Chapter 11

Neighborhood Initiative and the Regional Economy

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Neighborhood Development and Poverty Alleviation

During the past decade, the community development financial institution that I manage (the Delaware Valley Community Reinvestment Fund) has invested millions of dollars in the low-income neighborhoods of metropolitan Philadelphia. Since its inception, the fund has operated under the explicit assumption that our financial and technical assistance programs were in support of neighborhood or community development. Our mission followed the logic of a generation of similar efforts. Having witnessed an outflow of jobs, capital, and people from the inner city, we conceived the reinvestment fund as a targeted development credit institution that would help reverse that trend by investing money in places that were increasingly poor and isolated from the mainstream economy. We also assumed that the organizational mediation for revitalization would itself be local: geographically delineated development corporations, local business associations and entrepreneurs, local companies, nonprofit institutions, and congregations.

The strategies pursued by our investments and technical assistance are both financial and civic. Above all, they are grounded in place. The questions we ask when we work in West Philadelphia or North Camden are defined by a community geography. How does a particular marketplace get restored? How do the actions of civic associations affect declining real estate values and abandoned housing stock? What financial, technical, and organizational supports are needed in a particular area to affect the economic well-being of its residents? These questions elevate local association and civic entrepreneurship alongside the profit and mobility motives of individuals, entrepreneurs, and investors. They assume that the preconditions to neighborhood change are linked as much to local social organization as to the workings of urban and regional economies.

The neighborhood revitalization model seeks to rebuild low-income neighborhoods and improve the lives of their residents through civic participation and the creation of economic activity that is locally situated. Its ancestry can be traced to federal public policy, ethnic identity politics, international development proj-

ects, the civil rights movement, the policies of national foundations, and 30 years of community organizing efforts. This myriad of influences has created a community-based development field that has found more and more public- and private-sector acceptance as a way to combat inner-city decline.

One of the striking features of the tradition—and this may help to account for its persistence—is the contradictory way it is interpreted and claimed. It is a tradition that was defined by the activism of government more than 25 years ago and, alternatively, by the absence of governmental intervention during the past 15 years. It is a tradition filled with the community control language of 1960s Black nationalism, yet is ideologically malleable enough to appeal to bootstrap capitalist Republicans. Neighborhood development seemingly offers something for everyone, whether you are a real estate investor interested in internal rates of return or a social scientist concerned with citizen participation and the decline of civil society.

The 30-year tradition of community-based development has had significant success, particularly in low-income housing production and related social service delivery. Every major city in the country contains dozens of community development corporations; local and federal public policy increasingly looks to community-based institutions to implement housing and community development activities; and an emerging infrastructure of community development financial institutions, technical assistance agencies, and bank-sponsored development programs offers support to neighborhood groups. In a period of public policy devolution, community development's emphasis on voluntarism and locality should continue to play well, although with less federal money.

At the same time, the persistence and acceleration of poverty, in the very areas where so much community development activity takes place, reveal the limitations of the approach: limitations of scale and perspective. The scale problem is self-explanatory. Just take a drive through the most blighted sections of Philadelphia, Baltimore, or Detroit, and it becomes clear that massive development intervention is required to restore the ordinary mechanisms of the marketplace and make the area a place in which anyone with choice will want to remain or locate.

Although there are good examples of community-based development activity reaching scale in very depressed areas—the section of East Brooklyn rebuilt by the Industrial Areas Foundation-sponsored East Brooklyn Congregations, the work of several development groups in the South Bronx, or the work done in Newark's Central Ward by the New Communities Corporation—examples are few and far between. In most of America's low-income urban neighborhoods, even the best community-based development efforts function as managers of decline as much as catalysts of significant renewal. This is not to criticize their hard work, competence, or even their possibilities but, rather, to point out that, in the absence of other economic strategies, community-based initiatives cannot reverse the downward spiral.

