in separate areas,” one leader said. “There’s a big gap in the ecosystem between community development, urban policy, and civil rights. The work of these sectors tends to be siloed, they don’t connect.” He went on to say, “To break that, we have to create opportunities to bring [the silos] together. Once we do that, ideas will spark. Synergies will emerge.”

Another leader reflected on “how locked into place poor people are.” She said, “So much of who we are in this country—embedded in us—is the issue of race. And we’ve not dealt with it well.” When asked why we have been less adept in this area, she mused: “We had to make strategic choices within the industry. Some of it related to our scale in the beginning. Some of it is that we can only conquer a little bit at a time. And, some of it is mind blindness.” She explained that as community development grew from its small beginnings, the priority had to be developing our craft and skill: learning how to do development, how to invest, how to run portfolios of loans, and how to advocate for the tools that enabled development. But as we achieve scale, she said, it is natural to expect more of ourselves. This leader was heartened to see the level of current attention to expanding our aperture toward race, gender, and equity.

First Point of Entry: Board and Staff Composition, Organizational Policies and Practices, Staff Awareness and Internal Culture, Benchmarking, Equity Scorecards

For most organizations, the first point of entry is looking within: looking at the board’s composition, at staff diversity, at the makeup of the senior management team. Several CDFIs hired external firms to help assess the organization’s culture, to educate staff about race, gender, and diversity concerns, and to help the organization evaluate its policies and practices.

Of the organizations interviewed, more than half noted they had organized staff committees, sometimes headed by an executive, to lead the organization toward changes. Some of these committees had focused on internal practices, while others had looked at programs, customers, vendors, and credit allocation. Several had begun internal audits and benchmarking exercises, where they evaluated the number of organizations they supported that were led by people of color or women, or the composition of their vendor relationships. Others had developed an “equity scorecard” and institutionalized this in their credit decisions, trying to include the values of equity and justice in actual, consequential, real-world decisions about where and how resources are deployed.

Some organizations formally evaluated their internal policies and practices to see what they could change that would improve diversity in their hiring and how they could improve their benefits to better support staff from different backgrounds. Here the focus went beyond race and gender to LGBT issues, immigration status, and disability issues.

Other organizations focused heavily on staff training and education about racist practices in public policy and about sensitivity toward race, gender, and equity issues in the workplace culture. For example, one CDFI leader pointed to the use of appraisals as perpetuating racial discrimination and disinvestment. He said, “Do you require appraisals for your child care centers? Think about the structural racism embedded in appraisals.” He also pointed to the frequently used “inner city” label as fundamentally objectifying and demeaning.

He noted that communities of color are systematically devalued, observing that a CDFI depending upon appraisals for its capital allocation decisions will choke the supply of capital going into those communities commensurately. When he was made aware of this fact, his organization moved away from basing decisions about loans on appraisals. Instead, his organization depends upon cash flow analysis and the debt-carrying capacity of a project. He noted that at least two other prominent CDFIs have abandoned appraisals for the same reason.

Those interviewed also focused on the composition of their senior management teams, the people who are most likely to become the next group of leaders. Several organizations are actively trying to improve the proportion of nonwhite senior managers and general staff diversity as well.

Strategic Responses: Program Directions and Impact

Only three of the CDFIs interviewed had considered significant changes in strategic or programmatic directions, and they described this work as ongoing. For example, a consortium of CDFIs is embracing “diverse by design” charter school investments, linking a diverse student population to excellence in academic achievement. While a strong body of research supports this approach, most CDFIs continue to invest in charter schools that serve predominantly poor populations where racial diversity and income mixing are less possible. Another CDFI has led the field in encouraging a “both-and” strategy—that is, encouraging mobility to high-opportunity places along with rebuilding distressed places. In tandem with a “both-and” philosophy, a few CDFIs are turning increasingly to mixed-income strategies.

