



JOINT CENTER FOR HOUSING STUDIES
OF HARVARD UNIVERSITY

PRO Neighborhoods

PROGRESS REPORT 2018



JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

HARVARD GRADUATE SCHOOL OF DESIGN
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Executive Summary

Over the last twenty-five years, community development financial institutions (CDFIs) have moved to the forefront of the community development field's drive to help low-income Americans.

In response, in 2013 JPMorgan Chase & Co. initiated an annual competition as part of its Partnerships for Raising Opportunity in Neighborhoods (PRO Neighborhoods) program that awards three-year grants to groups of CDFIs that form innovative partnerships to enhance opportunities for low- and moderate-income Americans and to revitalize distressed neighborhoods. Since it began, PRO Neighborhoods has issued more than \$98 million in grants to 25 groups of collaborating CDFIs in communities across the country.

IMPACT

The 2014, 2015, and 2016 cohorts of PRO Neighborhoods awardees, according to data collected by the Joint Center for Housing Studies, have improved low- and moderate-income communities significantly.

-  As of December 2017, the awardees together had issued about 21,600 loans worth more than \$411 million.
-  These 21,600 loans helped create or preserve more than 3,300 units of affordable housing and supported nearly 11,000 jobs.
-  In addition, the CDFIs used their awards to leverage an additional \$713 million, a leverage ratio of 10.6, boosting their balance sheets by more than \$129 million and pumping \$442 million into community development projects.



AS OF
DEC 2017
21,600 LOANS
WORTH \$411
MILLION



21,600 LOANS CREATED
3,300 UNITS
AFFORDABLE HOUSING
& SUPPORTED
11,000 JOBS



AWARDS LEVERAGED
AN ADDITIONAL
\$713 MILLION
PUMPING \$442M
INTO COMMUNITY
DEVELOPMENT PROJECTS

INSIGHTS

- The PRO Neighborhoods awardees employed a variety of strategies to target geographic areas to improve the lives of low-income and minority Americans. They formed new collaborations that
 - accelerated loans to small businesses in areas previously neglected by the financial industry,
 - concentrated their impact by aiming a range of community development efforts at particular neighborhoods, and
 - spanned great distances to bring knowledge, methods, and capital to disadvantaged communities.
 - All of the PRO Neighborhoods awardees are working to create more equitable access to credit, and several specifically support woman-led CDFIs, target women and minority groups, and bring CDFI lending to underserved areas, including impoverished rural areas.
 - PRO Neighborhoods awardees have devised innovative ways to do business, including creating new technology for lending and homebuyer counseling, mining demographic and economic data to discern community needs, and building low-cost housing out of shipping containers.
- Through the PRO Neighborhoods program, CDFIs have increased the scale of their operations, for example by sharing new loan products with partners in other states, replicating a successful revitalization approach, and organizing CDFIs state-wide to advocate for better community development policies.
 - The experiences of the PRO Neighborhoods awardees present many lessons to the community development field, including:
 - To address the multifaceted needs of a particular community, practitioners need to consult not only experts but also members of that community. Leaders should plan to start early to engage community residents.
 - To achieve broad-based community development, it is essential to find allies that will complement and strengthen each other. Once found, partners must build trust and communicate regularly.
 - CDFIs should strive to learn from peer institutions for both organizational development and connection to the community investment network. CDFIs benefit from sharing best practices, helping collaborators face challenges, and closely observing each other's methods.



LAYING THE GROUNDWORK FOR SUCCESS

Clara and Cesar Olguin, owners of CIC Floors, have received two loans from the Equity Atlanta collaborative: one to start their business and another to expand it. Since the company expanded, revenues have tripled.

Photo Credit: Erik Voss



CDFIs AND THE PRO NEIGHBORHOODS COMPETITION

In the last 25 years, community development financial institutions (CDFIs) have moved to the forefront of the community development field in the United States. There are now close to 1,000 of these loan funds, banks, credit unions, and venture capital funds that help improve social conditions in distressed low-income areas by providing financial products and services to individuals, small businesses, and social-purpose nonprofit organizations. Given the successes of CDFIs, many leaders in the community development field have sought ways that CDFIs, most of which are nonprofit, could increase their capacity to fulfill their social mission and help underserved communities absorb capital for the benefit of all citizens.

It was in this context that JPMorgan Chase & Co. created the Partnerships for Raising Opportunity in Neighborhoods (PRO Neighborhoods) program, a five-year, \$125 million effort to stimulate inclusive economic growth and revive chronically distressed neighborhoods, help communities of color, and assist small business owners and low-income families.

The CDFI component of the PRO Neighborhoods program¹ is an annual competition in which awards are made to groups of collaborating CDFIs that use innovative methods to solve problems in distressed neighborhoods. More particularly, this initiative has provided flexible long-term capital grants aimed at increasing the flow of capital into underserved communities, enlarging the capacity of small CDFIs, fostering innovation in programs and products, demonstrating expandable models for community development, and fostering equitable and inclusive economic development.

Now in its fifth annual round of awards, PRO Neighborhoods has issued more than \$98 million in grants to 25 groups of collaborating CDFIs in communities across the country.

Since it began in 2013, the PRO Neighborhoods program has evolved. In the first rounds of the competition, JPMorgan Chase sought innovative coalitions of CDFIs with different capacities and core businesses and led by high-performing organizations. Over the following four years, JPMorgan Chase refined its approach in response to the experience of the early awardees and its other community development programs, especially the ongoing revitalization efforts in Detroit. Increasingly, the PRO Neighborhoods CDFI program requested proposals that emphasized specific geographical foci and were flexible enough to respond to local circumstances. In addition, the program expanded to bring awardees together to learn about best practices from each other and leaders in the community development field.

