

JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

PRO Neighborhoods Case Study

ADELANTE PHOENIX!



Executive Summary

Adelante Phoenix! is a partnership of four community development financial institutions (CDFIs): Raza Development Fund, Neighborhood Economic Development Corporation (NEDCO), MariSol Federal Credit Union, and Trellis. In 2013 they were awarded \$6 million through PRO Neighborhoods, a grant program of JPMorgan Chase & Co. that seeks to identify and support solutions to the problems of inequality and disadvantaged neighborhoods in the United States.

- The Adelante Phoenix collaboration grew out of a broad-based coalition of civic organizations, institutions, and government agencies to promote environmentally and socially beneficial transportation systems in the Phoenix metropolitan area.
 - By financing a wide range of loans and programs, Adelante Phoenix pursues equitable transit-oriented development that supports the low-income people and places situated along metropolitan Phoenix's new light-rail transit system.
 - Adelante Phoenix has so far made **\$32 million** of loans and leveraged an additional **\$180 million** in outside financing, resulting in 787 consumer loans, 51 small business loans, 14 development loans and 675 units of affordable housing.
 - This broadly-conceived collaboration helps both its larger and smaller members strengthen their businesses, fulfill their missions, and support multiple collaborations with other entities.
- Adelante Phoenix offers lessons for the community development field:
 1. **Small CDFIs will innovate, if they have the financial breathing room.** Within the collaboration, the smaller CDFIs were able to tap the funds of its larger partner and the PRO Neighborhoods award to launch new programs.
 2. **There is power in belonging to a large community-wide movement.** Being connected to a broader effort allows CDFIs to multiply benefits and withstand setbacks.
 3. **Communication is always valuable.** The Adelante collaborators found that regular communication helped them explore new opportunities and cope with changing circumstances.
 4. **It is better to aim too high and fall short than to aim low and achieve the mark.** Long-term, capital-intensive projects are highly risky and often depend upon the support of outside agencies. Yet they may be worthwhile if they shape the future of a community.

A photograph of a Valley Metro Light Rail station platform. The platform is elevated and has a white, slanted roof. A woman is sitting on a bench, and a man is standing. In the background, there are palm trees and a building. A teal text overlay is positioned in the upper right quadrant of the image.

CONNECTING PHOENIX, TEMPE, AND MESA

The Valley Metro Light Rail provides over 47,000 rides on an average weekday. More than 40 percent of light-rail riders are low-income, have a disability, or are seniors or school children.

Source: Valley Metro, Annual Ridership Report.



In Phoenix, not far from the Encanto station of the region's recently built light-rail line, the Patina Wellness Center, a 70-bed residential facility, offers a range of substance-use recovery treatments including traditional Native American healing practices. Down the line at Dorsey Lane station, riders can alight, stroll Tempe's Spice Trail, and enjoy flavors from around the world at the likes of Café Istanbul and Moroccan Paradise. At the light rail's terminus in downtown Mesa, patrons of local museums and theaters mix with students from low-income families living in a renovated historic landmark hotel. And in South Phoenix, not far from the soon-to-be-built South Central line, immigrant high school students arriving at the new Spirit Mission Academy campus can hope to attend college even if they are undocumented, thanks to DREAMer student loans.

A collaboration known as Adelante Phoenix!—"Forward Phoenix!" in English—helped make all of this possible. Comprised of four community development financial institutions (CDFIs)—Raza Development Fund (Raza), Neighborhood Economic Development Corporation (NEDCO), MariSol Federal Credit Union (MariSol), and Trellis—Adelante Phoenix pursues equitable transit-oriented development that aims to support the low-income people and places situated along metropolitan Phoenix's new light-rail transit system.

With the help of a \$6 million award from the Partnerships for Raising Opportunity in Neighborhoods (PRO Neighborhoods) program, this coalition has worked at scales ranging from a multi-million-dollar mixed-use development to individual loans as small as \$500. In carrying out its ambitious agenda, Adelante Phoenix has created one of the most complex, fluid, and broadly conceived CDFI collaborations in the United States.