“Diverse by design charter schools,” “both-and” housing strategies, and mixed-income approaches represent an underappreciated sea-change in community development practice. Consider the Moving to Opportunity Fund, innovated by Hans Buder. This fund promotes a mixed-income, inclusive strategy by acquiring market-rate buildings in neighborhoods with high-performing schools (so called “high-opportunity" neighborhoods). It sets aside 20 percent of the units in each property for low-income households with Housing Choice Vouchers, while the other apartments remain market rate.[2] This inclusive, equitable strategy requires less subsidy than traditional investments in predominantly poor places, and therefore, is more scalable and attractive to private investors. Including opportunities like the MTO Fund in a CDFI's portfolio balances out existing investments in distressed places, and would go a great distance toward an equitable, inclusive approach.

Such steps may seem logical, but they are actually discordant to the place-based mindset. Indeed, not too many years ago, the field was debating the value or threat of residents moving out of poor neighborhoods. Some practitioners viewed the reality that residents might move out of the neighborhood as failure. If families moved out of a community where investments were made, this was seen to undermine the benefit of the investments and to erode community progress. Community development practitioners reacting in this way saw their job as improving community conditions so residents would stay: mobility outside the community was evidence of failure.

In prior years, CDFIs would have equated serving a majority low-income and minority population with mission and impact. Investments in mixed income models, where community development resources would serve middle-income families along with poor families, were deprioritized; they were seen as diluting impact, as "wasting" scarce resources on families who were not poor, and as bad public policy. The "bang for the buck" of these approaches was viewed as less strong, in that fewer low-income or poor families would be served with the same dollars. The value to low-income families of living in mixed-income environments was invisible to most in the community development and poverty advocacy arena. Mobility strategies were antiposed to those intended to build up distressed and poor places.

Now, as more evidence emerges about the value of income mixing, the harm of concentrated poverty, and the clear evidence that moving to higher-opportunity places is beneficial, especially for young children, our mindset and attitudes about place-based investments are moderating. This mindset shift is profound and hopefully will lead to a new way of working, a new way of understanding the place-versus-mobility debate.

Another leader pointed to the tools that CDFIs now possess, such as the Low-Income Housing Tax Credit, the New Markets Tax Credit, or Community Reinvestment Act–driven capital. All these tools use distressed communities as their central organizing principle and are driven by geographically targeted federal housing and economic development policy. She explained:

> Our toolbox is very static. If your goal is thriving, equitable communities where people can live close to their jobs, you have LIHTC and a few other tools. These are blunt objects toward this goal. Our tools tend to reinforce concentrated poverty.

But, the design of these tools is perfectly in keeping with the original theory of change, where geography was central. Public subsidies like the Low-Income Housing Tax Credit, the New Markets Tax Credit, community development block grants, and others require that support is targeted to disadvantaged census tracts or neighborhoods. Geography is used as a proxy for getting resources to low-income people. However, over time, the result has sometimes been to accelerate the concentration of poverty, and this result has produced a second round of negative consequences. Moreover, when these geographically driven resources successfully stimulate neighborhood growth and investment, the result has often been gentrification and displacement.

Herein lies a conundrum with which community developers must wrestle. It is virtually impossible to improve the conditions of poverty without economic growth and vitality. Yet, when we stimulate economic growth in distressed places, low-income people do not necessarily benefit from that growth. In fact, they can be hurt through gentrification and displacement. Our success can often be our undoing. In the opposite case, when we fail to stimulate economic growth, the concentration of poverty is often the result. Federal and local resources to support low-income people and places are scarce—even more so now than 50 years ago. So, it is natural that we want to husband resources and focus them on the most deeply impacted families and neighborhoods. It is natural that we use geographic and income restrictions to target resources.

In past years, we've addressed this conundrum with logic, running a straight line between mission, impact, and the goal of serving the greatest number of the lowest-income people possible. But this laser-like focus has yielded unintended consequences. Policies following this logic model have at times ***concentrated poverty*** and ***increased segregation***, even when the goal was the opposite. Indeed, it turns out that reality is more complex than simple logic. In fact, the shortest way forward may not be a straight line. This becomes clearer when race, gender, and justice—not just economics—are put into the center of the conversation. When our goal goes beyond economic growth and incorporates justice, it becomes clear that the best use of resources may be to support opportunity and inclusion through income mixing or to support what has seemed in the past to be a diffusion of resources.