By 2018, JPMorgan Chase had found that the highest-impact programs were tied to a holistic equitable development plan that incorporated the local community in the design and implementation, addressed the needs of vulnerable residents, and deployed capital to further

¹ The other components of the PRO Neighborhoods program support the adoption of new finance mechanisms for low-income housing and data technology to assist equitable and efficient community planning.



A TASTE OF THE MIDDLE EAST AT FRUITVALE STATION

At Fruitvale Station Village in Oakland, California, Assil Reem received an equipment loan from PRO Oakland for her bakery, Reem's, where she creates authentic Middle Eastern breads and pastries inspired by Arab corner bakeries.

Photo Credit: Andria Lo

comprehensive revitalization strategies. To encourage the development of innovative proposals for equitable development, the PRO Neighborhoods CDFI competition added “seed” grants to fund neighborhood plans in their early stage.

PRO Neighborhoods Progress Report 2018 reveals that the PRO Neighborhoods awardees have made significant progress toward meeting the goals of the program by dramatically increasing their volume of lending, expanding their capital through leverage, and supporting an array of creative programs to enhance social and economic opportunity for low- and moderate-income people.

In particular, the report shows that these CDFI collaborations have

- targeted geographic areas in creative ways;
- increased equity by reaching traditionally underserved communities and individuals;
- fostered innovative businesses, technologies, and partnerships; and
- devised financially sustainable and replicable business models.

The report further presents lessons taken from the numerous insights gleaned by awardees from their experiences deploying capital for community development.

The next section of *PRO Neighborhoods Progress Report 2018* summarizes the accomplishments of the 2015 awardees, who are in the final year of the three-year grant period, and of the 2016 awardees, who have begun to see results from their projects.

The final section of the report indicates the future direction of PRO Neighborhoods by describing the program's awardees for 2017 and 2018.

PRO Neighborhoods CDFIs Support Communities in Need across the United States

\$67,482,000 PRO Neighborhoods Awards

10.6 Leverage Ratio

\$712,935,000 Total Leverage

\$129,314,000 Balance-Sheet Leverage

\$442,086,000 Project Leverage

\$141,535,000 Secondary Market Sales

21,643 Total Loans

1,583 Small Business Loans

125 Housing Development Loans

519 Mortgages

33 Facility Loans

19,383 Consumer Loans

\$411,385,000 Total Loans

\$246,457,000 Small Business Loans

\$44,023,000 Housing Development Loans

\$36,824,000 Mortgages

\$40,750,000 Facility Loans

\$43,331,000 Consumer Loans

10,989 Jobs Created or Preserved

3,346 Jobs Created

7,643 Jobs Preserved

3,346 Housing Units Created or Preserved

837 Housing Units Created

2,509 Housing Units Preserved

CDFIs were created to address the shortage of credit in disadvantaged neighborhoods. In these communities, low- and moderate-income residents and small business owners often do not have access to reasonably priced loans and quality banking services. Furthermore, developers wishing to build in these areas often cannot get conventional bank financing, especially for predevelopment activities.

Hence, an important accomplishment of the PRO Neighborhoods awardees has been to increase the scale and scope of lending in the underserved communities in which they operate. As of December 2017, the CDFIs that received PRO Neighborhoods awards in 2014, 2015, and 2016 have issued about 21,600 loans worth more than \$411 million to borrowers in distressed neighborhoods.²

PRO Neighborhoods awardees boosted the flow of capital to low- and moderate-income communities not only by directly lending funds from their JPMorgan Chase grants, but also by using those funds to secure new financing from other sources. Using a range of methods, awardees leveraged an additional \$713 million in funding.

To achieve this leverage, some PRO Neighborhoods awardees kept grant money on their balance sheets, which strengthened their credit and gave them access to larger amounts of less expensive capital, sometimes called balance-sheet leverage. Leverage also includes outside money that augments a CDFI's loan on a particular project, sometimes called project leverage. Finally, CDFIs can sell loans on the secondary market and use the proceeds to make new loans more quickly, rather than waiting for the loan to be paid back over many months or years.

²All data in this section are combined totals for the 2014, 2015, and 2016 awardees; data for the 2017 and 2018 awardees are not yet available.

Notes: Data are for the 2014, 2015, and 2016 PRO Neighborhoods awardees, covering from the beginning of each awardee's grant period through December 31, 2017, except for leverage data from the Community Loan Center Program, which is through December 31, 2016. Totals include equity investments.

NEW STRATEGIES FOR TARGETING GEOGRAPHIC AREAS

As lenders with an explicit community development purpose, CDFIs have always worked in disadvantaged and disinvested areas. In recent years, however, research has demonstrated the importance of place for the ability of individuals to thrive.³ The PRO Neighborhoods awardees have devised a variety of new strategies to target disadvantaged areas to improve the lives of low-income and minority residents. They have formed collaborations to reach new service areas within a city, concentrate a broad range of community development efforts on a particular neighborhood, and, conversely, draw on knowledge and methods from far away to increase capability and deliver their products more efficiently in local communities.

The CDFIs of the New York City Collaborative have taken the approach of expanding their business to numerous neighborhoods in which they had not previously made loans. To make their efforts more effective, the members of the collaboration created a website where potential borrowers are matched with whichever of the CDFIs best fits their needs (<https://www.localending.nyc/>) and combined their marketing and outreach efforts to attract customers under one banner. In this way, the partners are making more communities aware of their new services than any of the CDFIs could have individually, and they have helped small businesses such as an auto repair shop in the South Bronx, a wholesale housewares company in Jamaica, Queens, and a cleaning service headquartered in the Flatbush area of Brooklyn.