So far, the Adelante Phoenix partners have made \$32 million of loans and leveraged an additional \$180 million in outside financing for their projects. The collaboration has pursued a wide array of ventures, including 675 units of multifamily housing, 51 small business loans, 42 first-time homebuyer loans, 307 payday-alternative loans, and 52 loans for immigration applications.

The experience of Adelante Phoenix demonstrates the value of collaboration, both between CDFIs and with a broader community of mission-driven organizations. Adelante Phoenix strengthened its partner CDFIs—especially its smaller partners—and allowed them to pursue new opportunities. In turn, Adelante Phoenix benefitted from collaborations with other organizations with a shared purpose.

This case study is one of a series of reports written by the Joint Center for Housing Studies on PRO Neighborhoods, a grant program of JPMorgan Chase that seeks to identify and support solutions to the problems of inequality and disadvantaged neighborhoods in the United States.¹ These publications aim to inform the field of community development by investigating the collaborative approach to community development taken by PRO Neighborhoods awardees. The present case study reviews the achievements, challenges, and innovative practices of one of the first awardees in the PRO Neighborhoods program, Adelante Phoenix.

¹Too date, the CDFI component of the PRO Neighborhoods program has given out \$67.6 million in grants to 17 groups of collaborating CDFIs.

A Civic Crusade: Origins of Adelante Phoenix

Since 2007, a phalanx of civic organizations, foundations, institutions of higher education, and government agencies in the Phoenix metropolitan area have devoted themselves to promoting environmentally sound transportation systems and improving the housing, public health, and community services of the people living along the transportation corridors. Motivated by the construction of the metropolitan area’s new light-rail line—a \$1.4 billion, 20-mile route through Phoenix, Tempe, and Mesa that opened in 2008—these Phoenix-area institutions founded the Sustainable Communities Collaborative (SCC) to ensure socially responsible transit service and foster equitable real estate development near the line.²

In 2010, Raza Development Fund, a local CDFI, joined the SCC and invested \$10 million into the SCC’s new Sustainable Communities Fund. By June 2013, Raza had deployed more than half of its investment into the development of 354 units of affordable housing, a community health clinic serving more than 20,000 patients, and a commercial building occupied by several nonprofit organizations. Furthermore, in 2011 Raza and the Phoenix chapter of Local Initiatives Support Corporation (LISC) secured a \$20 million fund for transit-oriented development, and in 2015 invested \$30 million into a revolving-loan fund for developing mixed-income residential projects in the transit corridor, which has so far developed more than 2,000 dwellings and 200,000 square feet of commercial space.³

Raza helped lead SCC’s effort to take advantage of the creation of the light-rail system to benefit South Phoenix, an industrial working-class area whose predominantly immigrant and racial minority population has a median household income of only \$12,840.⁴ In particular, SCC and Raza pushed the regional transportation system, Valley Metro, to add a north-south line through the heart of South Phoenix to serve its isolated low- and moderate-income population.

When SCC won approval of the new South Central line in 2013, Raza and three other local CDFIs—MariSol, NEDCO, and Arizona MultiBank⁵—which had been working together on common projects within and outside the SCC, came together under the name “Adelante Phoenix!” The leaders of the CDFIs saw that the South Central light-rail line, with seven stops along its five-mile route,

provided a special opportunity for physical, economic, and human development in the rail corridor. As they watched the original light-rail route attract rides and real estate investment—to the tune of \$8 billion by 2015—they anticipated that the new transit line in South Phoenix would also stimulate investment and real estate development.⁶ The CDFI directors and other Phoenix-area leaders knew, however, that it would take a concerted effort to ensure that the new development would benefit residents of the disinvested communities that bordered the new tracks and stations.

Taking a multi-faceted approach, the partners in Adelante Phoenix sought to promote “entrepreneurship and small business development, housing, healthcare, and education in all the Phoenix metro area along the light rail, with special focus on South Phoenix.” In January 2014, JPMorgan Chase awarded Adelante Phoenix a PRO Neighborhoods grant of \$6 million to advance the coalition’s ambitious community development agenda to assist the low- and moderate-income people living in neighborhoods along the city’s light-rail line.⁷

²Current members of the Sustainable Communities Collaborative include fourteen community development organizations, nine government agencies, six advocacy groups, three businesses, three foundations, a university, a bank, and a professional organization. See <http://www.sustainablecommunitiescollaborative.com/our-partners/>, viewed May 15, 2017.