A couple of examples will make this point clearer. In the past, housing advocates, including myself, argued vigorously against policies supporting the "80/20" housing developments: these were developments with 80 percent of the units affordable to moderate-income families and only 20 percent affordable to the poor. We saw such policies as too moderate, designed to appeal to the real estate industry more than to address poverty. We argued for more radical solutions, ones that delivered the bulk of public resources to the poor. With resources constantly scarce, it seemed right and logical that any aid should be targeted to those in greatest need.

Fast-forward 40 years, and we see the results of this thinking: poverty in many places is more concentrated, and segregation has worsened. But imagine if we had used a dual lens of poverty alleviation side by side with racial equity? We might have recognized the segregation-busting value of mixed-income housing and gone a little easier on strategies that reached up the income spectrum. We might have embraced broader, more holistic strategies earlier. And, although we might not have served as many very low–income households, the solutions we embraced might have been fairer, more effective, with more sustained results.

Likewise, in 1998, as a new CEO of the Low Income Investment Fund, I led our organization to clarify and double down on our primary goal of poverty alleviation. We invested considerable time measuring who we served and where they landed on the income spectrum, and we prioritized serving the poorest. We actively avoided projects that supported moderate- or middle-income families or that included a market-rate component. Today, I would make a different decision: I would lead with dual goals in mind and devote resources to efforts with a primary goal of racial and social justice, even if they served higher-income families.

My colleague Joe Neri with IFF recently made similar points, particularly with his provocative challenge that the appraisal-based lending of CDFIs perpetuates structural racism. His *Shelterforce* article, "Can Using a Racial Equity Lens Increase Capital in Communities of Color?,"[3] calls for a spectrum of strategies to promote equity and justice, exhorting CDFIs to consider the racial implications of using appraisals in delivering capital. Low-income communities for years faced discrimination from redlining, he reminds us, that reduced their value and their ability to borrow. We reinforce this discriminatory system every time a CDFI relies on an appraisal to make a loan.

"Consider the child care center that wants to construct a new center on donated land in a formerly redlined community," Joe writes. "When they apply for a loan, the bank orders an appraisal, which requires 'comparables.' Due to long-standing lack of formal market investment, the comps (if any) and land values are very low." As a result, these communities wind up paying more for the same commodities and services that other communities take for granted.

Practices like these systematically starve low-income communities of needed capital. CDFIs can find themselves unintentionally perpetuating these cycles unless they add a racial and gender justice lens to balance out their perspective. Brett Theodos and his colleagues at the Urban Institute put numbers behind this in their remarkable study of capital flows in Chicago.[4]

Adding a racial and gender lens to community development will profoundly change the way we do our work. It will change the decisions we make day to day. It will change our strategic priorities, our program directions, and our technical practice. To do this, we need to start by using our hearts as much as our brains. We need to understand the real-life, integrated experience of the families and communities we serve. We need to start from a human-centered theory of change, one that values people as much as place, that values equity as much as economics and that understands economic growth alone will not solve the problems of poverty, discrimination, and injustice. And we need to keep the twin goals of economic justice and human justice front and center in our strategies.

Transformation: A Paradigm Shift That Reimagines Strategies, Tools, and Resources to Shift Impact toward Equity

"When you think you're fighting for housing, what's actually underneath that is legislation and policies."

The original paradigm of community development assumed that investing in distressed places would create economies in poor neighborhoods, reversing disinvestment and neighborhood decline. Economic growth, it was believed, would create opportunity in low-income places and lift residents out of poverty. By creating economic opportunity, we believed, fairness would emerge and discrimination would fall aside. Civil rights litigation would reinforce this drive to economic equality.

Fundamentally, this original paradigm was rooted in a belief in economic primacy—the idea that economic forces are the single most powerful driver within society. This appears famously in John Kennedy's adage from that "a rising tide lifts all boats." The original paradigm is a trickle-down approach, consciously or unconsciously. It assumes that growth will create opportunity and, if targeted to distressed geographies, the people within these geographies will be lifted up. Laws, culture, norms, practices, and discrimination would all give way to the inexorable power of economic growth.