But the problem of quantity is compounded by the question of the very appropriateness of the approach. The neighborhood development model, organized around place and community, has tended to consider neighborhoods in terms of constituent service rather than in economic terms. Moreover, the transactions of community development are largely real estate based and thus not in and of themselves organized around requirements of social mobility. Far too little attention has been paid to the core issues of household poverty defined by access to good jobs and the accumulation of wealth. Making a neighborhood real estate market the focus of antipoverty intervention says more about American politics, racial segregation, and the marginality of low-income people than it does about a theory of social mobility. The places of low-income urban residents, increasingly homogeneous by race and class and increasingly detached from the centers of job generation, have less ability to regenerate themselves as communities at the very time that community development has become prominent as a self-help antipoverty strategy. As the predicament of inner-city residents has to do with household income, job location, workforce preparation, and the capacity of families and social networks.
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ideology of neighborhood development often regards locality in strategic isolation from the rest of the economy. And, as Robert Halpern notes in his recent book, *Rebuilding the Inner City*, neighborhood initiatives are consistently faced with the dilemma of asking the most marginal and powerless persons in society to solve some of society’s most difficult problems.

### The Challenges of the Regional Economy

The inability of neighborhood development activities to link residents to work and increase the mobility of households is a function not only of emphasis but of social/geographical positioning. Rapid changes in many metropolitan economies, particularly in cities that are no longer the economic engines of their region, place neighborhood-centered approaches at a disadvantage. Philadelphia is a case in point: The past quarter century has witnessed a decline in the city’s share of regional jobs and population; moreover, the concentration of poverty within the city has accelerated as a percentage of the regional poor. The numbers are striking. During the past 25 years, the city lost 225,000 jobs and 500,000 residents; during that same period, the percentage of the city’s population defined as living below the poverty line rose from 15% to 24%. Median household income in the city between 1970 and 1990 declined by $7,000, after it was adjusted for inflation, and the city’s share of the regional tax base declined from 27% to 18% during that same period.

Regional job and population growth has occurred increasingly in the suburbs, particularly in “edge city” clusters. Research by Mark Alan Hughes on Philadelphia and 11 other metropolitan “settlement patterns” shows the extent to which the suburbs are the new economic engines: While the city was losing employment in the 1980s, the surrounding counties were adding a half-million jobs. Some of the trends are particularly worrisome for low-income residents: significant declines in city manufacturing employment, not made up for by new city
service jobs, and regional retail employment gains that were almost all suburban.

The deconcentration of people is uneven with respect to low- and moderate-income households that might qualify for new suburban manufacturing and retail employment. Housing trends followed by the Delaware Valley Regional Planning Commission document the problem of regional housing affordability and its location to employment centers. Again, there are some dramatic trends: Philadelphia contains 82% of the region's public housing units and 54% of all units that have any public financing or rent subsidy assistance. In almost 40% of the municipalities in the region, the median-income renter cannot afford to rent a unit; in 80% of all municipalities, the median-income household cannot afford to buy a house. The affordability problem is particularly problematic in areas near the new regional employment centers.

When planners track automobile ownership rates among rental households—which are the poorest households in the region, with median incomes of $23,100—the problem of job access becomes even more clear: 34% of all renter-occupied households are without a car, and 43% have only one car. In the absence of city-to-suburb and suburb-to-suburb public transportation, low-income renters have limited geographical mobility.

Finally, data on educational attainment and workforce preparedness are similarly stacked against city residents. All indices, from SAT scores to high-school dropout rates, point to lower urban workforce capacity. To provide a sense of dimension to the problem, Philadelphia's Private Industry Council estimates that, although as many as 300,000 adult city residents are income eligible for federal job training programs, only 20,000 function above an eighth grade level, and more than half (180,000) function below a fifth grade level.