³Raza Development Fund (Raza), Adelante Phoenix! proposal letter to JPMorgan Chase, December 10, 2013; “LISC, Raza Development Fund pledge \$30 million to spur transit-oriented development in low-income communities,” PR Newswire, August 21, 2015, <http://www.prnewswire.com/news-releases/lisc-raza-development-fund-pledge-30-million-to-spur-transit-oriented-development-in-low-income-communities-300131915.html>; Sustainable Communities Collaborative, “Our Accomplishments.”

⁴According to the United States Census, 23 percent of the inhabitants of South Phoenix are immigrants and 85 percent belong to racial and/or ethnic minority groups. US Census Bureau, 2015 American Community Survey 5-Year Estimates, Table S0501 for ZIP codes 85040, 85041, and 85042.

⁵Arizona MultiBank Community Development Corporation was an original member of Adelante Phoenix, but dropped out in 2015. Trellis joined Adelante Phoenix after Arizona MultiBank’s departure.

⁶Initially projected to have 26,000 riders per day, the light rail averaged over 42,000 riders per day in FY 2016. Valley Metro, Frequently Asked Questions about Light Rail, December 2007; Valley Metro, FY16 System Fact Sheet, February 2017. \$8.2 billion has been invested in new development within one-half mile of light-rail stations as of July 2015, according to Valley Metro estimates. Valley Metro, “South Central Light Rail Extension Project: Economic Development Technical Memorandum,” March 2016.

⁷Quotation from Raza, Adelante Phoenix! proposal letter; 3, Augie Gastelum, interviewed by Alexander von Hoffman and Matthew Arck, April 21, 2017; Mark Van Brunt, interviewed by Alexander von Hoffman and Matthew Arck, April 4, 2017.

EQUITABLE TRANSIT-ORIENTED DEVELOPMENT

Adelante Phoenix supports low- and moderate-income people and places along the light-rail line. Light rail ridership has increased by 24 percent since its first full year of operation, stimulating development along the line and offering opportunities for small businesses and mixed-income housing.

Source: Valley Metro, Annual Ridership Report.



Complex and Reinforcing: The Adelante Phoenix Collaboration

Adelante Phoenix is a complex collaboration of CDFIs aimed at helping the people who live and work in South Phoenix and in the vicinity of the Valley Metro light-rail line. The collaboration has many moving parts, some synchronized with one another, some overlapping, and some running independently. Other activities take place independently of the collaboration, as when the participating CDFIs enter into community development projects with outside organizations. The collaboration has accomplished much, falling short of some goals while achieving other goals that were not in the original plan. Despite fluctuation in membership and frustrations in meeting some goals, the ensemble that is Adelante Phoenix has persisted and succeeded in promoting economic and community development (including providing financial help to individuals) for the people of South Phoenix and other light-rail neighborhoods. True to its origins, Adelante Phoenix resembles not so much a tightly structured set of programs as it does a broad-based campaign for community development.

From the start, the collaboration has pursued diverse types of community development activities. While its primary activity has been lending, the scale of its loans and their purposes have ranged widely: from large-scale development to small loans to individuals in need of specialized and sometimes very small amounts of credit. In addition, Adelante Phoenix CDFIs gave grants and joined partnerships to organize small business owners, provided technical assistance and financial counseling, encouraged community engagement, carried out urban planning, and implemented educational programs.

The lead and by far the largest member of the collaboration is Raza Development Fund, which holds more than \$350 million in assets and provides capital to organizations serving Latino-Americans and low-income people not only in Phoenix but also across the United States. Raza helps finance the collaboration's large-scale projects, including transit-oriented housing developments, and also supports the work of its smaller partners.⁸