Several PRO Neighborhoods awardees have targeted specific neighborhoods as a way of concentrating the impact of their efforts. The two awardee collaborations in Chicago, for example, have sought to stimulate home rehabilitation and renovation and the commercial development and growth of small businesses in

³Raj 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* 129, no. 4 (November 2014): 1553–1623, <https://doi.org/10.1093/qje/qju022>.

selected underserved neighborhoods. The PRO Oakland collaboration, comprised of Main Street Launch and Northern California Community Loan Fund, is deploying capital in East Oakland in the form of loans, grants, and technical assistance to help small businesses and nonprofits that serve the community fend off displacement and the other ill effects of a runaway real estate market and disruptive rapid transit construction.

Some awardees have gone further to pursue a comprehensive strategy for a particular area by collaborating not only with CDFIs but also with other organizations and government agencies. They aim to not only serve but change specific neighborhoods for the better by providing many different types of loans that address neighborhood issues on multiple fronts. Working along the industrial and low-income areas near a new light rail line in the Phoenix metropolitan area, the Adelante Phoenix collaboration has assisted small businesses, built affordable housing, promoted healthcare, supported schooling, and prepared the development of a mixed-use development on the site of a former cement factory. In the District of Columbia, Building Bridges Across the River has used the 11th Street Bridge Park project not only to plan a park with amenities for all residents but also to create an Equitable Development Plan that promotes workforce development, small business enterprises, affordable housing, and cultural preservation within a one-mile radius from the bridge crossing at the Anacostia River.

Using PRO Neighborhoods grants, several awardees also bridged geographic barriers over great distances. The model of some awardees, especially in the first cohort of the PRO Neighborhoods program, was to provide resources on a national scale. ROC USA, the lead organization of the Expanding Resident Owned Communities collaboration, is based in New Hampshire yet helped mobile home owners as far away as Washington State purchase the land under their homes. The ReFresh coalition brought loans, working capital, and data analysis capabilities to stimulate the provision of healthy food in food-scarce areas in California, Colorado, Florida, and Ohio.

📍 RISING TO NEW CHALLENGES

When Harriett Wilson decided to change careers and pursue her passion for baking, she enrolled in business classes offered by the Invest in Wisconsin Collaborative and created a business plan that she used to launch her own pastry shop.





BUILDING BRIDGES, CONNECTING COMMUNITIES

In Washington, D.C., piers built off the new 11th Street Bridge will support a future multi-feature park structure. Equitable Development at the 11th Street Bridge Park collaborative is working to ensure that the park's neighbors help plan and benefit from the park and ensuing real estate development.



Another approach, demonstrated by the 2016 awardee North Miami-Dade CDFI Collaborative, was to tap resources from distant locations to benefit local distressed neighborhoods. In southern Florida, the Opa Locka Community Development Corporation (CDC) saw the need for a CDFI to provide financing for commercial development and small businesses in the disadvantaged areas of Opa-locka, Liberty City, and Miami Gardens. To create a new local CDFI, Opa-locka CDC partnered with the Community Reinvestment Fund (CRF), a large CDFI which has funded loans in almost every state in the Union. Based in Minneapolis, Minnesota, CRF helped Opa-locka CDC set up lending procedures and devise a marketing strategy, and it provided special software to operate the new lending business.

SUPPORTING UNDERSERVED AND UNDERREPRESENTED COMMUNITIES

The financial system often leaves certain types of neighborhoods and groups of people underserved, without adequate access to loans. All of the PRO Neighborhoods awardees are working to create more equitable access to credit, and several in particular are bringing CDFI lending to underserved areas, supporting woman-led CDFIs, and targeting underserved minority groups.

Underserved areas exist in both urban and rural settings. Two PRO Neighborhoods awardees in particular are bringing both lending and technical assistance to underserved rural areas. In Wisconsin, the Invest in Wisconsin Collaborative used their award to make possible a series of “community listening sessions” in small towns around Wisconsin, where the partners were able to hear the needs of rural residents. By adding staff and tailoring a lending strategy to meet distinctively rural needs, the partners have expanded their lending and their impact into new, rural areas.

The Urban-Rural Kentucky Collaborative took a different approach, focusing on the economically depressed small town of Millersburg, Kentucky. Through many meetings with residents, the partners learned of the local needs and, in particular, the difficulties brought on by the closing of a boarding school that had been a mainstay of

the community for one hundred years. The collaboration’s lead organization, Community Ventures of Kentucky, renovated two of the vacant buildings and brought a new private K-12 school to the town.

Women are underrepresented in leadership positions across the financial services industry, and the CDFI field, despite its mission-driven nature, is no exception. Several of the PRO Neighborhoods CDFIs have a woman director, majority-woman staffs, and/or majority-woman boards.⁴ One CDFI that has all three of these, the Wisconsin Women’s Business Initiative Corporation, also specifically targets woman business owners for their technical support and loans. As a member of the Invest in Wisconsin Collaborative, this CDFI has made 136 loans totaling \$7 million and raised an additional \$6 million in leverage.

Many PRO Neighborhoods awardees also promote and serve communities of color and have made business and housing loans to members of minority groups. The Detroit Strategic Neighborhoods Initiative, which plans to have several major construction projects as part of its neighborhood development activities, is actively recruiting minority architects and builders, not only for their own construction projects, but also through a partnership with the City of Detroit for other construction projects in their target neighborhoods. After the success of the Detroit Entrepreneurs of Color Fund, the San Francisco Entrepreneurs of Color Fund, a 2017 PRO Neighborhoods awardee, replicated the model by tailoring its lending and technical assistance strategy to promote minority-owned businesses.

INNOVATING FOR IMPACT

The focus on innovation in the PRO Neighborhoods program has resulted in many bold attempts to do business in new ways, create new technology, and forge unlikely partnerships in the pursuit of greater community impact.