Regional segmentation by income, skills, race, and job location shed light on the prospects and challenges of inner-city residents. If the focus is shifted from neighborhood renewal to poverty alleviation, the policy questions that have to be addressed revolve around housing deconcentration, transportation policy, and workforce readiness:

- Rather than build low-income housing in city neighborhoods that are increasingly isolated from work, should more money and policy effort be spent on suburban affordable housing development, including the deconcentration of existing public housing stock?
- Should the demonstration efforts around the country that promote reverse transportation strategies be expanded and subsidized at a scale that would systematically connect suburban job clusters with the inner-city work force?
- Should a priority for neighborhood development advocates be the design and implementation of the highest-quality job training programs to prepare workers for family-wage jobs, thus increasing their mobility?

Although these questions do not exclude the importance of much of what passes as community development, the regional context forces us to expand the focus of local activity. What is most daunting about these issues is that serious attention to them requires massive public-sector effort—both legal (in the case of housing location) and financial. They thus pose a paradox that the present atmosphere in Washington, D.C. (and most state capitals) is unable to confront. If we want low-income, inner-city residents to enter the ordinary path of social mobility and leave public housing and income subsidy behind, it may first necessitate renewed public investment in housing, transportation, and job training, based on an explicit regional development strategy. If we do not do this, it is likely that regional class segmentation will accelerate and poverty alleviation strategies aimed at the poorest residents will be limited.

Community Development at the Intersection of Neighborhood and Region

For now, no matter what kind of logical case can be made for residential dispersal strategies, the deconcentration of low-income residents is unlikely to occur. As one who has financed affordable housing in affluent suburban counties near Philadelphia, I know how the cards are stacked against significant progress. Land values, subsidy scarcity, zoning requirements, and
public opposition make even incremental steps costly and time-consuming. Although the middle class (including African Americans) and those who make incomes even marginally above the regional median will continue to move toward the urban edge and the inner suburban belt, there will be few opportunities for low-income households to follow. The rental units—publicly subsidized or otherwise—are just not there. Similarly, significant increases in the public subsidy of transportation will not happen overnight, although increased subsidy of public transportation is likely to have a more sympathetic public hearing than is the redistribution of populations through residential location—particularly public housing tenants.\textsuperscript{11} Better public transportation will most likely occur as the concentration of jobs in various edge cities reaches critical destination mass.

Community development will remain an important policy alternative, in part because it lacks controversy and a claim on significant public intervention and in part because there are few competing alternatives. The reason for continuing to try to rebuild locally is related not just to the policy and activity vacuum but also to the continuing possibilities of cities and the potential of refocusing local activity in a decidedly more regional and economically relevant manner. Most central cities (certainly, Philadelphia) still have significant public- and private-sector job creation possibilities linked to the service and retail establishments of the central business district, government, the construction and transportation industry, the tourist and hospitality sectors, financial and information services, and the existing health care/educational infrastructure. Community development strategies can, and often do, take advantage of the existing growth potential. And some neighborhoods—although not most—are situated within the urban ecology so that their proximity to ports, highways, and vacant land make them potential warehouse and light manufacturing centers, even in an era of regional and global change. Well-conceived community development strategies can help position those places to maximize their advantages through real estate development, marketing, community safety activity, and job training. Finally, the labor of low-income neighborhoods is an important and underused resource that community development activity should view as central to success. Focusing on labor forces community development corporations and other neighborhood associations to think differently about activity priorities and mission.

The future of a more effective community development requires an explicit emphasis on poverty alleviation, which in turn requires linking the possibilities of the inner city to the regional economy. Working in the intersection of neighborhoods and the region requires five perspectives:

1. **Understanding the needs of local labor.** Community development organizations have to shift their view of the neighborhoods they work in, seeing them primarily not as real estate and social service markets but as labor markets. There is a need to gain familiarity with where people work, what their skills are, what the barriers to employment are, and which training programs or schools best link them to employers. Inner-city neighborhoods require "workforce intermediaries,"\textsuperscript{12} who can position themselves between residents and employers, even more than they need real estate developers and social workers.