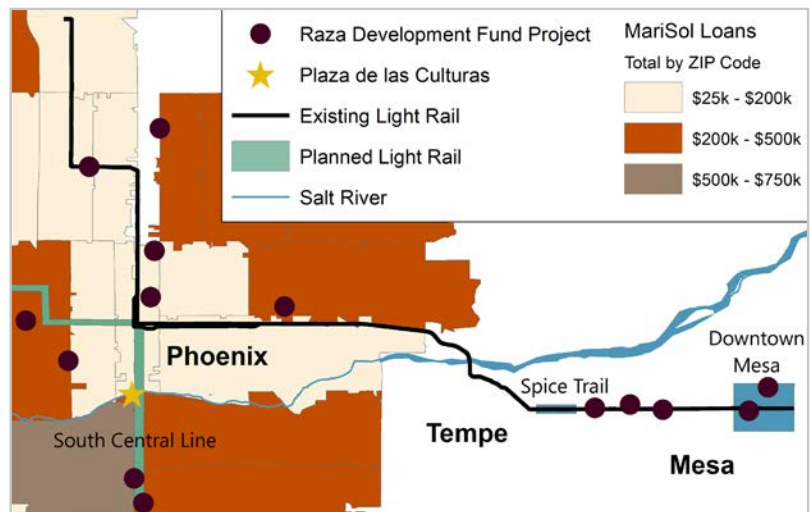


Figure 1: Map of Adelante Phoenix activity along current and planned light-rail lines

To support its partner CDFIs, Raza partially guarantees MariSol loans along the light-rail corridor and in South Phoenix, and made a \$300,000 equity-like investment in NEDCO to support its work with small businesses. Additionally, as a prodigious collaborator in the region, Raza helps its partners connect with other organizations.

⁸For more information, see <http://razafund.org>.

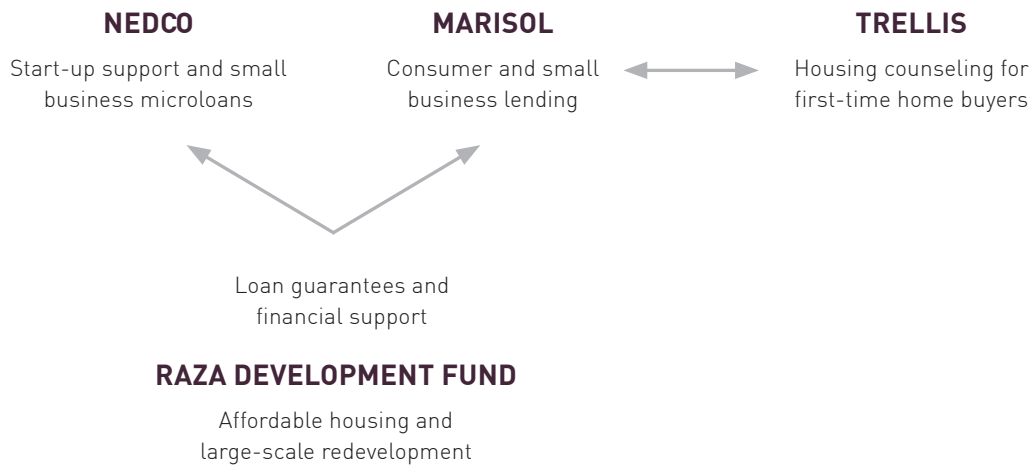


Figure 2: Organizational Chart

One of the smaller members of Adelante Phoenix, NEDCO works primarily in Mesa and Tempe where it offers individually tailored small business loans, as well as helping to train individual small business owners and to organize and support local small business associations. In addition to loan capital, PRO Neighborhoods funds supported a “business growth series,” where leaders of eight local businesses learned about management and planning over a ten-week series of classes.

MariSol, a CDFI and Federal Credit Union that operates in Phoenix, Mesa, and Tempe, offers its low-to-moderate-income members microloans for very small businesses and a wide range of consumer loans, including automobile loans, short-term credit alternatives to payday loans, and tuition loans for “DREAMers,” the undocumented immigrants who meet the criteria of the proposed federal Development, Relief, and Education for Alien Minors (DREAM) Act. The PRO Neighborhoods grant allowed MariSol to expand its lending to new parts of the metropolitan area and to experiment with new loan products.