The promise of technology to streamline operations and improve outreach has prompted several awardees to create and share new software tailored to their distinctive

⁴ Three of the four PRO Neighborhoods awardees in 2017 have woman executives and majority-female boards.

needs. In one example, the Urban-Rural Kentucky collaborative created a client management database, mPact Pro, that integrates with their loan counseling software to share information seamlessly between housing counseling and mortgage lending operations. Furthermore, the PRO Neighborhoods award has allowed the collaboration's Community Ventures to bring mPact Pro to market, and this CDFI is currently signing up housing counseling agencies to use the software. Now that HUD has approved mPact Pro for use by HUD-funded housing counseling agencies, the partner CDFIs of the Kentucky collaborative expect more than 150 agencies to be signed up by the end of 2018.

PRO Neighborhoods awardees are also trying new business approaches to address community needs. In order to develop a lending strategy that was best tailored to their target neighborhoods, the local CDFIs in the Equity Atlanta Collaboration enlisted the help of the Reinvestment Fund, whose Policy Solutions group collected and analyzed demographic and economic data relating to the target neighborhoods, a relatively novel approach in the community development field. As a result, and through continued consultation with the Reinvestment Fund and the community, Equity Atlanta was able to begin lending with greater confidence and less uncertainty around its ability to meet community needs.

As housing affordability continues to be a key difficulty for low- and moderate-income households, two PRO Neighborhoods awardees are piloting out-of-the-box solutions, literally. In Orlando, the partner CDFIs of the Rental Housing Innovations in Crisis Areas of Orlando collaborative are attempting to build low-cost affordable housing out of disused shipping containers. They hope that by creating a working example, they can persuade HUD to recognize shipping container housing as meeting HUD standards for affordable housing projects, enabling greater funding for this potentially low-cost way to create affordable housing. Meanwhile, in Los Angeles and San Jose, California, the Small Housing, Big Impact collaborative is providing loans for accessory dwelling units as a strategy to infill affordable housing in two of the nation's most expensive housing markets.

DEMONSTRATING SCALABLE MODELS OF COMMUNITY INVESTMENT

One of the most important contributions of the PRO Neighborhoods program is that it has enabled awardees to develop approaches to community development that can increase scale of operations.

Some awardees increased the scale of their programs by exporting new loan products to places outside their home markets. The lead organization of the PRO Neighborhoods awardee Business and Community Lenders of Texas (BCL of Texas), for example, has developed a method to offer its low-cost payday-alternative consumer loan to the employees of local businesses. As a member of the Community Loan Center Program, BCL of Texas is sharing its loan product and the software that makes it possible with partner CDFIs in Fort Wayne and Lafayette, Indiana. So far, the partners have signed up 66 local businesses and made more than 18,000 small-dollar loans, replicating the success of the loan product in the new markets. Similarly another PRO Neighborhoods awardee, Opportunity Fund and Craft3, developed a technology platform to make small





STARTING A NEW CHAPTER

In Detroit abandoned buildings, like this one in a Southwest neighborhood, dot the landscape. The Detroit Strategic Neighborhoods Initiative is working to rebuild and spark new growth here and other neighborhoods in the city.

business loans readily available through local partners, a system which proved so effective in its first year that the Opportunity Fund expanded its loan product to ten additional states.

Another approach to increasing scale is to develop a programmatic model and replicate it elsewhere. Aimed at sparking revitalization in disadvantaged Detroit neighborhoods, the Detroit Strategic Neighborhoods Initiative itself aims to replicate the success that Invest Detroit, the collaboration's lead organization, and other organizations working with the City of Detroit had in revitalizing Midtown, an area that borders the central business district. The members of the Detroit Strategic Neighborhoods Initiative chose three new neighborhoods—further from downtown—in which

to deploy a similar revitalization strategy based on coordinated multi-sector collaboration, community engagement, and increased investment. After only a year and a half, the Initiative's partners and the City saw enough positive signs of revitalization that they decided to expand their efforts to seven more disinvested neighborhoods.

Finally, among the PRO Neighborhoods awardees, the Invest in Wisconsin Collaborative took a unique approach to increasing the scale of community development operations. It helped organize CDFIs to advocate at the state level for low-income communities and the community development efforts that support them. The members of Invest in Wisconsin have hosted a "CDFI Day" at the state capitol each of the past two years. At these events, they and other CDFIs from across the state educated legislators on the value of CDFIs to Wisconsin communities and proposed legislation to create a state tax credit for banks that invest in CDFIs.

EMPOWERING ENTREPRENEURS

In Madison, Wisconsin, a loan from the Invest in Wisconsin Collaborative helped chef Laurel Burleson open a food truck that serves locally-sourced breakfast all day.



2015 PRO Neighborhoods Awardees at a Glance

COMMUNITY LOAN CENTER PROGRAM

Small-dollar loan program that combats predatory payday loans by partnering with local employers in Indiana and Texas. \$5.1 million award.

- Business & Community Lenders of Texas (Lead Partner)
- Brazos Valley Community Development Corporation
- Brightpoint Development Fund
- Lafayette Neighborhood Housing Services
- Rio Grande Valley Multibank Corporation

INVEST IN WISCONSIN CDFI COLLABORATIVE

Small-business loans, real estate development loans, and CDFI advocacy in five smaller cities and nearby rural areas in Wisconsin. \$2.7 million award.

- Forward Community Investments (Lead Partner)
- Community Assets for People
- First American Capital Corporation
- Wisconsin Women's Business Initiative Corporation

PRO OAKLAND

Loans to small businesses, nonprofits, and affordable housing developers along a new bus rapid transit line in Oakland. \$2.1 million award.