2. **Understanding the regional economy.** The most relevant economic category for neighborhood activity is not the neighborhood itself but regional retail, housing, and employment markets. Neighborhood intervention strategies—even those that focus explicitly on real estate markets—must have some regional context and rationale. Community development organizations must be aware of sectoral growth dynamics, regional retail trends that will affect neighborhood shopping, residential housing trends that will affect different classes of renters and homeowners, and the evolving work preparation gaps experienced by employers.

3. **Residential housing scale and heterogeneity.** In cities with significant declines in population, some real estate markets will not revive in the near future, others will require permanent density changes, and some should be marketed to new populations and uses. In many city neighborhoods, housing activity that has as its goal the rebuilding and growth of the residential marketplace and the attraction of mixed-income populations is critical to neighborhood
survival. Rebuilding residential markets in these areas means pursuing enough scale that long-term value will act as both stabilizer and attractor.

4. **Local businesses as regional actors.** In many inner-city neighborhoods, there are limited opportunities for creating the kind of commercial and industrial activity that will lead to real local job growth. Where locational, consumer, and entrepreneurial opportunities exist, commercial and industrial development should be pursued for three reasons: (1) as part of the local community development emphasis on rebuilding physical assets and maximizing local tax ratables; (2) as part of an effort to create linkages or associations between the neighborhood and outside companies, franchises, suppliers, and distributors that may be linked to the new businesses; and (3) to create a pipeline of local jobs that can be used to develop job skills and relationships for later employment. Local commercial and industrial establishments should be viewed as part of a chain leading to external employment and business opportunities.

5. **Household service programs and asset accumulation strategies.** Although low-income households need traditional social work and health care, an emphasis should be placed on family service programs that lead to income security. The self-employment credit and individual development account experiments throughout the country are important to follow and (when they are successful) to replicate. The former provide credit for small-scale businesses that supplement other forms of household income, and the latter provide savings for educational, housing, and business investment opportunities. Other service interventions of this sort include household budgeting and mortgage and credit counseling. The goal in all of these efforts is to create relationships between households and the mainstream economy.

One example of our effort to work at the intersection of region and neighborhood involves a partnership between several business associations, a community development corporation (the Ogontz Avenue Revitalization Corporation), and several educational institutions. Working in the northwest section of Philadelphia, in a predominantly African American neighborhood, this partnership is slowly developing a community development framework that, although rooted in place, is self-consciously oriented toward work, business, and the regional economy. The neighborhood's relatively high level of economic heterogeneity, its political leadership, and its location close to the edge of the city's political boundary have made it amenable to development strategies designed to connect the neighborhood to the region.13

Along with the usual neighborhood development tools—the rehabilitation of housing units, commercial real estate revitalization, and community organizing and social service activities—the community development corporation has embarked on the planning and implementation of an ambitious job creation and workforce preparation strategy. The strategy includes the following:

- **The systematic assessment and recruitment of local labor.** Through a planning grant from the Annie E. Casey Foundation,14 the neighborhood association and the Delaware Valley Community Reinvestment Fund are analyzing work skills and social barriers to employment in a target area of about 100,000 persons. The result of the planning project will be an ongoing recruitment and assessment program to refer workers to regional work and job training opportunities, including reverse commuter demonstration programs.

- **The identification of regional economic growth opportunities appropriate to local workers.** As part of the Casey planning grant, the neighborhood association, the reinvestment fund, and the Greater Philadelphia First Corporation (a regional business association) are identifying the most promising growth sectors and employment opportunities for the target labor pool. This identification of growth sectors builds on a prior report, issued by the Greater Philadelphia First Corporation,15 which details elements of a regional economic development strategy but involves a more systematic look at opportunities appropriate to the neighborhood's workforce.