As a consequence, the bulk of the policies, programs, and resources marshalled to support community development hold geography as a central organizing principle. Most of our community development programs, which undergird the work of the field, are organized around targeted places—census tracts, neighborhoods, hot spots, opportunity zones—you name it, geography is assumed to be the key to unlock people's futures. Community development block grants, the Low-Income Housing Tax

Credit, the New Markets Tax Credit, to name a few of the most important programs, direct resources to distressed places.

What is missing from this way of thinking is the shaping power of laws and policies, social norms, and attitudes. These structures influence and channel the way economies flow. They influence the way the benefits of growth are distributed. Without addressing these laws, policies, and norms ***simultaneously*** with economic opportunity, we run the risk of repeating the same patterns in place heretofore. We run the risk of repeating history, all over again.

Economics alone cannot alleviate poverty, unless it is bent in the direction of fairness and justice. Economic opportunity alone will fall short of creating fairness unless fairness is an explicit component in the first place.

As one leader said, "There is a gap in the ecosystem." That gap is the influence of laws, rights, and the institutions to reinforce them. Without a broader aperture to our vision, without a more inclusive theory of change that goes beyond economics and trickle-down assumptions, we will not achieve our mission.

The implications suggest a fieldwide transformation that starts with our theory of change and our vision. We must consciously and intentionally go beyond a simple economic-centered mindset; we must transform basic programs lodged in 1960s trickle-down assumptions. We must restate our theory of change to overtly include equity and justice. After we broaden our vision, the second step is to reimagine how we work.

This will mean change at the systems level. It means a new conceptualization for the federal programs that drive and shape our work. It means new partnerships with rights and justice organizations, inviting them to the table, onto our boards, into our strategic planning to shape our priorities. The focus will have to be on people as much as place, on rights as much as economics, and on outcomes along with transactions.

Of the CDFIs we interviewed, none have yet articulated a new way of working clearly enough to serve as a model. And the few attempts made to change practice are often thwarted by how policies and subsidies are currently organized: the day-to-day realities of funding programs, performance requirements, and the need to keep an organization solvent and healthy all get in the way of changing our practice.

Transformation for our field will mean looking anew at the roots of our work—the fundamental programs that are our mainstay—and working together to bring them toward a vision expanded beyond economic and geographic determinism. This is beyond the ability of a single organization. It is beyond the ability of our balance sheets alone. It points to the need for all of us to use our voices and our influence to make a change. It calls us back to the first days of the community development movement, when we were organizers more than developers, advocating for a new and better world.

Clearly, transformation is not the work of a single organization. But, it does require a unified vision. It requires a integrated sense of where we're going and how we want to get there. And to develop that, we need to start a fieldwide conversation.

What Is to Be Done?

Here is a three-step prescription, with six fundamental policy reforms, for change.

First, we need to start a fieldwide conversation that includes rights and justice organizations to restate our vision, our mission, and our theory of change to include gender, race, and equity at the center. This restated vision must go beyond a belief in the determinism of economic forces. It must go beyond an implicit belief in trickle-down approaches. It must include a recognition of rights, equity, and justice. It must center gender and race. All organizations within the place-based field, as well as social justice organizations, should be invited to participate, to contribute, to argue, and to debate an agreed upon re-statement of our purpose, our vision, and how we will get there.

At a minimum, that restated vision must embrace an understanding that place is only part of the equation and that the ultimate goal of place-based work is to create better lives for people in these places—lives that are economically stable, secure, and within a social environment that values and respects the equality and dignity of all people. At the organizational level, we should invite people from the rights and justice field onto our boards and to participate as key informants in our strategic planning efforts. They should have a voice in how we set our programs, goals, and priorities.

Over the past several decades, we've seen our mainstay community reinvestment programs weakened considerably:

- The Community Development Block Grant program is now just 22 percent of its original size, in real terms.[5]
- The HOME program has lost 50 percent of its funding since 2010.[6]
- Federal support for cities plummeted by more than half from 1977 to 2012, from 12 percent of total municipality revenue to 5 percent.[7]

At the very least, we need to come together with rights and justice organizations to strengthen these funding sources, to deepen the support going to low-income, racially segregated places. But we also need to widen the focus of these programs to encourage segregation-busting features and equity-producing components.