- Northern California Community Loan Fund (Lead Partner)
- OBDC Small Business Finance

OPPORTUNITY FUND AND CRAFT3

New model of small-business loans over the internet in California, Oregon, and Washington. \$2.6 million award.

- Opportunity Fund (Lead Partner)
- Craft3

URBAN-RURAL KENTUCKY COLLABORATIVE

Loans and credit counseling to manufactured-housing residents in rural areas, first-time homebuyers in urban areas, and small businesses in four urban and rural locations in Kentucky. \$2.6 million award.

- Community Ventures Corporation (Lead Partner)
- Federation of Appalachian Housing Enterprises
- Kentucky Highlands Investment Corporation

2015 PRO Neighborhoods Awardees Build on their Early Success

Now approaching the end of their three-year award period, the 2015 PRO Neighborhoods awardees have created five robust collaborations. From deep engagement in particular neighborhoods to an effort to reach low- and moderate-income borrowers across several states, the 2015 awardees devised and executed a variety of strategies to bring capital to underserved communities. In total, the 2015 awardees over the first two years of their grants have made nearly 20,000 loans totaling \$95 million to improve the lives of residents of low- and moderate-income communities.

After establishing new partnerships and instituting new processes and products in the first year of their collaborations, the awardees galvanized their partnerships to implement and expand programs to improve their target areas. As a result, their pace of lending quickened, leading to a total of \$58 million in loans in the second year of the collaborations, a significant increase above the \$37 million they circulated during the initial year.

The 2015 awardees have made demonstrable improvements in the lives of residents of their target communities, creating nearly 300 jobs and creating or preserving over 600 units of affordable housing. Furthermore, 84 percent of their loans have gone to women, people of color, and/or low-income borrowers, and 75 percent of home purchase loans have gone to first-time homebuyers. They also financed nearly 70,000 square feet of community facilities.

Awardees improved their communities in ways other than providing loans. Combined, the 2015 awardees provided technical assistance—including homeownership counseling, small business advising, and personal financial training—to more than 13,000 people. The awardees engaged their communities in diverse ways, ranging from the door-to-door canvassing by members of the PRO Oakland collaboration to introduce their lending services to local small businesses, to Invest in Wisconsin's hosting “community listening sessions” to better understand the needs of residents in rural Wisconsin.

The PRO Neighborhoods awards have helped the awardee CDFIs themselves to grow. Since receiving the PRO Neighborhoods awards in 2015, the CDFIs in the collaborations increased their net assets by an average of 18 percent (Table 1). The 2015 awardee CDFIs added 65 new employees, including four hired to work specifically

TABLE 1. 2015 AWARDEES EXPERIENCED ABOVE AVERAGE GROWTH FOLLOWING THEIR PRO NEIGHBORHOODS AWARD

	AT BEGINNING OF AWARD PERIOD	AS OF DEC 31, 2017	CHANGE	AVERAGE CHANGE PER CDFI
Net Assets	\$202,175,000	\$234,152,000	\$31,978,000	\$2,132,000
Outstanding Loans	\$239,824,000	\$313,469,000	\$73,644,000	\$4,910,000
Employees	307	372	65	4

Notes: Data are for 15 CDFIs through December 31, 2017, except for data from the five CDFIs of the Community Loan Center Program, which are through June 30, 2018. Sources: JCHS tabulation of PRO Neighborhoods awardee data.

on the PRO Neighborhoods collaboration. Moreover, the value of their outstanding loans increased on average by almost \$5 million. These increases are significantly larger than those of a typical CDFI, which over a comparable time period added only 1 employee and increased outstanding loans by \$2.2 million.⁵ By enabling CDFIs to expand their capabilities, the PRO Neighborhoods awards have helped increase the flow of useful capital to underserved communities in the long term.

⁵Typical CDFI is the median CDFI for each metric in the CDFI Fund's database, and the comparison time period is for the most recent available data, FY 2013–FY 2015. U.S. Department of Treasury CDFI Fund, "FY 2015 CDFI Program Reporting CIIS Data Release," September 2017.

MANUFACTURED HOUSING RESIDENTS TAKE CONTROL OF THEIR HOUSING

The Urban-Rural Kentucky Collaborative helps manufactured housing residents to buy the land under their homes and build new up-to-code housing on the site.



2016 PRO Neighborhoods Awardees at a Glance

DETROIT STRATEGIC NEIGHBORHOOD INITIATIVE

Commercial real estate loans, small-business loans, and nontraditional residential mortgages with the goal of repopulating three Detroit neighborhoods. \$5 million award.

- Invest Detroit Foundation (Lead Partner)
- Detroit Development Fund
- Opportunity Resource Fund

EQUITY ATLANTA

Loans to small businesses and affordable housing developers by two Atlanta CDFIs with a data support and technical assistance partnership with the Reinvestment Fund. \$4 million award.

- Reinvestment Fund (Lead Partner)
- Access to Capital for Entrepreneurs
- ANDP Loan Fund

NEIGHBORHOOD RETAIL-CHICAGO COLLABORATIVE

Loans for multiple phases of commercial property development in Chicago, including site acquisition, predevelopment, construction, and equipment, as well as small-business microloans. \$3.49 million award.

- Chicago Community Loan Fund (Lead Partner)
- Chicago Neighborhood Initiatives Micro Finance Group
- SB Friedman Development Advisors

NORTH MIAMI-DADE CDFI COLLABORATIVE

Housing, commercial, and small-business development loans in the distressed communities of Opa-locka, Miami Gardens, and Liberty City, Florida. \$3.65 million award.