- **Strengthening the local small-business feeder system.** Based on a study carried out by the Pennsylvania Economy League16 that and
lyzed the state of small businesses in the area, including small-business use and satisfaction with local labor, a workplace training program designed to increase the number and quality of workers able to work locally as a first employment step is being created. A neighborhood small-business loan fund has also been created to assist small businesses with a variety of fixed assets and working capital credit needs.

- The development of a regional employment and training center. Over and above the workforce needs of local businesses, the community association has moved to position itself as a major supporter of regional job training opportunities. It has done this in two ways: First, through the development of a successful Philadelphia Community College annex that emphasizes work skills appropriate to regional job growth opportunities and is able to customize training curricula for employers; second, through the sponsorship of a regional training center that will function as a customized training and product development center for specific industry clusters. Two engineering departments from local universities, several major corporations located in the suburbs, and the Delaware Valley Industrial Resource Center (a technical assistance agency that works to improve the competitiveness of manufacturing firms) have signed on to assist and contract with the center. The center will also rent space to a business incubator that will work in close coordination with a local cluster of hospitals and schools.

In the planning and implementation of these strategies, it is the regional perspective of the community institution that has made it possible to construct new business and job training opportunities. This is a critical lesson for urban community development, if it is to respond to the new challenges of the economy. Healthy neighborhoods are first and foremost dynamic places, to which people want to move and where residents and businesses maximize their advantages vis-à-vis other places, relationships, and markets. Neighborhood economic self-sufficiency has no meaning in this context. Strong neighborhoods are destination places and incubators; they are healthy, not because they are self-contained or self-sufficient but because their residents are appropriately linked to nonneighborhood opportunities. The current interest in developing comprehensive community development programs must consider this issue carefully, for, to the extent to which comprehensive programs are service based and neighborhood introverted, the essential linkage between residents and work opportunities will be minimized.

Finally, it should be noted that it is not possible for a regionally defined community development practice to exist unless there are regional institutions that can accommodate the planning, information, and program implementation needs of these communities. There are substantial and vital roles for business associations, industry trade associations, labor unions, community colleges, universities, and corporations in preparing and linking neighborhood residents and associations to the economy. The effectiveness of these mediating institutions will increasingly be critical to successful community development efforts.

Notes

1. Probably the most comprehensive review of the efforts of local community development corporations can be found in Avis C. Vidal, Rebuilding Communities: A National Study of Urban Community Development Corporations (New York: Community Development Research Center, 1992).

2. The issue of the spatial mismatch between residence and opportunity involves an extensive literature in economics, demography, sociology, and geography. Some of the issues related to low-income housing location and the "geography of opportunity" can be found in a recent review of the journal Housing Policy Debate (vol. 6, no. 1 [1995]). A particularly good analysis of the problem can be found in Douglas S. Massey, "American Apartheid: Segregation and Making of the Underclass," American Journal of Sociology 96 (1990): 329-57.


11. The issue of regionalizing public housing location is getting renewed legal and policy attention, particularly in Texas and Maryland. For the results of the Chicago demonstration program (Gautreaux), see James Rosenbaum, "Changing the Geography of Opportunity by Expanding Residential Choice: Lessons from the Gautreaux Program," Housing Policy Debate 6, no. 1 (1995): 231-69.

12. The term workforce intermediary was coined in the Austin Neighborhood Initiative sponsored by ShoreBank, a Chicago-based community development bank.

13. Planning data on the neighborhood can be found in The Neighborhood Investment Action Plan, developed by the Ogontz Avenue Revitalization Corporation and the Community Development Institute (Philadelphia: Ogontz Avenue Revitalization Corporation, 1995).

14. The Annie E. Casey Jobs Initiative is a six-city, seven-year project designed to link targeted inner-city residents with regional job opportunities. In the Philadelphia site, the Delaware Valley Community Reinvestment Fund is the regional manager for the initiative, and the Ogontz Avenue Revitalization Corporation is the community-based association responsible for recruiting and assessing local labor. The project is sponsored by the Annie E. Casey Foundation, located in Baltimore.