Second, we have to change our tools and how we measure success. We must evaluate the policies, programs, and resources that are most important to our work. What resources do we depend on most for affordable housing, schools, child care centers, health care services, healthy food, and transportation? How do we measure success, and how can we build equity and justice into our impact measurement tools? What needs to change in these basic supports to make them segregation-busting? Do they lock people in to places of concentrated poverty, do they isolate people, and, if so, how can we unlock this to break down the isolation from opportunity? How do we change our tools; how do we advocate for national- and state-level changes to support a broader vision of our work? We can exhort the value of racial and gender justice, but if the tools we have to use reinforce the opposite, we can't live up to our aspirations.

Third, we must use our voices. Community development has changed the direction of social policy in the United States. Our fight against the redlining practices of major banks and the enactment of the Community Reinvestment Act is legendary. We invented new tools that revolutionized the way investment is delivered in poor communities, the Low-Income Housing Tax Credit and the New Markets Tax Credit being clear examples. We pioneered the use of capital, not just grants, for social purposes, encouraging philanthropy to conceive of program-related investments and drawing private capital where it would not go before. We taught the federal government about capital leverage with the Community Development Financial Institutions Fund and the Capital Magnet Fund.

In the day-to-day press of doing our jobs, we often take these accomplishments for granted and forget how extraordinary they are. No other country in the world possesses such a robust infrastructure of tools and practitioners focused on rebuilding disinvested places. We have proven that we can imagine the future and bring it into being. We have accomplished this using the strength of our voices: our advocacy, our ability to mobilize grassroots support, and our ability to engage in the political process. We created the entire community development infrastructure in the United States from the force of will and the urgency of our cause.

Today is no different than the past. We must use our voice, our influence, and our advocacy capacity to change the world anew. What we have learned from 50 years of practice calls upon us to consider new ways of working, to reimagine the scope and content of our work. But, without question, once we clarify our vision to more deeply embrace equity and justice, we will find a way to change the systems we depend upon to better match the direction our vision takes us.

For example, a national policy and practice agenda for place-based programs that incorporates equity and justice might include the following:

- Reform Community Reinvestment Act guidance to permit investment in affordable housing in opportunity neighborhoods, particularly those with high performing schools, rather than only in neighborhoods that are considered distressed or high poverty.
- Reform the Low-Income Housing Tax Credit and the New Markets Tax Credit to add a segregation-busting support or encouragement for movement to opportunity places.
- Invest in inclusive, mixed-income housing in neighborhoods with high-performing schools. An example of this is the innovative model sponsored by the Moving to Opportunity Fund, designed by Hans Buder and described earlier.
- Amend the Capital Magnet Fund to support mixed-income housing models as a way to promote equity and encourage income mixing.
- Include a mobility-enhancing and/or mixed-income feature to the Community Development Block Grant program. Allow CDBG funds to encourage mobility to opportunity places.
- Include within the Community Development Financial Institutions Fund an explicit focus on CDFI strategies that prioritize race, gender, and economic diversity, such as mixed-income housing, diverse-by-design schools, or neighborhood redevelopment plans that encourage mobility of poor populations into opportunity places

These initial suggestions are meant to stimulate a discussion. What is truly needed is a fieldwide conversation, including community development leaders along with leaders in the civil rights field, to develop practical approaches to incorporate a race, gender, and equity lens in place-based programs. Such a participatory process is likely to yield far more actionable ideas and will drive consensus toward policy improvements.

Some answers for how we engineer a paradigm shift in community development are immediately obvious, but others are more elusive. But, as we try to do this, we will discover what works. And as we discover, we will invent a new way of working. This discovery process will allow us to achieve our mission more completely than we have in the past.

Conclusion

There is a hunger and an urgency within the community development field to reimagine how we work. Of the 15 community development finance leaders interviewed, all felt this and were restless to carve the path forward. We have begun with the things we can control best: our own organizations, our staff composition, our boards. But we are quickly moving to consider how to reshape our investments, sometimes using judgment, sometimes fashioning "equity scorecards," sometimes calling upon the energy of our staff to shine a light on the way forward.