- Opa Locka Business Fund (Lead Partner)
- Community Reinvestment Fund
- Partners for Self Employment

NYC COLLABORATIVE

Small-business loans and microloans integrating the outreach, services, and technology of the partner CDFIs in underserved neighborhoods of New York City. \$3.25 million award.

- Excelsior Growth Fund (Lead Partner)
- Accion East, Inc.
- Renaissance Economic Development Corporation

2016 Awardees: New Partnerships, Innovative Business Models

In the effort to improve low-income communities, the PRO Neighborhoods awardees for 2016 have devised a variety of new partnerships and innovative business models. In general, the groups are focusing their work on more specific geographic areas than did the 2015 awardees. All five awardees for 2016 are addressing the needs of particular underserved neighborhoods, but each collaborative is taking its own unique approach.

Less than a year and a half into their projects, the 2016 awardees had already made \$33 million of loans in low- and moderate-income communities, a substantial step toward meeting their lending goals. More than two-thirds of their borrowers were women, 30 percent were racial and ethnic minorities, and 65 percent earned low or moderate incomes.

NEW YORK CITY COLLABORATIVE

The three CDFIs that make up the New York City Collaborative, Accion East, Inc., Renaissance Economic Development Corporation, and Excelsior Growth Fund provide loans to small businesses in financially underserved neighborhoods in amounts ranging from as little as \$2,000 to more than \$3 million. In an effort to create an efficient and easy lending process, the partners created a single online portal where small business owners can submit a request for a loan, which will then be routed automatically to whichever of the CDFIs is best suited to provide that type and size of loan. By incorporating this new technology, the members of the New York City Collaborative hope to increase access to useful capital in these underserved communities.

In the Collaborative, Accion East, Inc. provides microloans, which so far have averaged about \$12,000; Renaissance Economic Development Corporation provides microloans and business loans, as much as \$100,000; and Excelsior Growth Fund, the largest partner and lead CDFI, provides large loans, on average more than \$300,000. Since late 2016, the partners have made 196 business loans totaling more than \$11 million, helping to create nearly 400 jobs. The vast majority of these loans have been to women,



LOWERING BARRIERS FOR SMALL-BUSINESS OWNERS

Clarissa Penzini and Ricardo Picón, owners of The Sandwich Shop in New York City, used the NYC Collaborative's web portal to find the right kind of loan for their business.

Photo Credit: Andy Kropa for Excelsior Growth Fund

members of minority groups, and low-income borrowers. In addition to sharing a loan lead platform among themselves, the members of the collaboration have jointly hosted technical assistance seminars for small business owners, have conducted a joint advertising campaign, and are planning ways to increase their marketing efforts to small business owners in the target neighborhoods.

CHICAGO NEIGHBORHOOD RETAIL COLLABORATIVE

The Chicago Neighborhood Retail Collaborative builds on the success of the Chicago CDFI Collaborative, one of the first-round PRO Neighborhoods awardees in 2014, which partnered with local small-scale investors to rehabilitate dilapidated 1-4 unit rental properties in low-income neighborhoods that the City of Chicago had targeted for its improvement program. As a participating CDFI in the 2014 Chicago Collaborative, the Chicago Community Loan Fund (CCLF) identified the need to launch a similar effort aimed at local small businesses in economically depressed areas, particularly those in six “nodes” designated for potential development. Through the new collaborative, funded through the 2016 PRO Neighborhoods competition, CCLF leads the project and

offers financing for commercial real estate projects. Its partner, Chicago Neighborhood Initiatives Micro Finance Group (CNIMFG), provides microloans to small businesses, including tenant businesses of CCLF-funded facilities. To strengthen the small businesses, both CDFIs also provide significant amounts of technical assistance, giving (to date) an average of 15 hours of financial and marketing counseling per borrower.

In the first year of the partnership, CNIMFG made 14 loans to small businesses in the South and West Sides of Chicago. All but one of the loans was a microloan of less than \$50,000, and 12 of the 14 loans went to women or members of racial or ethnic minorities. These loans had a measurable impact on employment in the targeted

BUILDING COMMUNITY ON CHICAGO'S SOUTH SIDE

The Chicago Neighborhood Retail Collaborative provided a loan for the construction of the new Pullman Community Center, which will provide spaces for neighborhood recreation, academic programs, and small businesses.



communities: each of the small-business borrowers on average added one employee, and together they planned to add 21 more jobs in 2018.

To encourage commercial real estate development in six strategic retail corridors, the Chicago Collaborative has signed memoranda of understanding with leading neighborhood organizations. The lending to and strengthening of small businesses, along with increasing interest in commercial real estate development in the six nodes, has helped position the Collaborative to identify and work with a socially conscious developers in the near future.

DETROIT STRATEGIC NEIGHBORHOODS INITIATIVE

Following the successful revitalization of a depressed area adjacent to downtown Detroit, the Detroit Strategic Neighborhoods Initiative (DSNI) aimed its strategies at three of Detroit's impoverished neighborhoods: Southwest Detroit, Livernois-McNichols, and West Village. As part of a broad effort relying on extensive community engagement and the cooperation of the City of Detroit, Invest Detroit, the Detroit Development Fund, and Opportunity Finance Fund (OppFund) provide loans to homeowners, small businesses, and developers, as well as facilitating commercial land acquisition and public infrastructure improvements.

Invest Detroit directs the Neighborhoods Initiative as well as the Strategic Neighborhood Fund, a parallel partnership with the City of Detroit that implements infrastructure improvements and land development acquisitions. Invest Detroit engages with community groups and residents to identify priorities and projects and identifies local architects and builders for the DSNI's construction projects.

On the financial side, Invest Detroit provides loans for mixed-use and multifamily real estate projects, including both new construction and rehabilitation. The Detroit Development Fund assists small businesses with both loans and technical assistance, while OppFund provides mortgages, which can include funds for home rehabilitation, to potential homeowners who would not qualify for a conventional mortgage, a service that is particularly needed in distressed communities where low home valuations make traditional mortgage lending difficult.



A RENAISSANCE BREWING IN DETROIT

The Detroit Sip, a new small business in Detroit's Livernois-McNichols neighborhood, is one of the tenants in a renovated business along one of the Detroit Strategic Neighborhoods Initiative's target commercial corridors.



CREATING OPPORTUNITY FOR ALL

The Munoz family stands in the lobby of All 4 Tires, which received a loan from the Equity Atlanta collaborative to purchase equipment and expand the number of employees from one to seven.

Photo Credit: Alejandro Munoz

In the first year of the collaboration, the partners each made one loan, totaling just over \$1 million, to minority borrowers. In Southwest Detroit, Invest Detroit also helped organize a participatory budgeting process, whereby through an intensive community engagement campaign, community members chose to spend \$250,000 in public infrastructure dollars on making a large park across from the local high school into a safer and more inviting community amenity. DSNI's real estate activities have complemented and spurred multiple related neighborhood improvements, including the City of Detroit's upgrading streetscapes, the installation of a bike share station in West Village, and the development of a new 2.5-acre park in the Livernois-McNichols neighborhood.

EQUITY ATLANTA

In Atlanta, two CDFIs that have worked independently for many years have joined with The Reinvestment Fund, a nationally known CDFI based in Philadelphia and member of a 2014 PRO Neighborhoods awardee partnership, to form Equity Atlanta. Aided by the data analysis and guidance of The Reinvestment Fund, the collaboration's lead CDFI, Equity Atlanta promotes affordable housing and successful local businesses, with a particular focus on retail corridors, in several sections of Atlanta: Westside, Grove Park, and a six-neighborhood area that the city government calls Neighborhood Planning Unit-V (NPU-V). The partners have devised data-driven strategies for their lending, deployed a single data repository for all loan projects and results, and arranged to share part of their loan processing and to co-lend on large projects.

Atlanta Neighborhood Development Partnership, Inc. (ANDP) supports affordable housing with acquisition, construction, and rehab loans, while Access to Capital for Entrepreneurs (ACE) provides business loans and microloans ranging from \$2,000 to almost \$1 million, along with technical assistance, to small businesses. So far Equity Atlanta has made 81 loans, totaling \$20 million.

The Reinvestment Fund has contributed to the collaboration in several ways, including an economic analysis of the NPU-V retail corridor and computer programs to help Equity Atlanta track loans and measure

their effect on target areas. In addition, The Reinvestment Fund has co-lent with ANDP on several projects, allowing the collaboration to increase significantly the size of its investments. The partnership has allowed all three members, but particularly ANDP and ACE, to forge new relationships with banks and credit unions to help find deals and join with municipal agencies, city-wide task forces, and other groups to leverage investment opportunities to help the residents of Atlanta.

NORTH MIAMI-DADE CDFI COLLABORATIVE

The North Miami-Dade Collaborative provides loans and technical assistance to small business owners in the cities of Opa-locka and Miami Gardens, Florida, and the Miami neighborhood of Liberty City, many of whose residents are burdened with poverty, unemployment, dilapidated housing, poor education, and lack of good healthcare. The lead organization is Opa-locka Community Development Corporation, Inc., primarily operating through its subsidiary, the Opa-locka Business Fund (OLBF). Started in February 2018, the OLBF is a CDFI created to add commercial lending to the services provided by the Opa-locka CDC, which had long specialized in affordable housing. After discovering the original PRO Neighborhoods partner did not have the appropriate capacity to carry out the project, Opa-locka joined with two Florida organizations and partnered with Community Reinvestment Fund (CRF), a national CDFI and previous PRO Neighborhoods awardee.

CRF helped Opa-locka CDC create the new CDFI, set up policies and procedures, recruit a loan committee, and plan a lending strategy. OLBF will use CRF's "Spark" lending platform, a web-based software that CRF created and shares with mission-driven small business lenders across the country. CRF has also helped its partner secure funding from new sources, and plans to buy some of the loans that OLBF originates. Partners for Self Employment will provide loans and technical assistance in the target neighborhoods, and will co-lend with OLBF on some loans. A technical assistance provider that does not make loans will consult with OLBF on its lending strategy.



Lessons and Observations

Through case studies and research briefs, the Joint Center for Housing Studies and our partners from the Initiative for Responsible Investment at the Harvard Kennedy School of Government have found numerous lessons from the PRO Neighborhoods program for both the directors and financial supporters of CDFIs. Here are a few of the many important insights gleaned from the experiences of the PRO Neighborhoods awardees.

INVEST TIME AND EFFORT TO UNDERSTAND AND ADDRESS A COMMUNITY'S NEEDS

To address the multifaceted needs of a particular community, practitioners need to consult not only experts but also members of that community. CDFIs and other community development organizations that aim to produce an effective, meaningful plan for disadvantaged neighborhoods must learn from residents about their particular hopes and needs. However, community engagement takes time, effort, and creativity, so planners should start as early as possible and commit staff and budget to work on it. In Washington, D.C., the 11th Street Bridge Park leaders spent two years attending hundreds of meetings with residents, business owners, and local leaders to lay the groundwork for the Bridge Park project. There are many ways to engage community residents and their leaders in plans and projects, and CDFIs should pursue as many of these approaches as possible.

To build confidence in the community development effort, CDFIs and their partners should demonstrate effectiveness on the community's behalf as soon as possible. An early victory, setting up first-time homebuyers clubs, earned the Bridge Park project credibility with local residents.