A few leaders and organizations are trying to reshape their strategic priorities to embrace diversity as a core requirement for achieving outcomes, a few are embracing "both-and" strategies that encourage mobility along with place-based investment, and a few are pushing to include mixed-income strategies. But an individual organization's quest for strategic refocusing leads immediately to an obstacle. Our mainstay public policy programs, our mainstay tools don't get us where we need to go, because they often work against a breakdown of segregation. These programs need expansion, given the decimation of the past few decades. They also need a second step: the reform of program design to actively embed a racial, gender, and justice lens.

Finally, a few leaders are calling for a fundamental paradigm shift: a rethinking of the precepts of community development, and a reshaping of our basic theory of change.

For community development to achieve its primary mission of opportunity, fairness, and poverty alleviation, the leaders we interviewed broadly agree that we must more deeply grapple with the inequities of structural racism and misogyny. Doing that will require an "all hands on deck" conversation. It will require a refreshed theory of change. It will require the field to reengage with its activist roots, to reshape the programs we use and to find new partnerships with the rights and justice portion of the field.

We're up to this challenge. In the past, we believed that racism, misogyny, and inequality would give way as we bent local economies toward providing opportunity for all. Certainly, the events in our cities over the past few years have humbled us and taught us that, at a minimum, we need to integrate a social justice lens more deeply in our work. If we are to achieve our mission, we must imagine our field anew. If the people we aim to serve wake up each day knowing that the odds are tilted against them, our investment is undone. If those we seek to lift up cannot depend on our system of laws for fairness, our investment is undone. We cannot invest our way out of inequity and injustice.

We should hold up a mirror and ask ourselves, how does this policy or program work against racism and misogyny? This will mean a new way of thinking and working. It means holding up a lens to every policy and every program we support with the question, “How can we make this work segregation-busting?”

In years past, we saw injustice and set about to change the world. We created a robust network of practitioners, investors, and activists. We have learned much over the past 50 years, and it is time to change again. It is time to put equity and social justice at the center of our work. What does it take to change our field anew? It takes our imagination. It takes humility and the bravery of asking ourselves the right questions. It takes our belief and commitment—the enduring commitment that is the hallmark of every one of us in this field. It takes patience to try new things, to fail and to try again. It takes new relationships, new friendships. We have what it takes to make this real. We have the tools, the skill, the professionalism, and the power to change the world—and, most important, to change ourselves.

Notes

[1] Examples of this include "diverse by design" charter school investments, mixed-income housing investments, and encouraging affordable housing in high-opportunity places, like the Moving to Opportunity Fund (https://www.mtofund.org/).

[2] For additional information on this innovative approach, see the "The MTO Fund: Harnessing the Market to Promote Opportunity and Inclusion," an essay in *What Works to Promote Inclusive, Equitable Mixed-Income Communities*, the forthcoming fifth volume in the Federal Reserve Bank of San Francisco's What Works series.

[3] Joe Neri, "Can Using a Racial Equity Lens Increase Capital in Communities of Color?" *Shelterforce*, May 20, 2019, https://shelterforce.org/2019/05/20/can-a-racial-equity-lens-increase-capital-in-communities-of-color/.

[4] See Brett Theodos, Eric Hangen, Brady Meixell, and Prasanna Rajasekaran, *Neighborhood Disparities in Investment Flows in Chicago* (Washington, DC: Urban Institute, 2019).

[5] See Brett Theodos, Christina Plerhoples Stacy, and Helen Ho, "Taking Stock of the Community Development Block Grant" (Washington, DC: Urban Institute, 2017).

[6] See Daria Daniel, "Restore Funding for HUD's HOME Investment Partnerships (HOME) Program" (Washington, DC: National Association of Counties, 2019).

[7] See Megan Randall, Tracy Gordon, Solomon Greene, and Erin Huffer, *Follow the Money: How to Track Federal Funding to Local Governments* (Washington, DC: Urban Institute, 2018).

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Statement of Independence

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