SEEING A NEED AND ACTING

When Nicole Urquhart saw that many African-American women weren't getting adequate prenatal care simply because they lacked reliable, affordable transportation to appointments, she started a company to provide them rides. With a loan from the Invest in Wisconsin Collaborative, she was able to expand this vital service.

Photo Credit: Scott Anderson

DEVELOP STRONG RELATIONSHIPS WITH PARTNERS THAT HAVE A SIMILAR OR COMPLEMENTARY VISION

In pursuing broad-based community development, it is essential to find and create strong relationships with the right allies, be they CDFIs or other entities. Good partners are ones with both the desire and the capacity to help implement the chosen community development strategy. Good relationships require trust between the partners to accept the inevitable compromises that must be made to pursue a shared strategy, and consistent communication to ensure partners stay on the same page and can deal with the inevitable occurrence of the unexpected.

The partners of a number of awardees, including Adelante Phoenix, the Detroit Strategic Neighborhood Initiative, and the NYC Collaborative found that having previous relationships with their partners brought a base of trust from which to expand their collaboration. Once they put their collaborative strategy to work in their communities, many awardees received expressions of interest in collaboration from new potential partners. Experience shows that when considering such opportunities, CDFIs should ensure that potential partners have similar or complementary missions that will support their community development vision.

USE COLLABORATION TO BUILD ORGANIZATIONAL CAPACITY AND EXPERTISE

CDFIs should strive to learn from peer institutions to enhance both organizational development and connection to the community investment network. PRO Neighborhoods awards enabled CDFIs to share best practices, support collaborators with challenges, and closely observe each other's practices. The structured collaboration and regular exchange that came with project execution shed light on new practices and built relationships that will endure beyond the grant period.

Collaborating CDFIs should make it a priority to connect to outside groups and agencies. The benefits of collaboration come not just from the interchange among CDFIs, but also from their engagement with other community investors. Successful and innovative practitioners in the PRO Neighborhoods program engaged a variety of actors in the broader community development ecosystem, such as community advocacy groups, political and governmental bodies, trade associations, and collateral financial services.

In addition, partnering with peer and larger-sized CDFIs can assist emerging CDFIs to accelerate their growth. In the Chicago CDFI Collaborative, for example, the Chicago Community Loan Fund's partnership with the Community Investment Corporation helped it more than double its total assets from the time of its initial PRO Neighborhoods award in 2014.

INVESTING IN BETTER NEIGHBORHOODS

The Detroit Strategic Neighborhoods Initiative works with the city government to locate public infrastructure improvements in targeted neighborhoods, like this new sidewalk in the Southwest Detroit neighborhood.



2017 PRO Neighborhoods Awardees at a Glance

EQUITABLE DEVELOPMENT AT THE 11TH STREET BRIDGE PARK

In conjunction with the redevelopment of a bridge into community and retail space in Washington, D.C., small-business loans, worker training, and creation of a new community land trust to preserve affordable housing. \$5 million award.

- Building Bridges Across the River (Lead Partner)
- Washington Area Community Investment Fund, Inc.
- City First Enterprises, Inc.

RENTAL HOUSING INNOVATIONS IN CRISIS AREAS OF ORLANDO

In Orlando, Florida, purchase of foreclosed homes in bulk and their sale to nonprofit housing organizations, and an experimental program in using shipping containers to build affordable housing. \$5 million award.

- Florida Community Loan Fund (Lead Partner)
- New Jersey Community Capital

SAN FRANCISCO ENTREPRENEURS OF COLOR FUND

In San Francisco, California, intensive technical assistance and small-business loans from \$5,000 to \$1 million to entrepreneurs of color. \$3.13 million award.

- Working Solutions (Lead Partner)
- ICA Fund Good Jobs
- Pacific Community Ventures

SMALL HOUSING, BIG IMPACT

In Los Angeles and San Jose, California, a new type of loan for the construction of accessory dwelling units on single-family lots and loans to nonprofit organizations to acquire and develop affordable housing. \$3.5 million.

- Genesis LA Economic Growth Corporation (Lead Partner)
- Housing Trust Silicon Valley

2018 PRO Neighborhoods Awardees at a Glance

FRESNO COMMUNITY CAPITAL COLLABORATIVE FOR ECONOMIC MOBILITY

In Fresno, California, loans to residents, business owners, and property owners to spur economic activity in disinvested areas. \$5 million award.

- Central Valley Community Foundation (Lead Partner)
- Fresno Community Development Financial Institution, dba Access Plus Capital
- The Northern California Community Loan Fund
- Opportunity Fund

BREW CITY MATCH

In Milwaukee, Wisconsin, loans and technical assistance to help small businesses in commercial districts around downtown to take advantage of increased private development in downtown area. \$3.505 million award.

- Local Initiatives Support Corporation (Lead Partner)
- Hmong Wisconsin Chamber of Commerce, Inc.
- Columbia Savings and Loan Association
- Wisconsin Women's Business Initiative Corporation
- Milwaukee Economic Development Corporation

KENSINGTON DEL CORAZON COLLABORATIVE

In Philadelphia, Pennsylvania, loans to support small businesses and mixed-use developments along the Kensington Avenue commercial corridor. \$5 million award.

- Philadelphia Local Initiatives Support Corporation (Lead Partner)
- Impact Loan Fund
- Financing and Technical Assistance (FINANTA)
- Community First Fund

CLAIBORNE CORRIDOR COMMUNITY DEVELOPMENT PLAN

In New Orleans, Louisiana, loans to support community revitalization and address the challenges of displacement in the Claiborne Corridor by building wealth for low- and moderate-income and minority families and small business owners. \$1.075 million award (2 year award).

- HousingNOLA (Lead Partner)
- New Corp



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