The newest member of the collaboration, Trellis, is a long-time housing organization in the region. Since 1975, when it was founded as Neighborhood Housing Services of Phoenix, it has helped residents of the city’s economically distressed neighborhoods by financing the first-time purchase of houses and the construction and rehabilitation of homes, and by training and counseling families in financial management and home buying.⁹

As a member of Adelante Phoenix, Trellis has provided financial support and homeownership counseling to home buyers in the collaboration’s target area.

In addition, Trellis and MariSol have collaborated closely on mortgages. Trellis educates potential homebuyers, works with them to find down-payment assistance, and does the initial processing of loan applications. MariSol then underwrites, approves, and funds the mortgage. The two CDFIs’ areas of expertise complement each other. Furthermore, they share “very similar clients and serve the same geographical areas,” says Robin Romano, chief executive officer of MariSol, “so it was an easy fit to help one another.”¹⁰

Within the Adelante Phoenix alliance, cooperation between different-sized CDFIs strengthens the businesses and helps fulfill the missions of each organization. As the largest organization, Raza contributes capital to its partners and helps connect their leaders to community institutions and officials. Conversely, by offering a range of loans and services to Adelante’s target communities, the smaller CDFIs support Raza’s broader community development goals. As Romano put it, “I think that Raza views us as an outlet to do things that they’re not capable of doing, nor is their business model.”¹¹ In addition, the smaller CDFIs also collaborate with each other to reinforce their areas of expertise.¹²

⁹J. Michael Collins, “30 Years of Impact: Neighborhood Housing Services of Phoenix, 1975–2005,” PolicyLab, 2005, 2-4.

¹⁰Robin Romano, interviewed by Alexander von Hoffman and Matthew Arck, April 6, 2017.

¹¹Romano, interview, April 6, 2017.

¹²Romano, interview, April 6, 2017; Gastelum, interview, April 21, 2017.

Adapting to Adverse Circumstances

One of Adelante Phoenix's strengths has been its adaptability in the face of disruption and change, primarily caused by the challenging environment in which small CDFIs operate.

In general, small CDFIs often have meager retained earnings and rely extensively on grants for operational support. In the United States, small CDFI credit unions, for example, on average had negative net income in 2015.¹³ Similarly, CDFI loan funds with less than \$10 million in assets have an average self-sufficiency ratio¹⁴ of less than 0.35—half that of larger CDFIs.¹⁵ Loan loss reserve requirements imposed by lenders can also make it difficult for small CDFIs to deploy debt-financed loan funds. The Adelante Phoenix partners brought a flexible approach to navigating these difficult waters.

When the Adelante Phoenix collaboration began, one of the original partner CDFIs, Arizona MultiBank, was going to provide loans for nonprofit organizations, small businesses, and affordable housing projects. But facing a precarious financial position, Arizona MultiBank decided to merge with an out-of-state CDFI and dropped out of the collaboration.¹⁶ The remaining Adelante partners quickly replaced Arizona MultiBank with a new member, Trellis. Changing their programmatic emphasis somewhat, they recruited Trellis to promote homeownership among the low- and moderate-income households in Adelante's target areas along the light-rail lines. Despite the loss of Arizona MultiBank, Adelante Phoenix was able to open up a new collaboration among its members and continue to support its target communities.

Meanwhile, the leaders of another Adelante member, NEDCO, decided to merge with an outside organization. On its own, NEDCO's small staff had been unable to successfully increase both fundraising and loan volume; if it focused on one activity, the other suffered. To solve the dilemma, NEDCO merged with A New Leaf, a metropolitan-Phoenix nonprofit based in Mesa that provides housing and services to individuals and families in crisis.¹⁷ Under the new arrangement, A New Leaf provides NEDCO with grant writing and administrative services. The merger, reports NEDCO's executive director, Augie Gastelum, gives NEDCO's small staff more time to serve small businesses with loans and programs. In this case, the organizational transition enhanced NEDCO's ability to participate in the Adelante collaboration.

¹³ Small CDFI Credit Unions are defined as having net assets of \$10 million or less. Opportunity Finance Network, *20 Years of CDFI Banks and Credit Unions 1996-2015: An Analysis of Trends and Growth*, 2017.

¹⁴ A CDFI's self-sufficiency ratio is its earned revenue (e.g., interest and fees) divided by operating expenses; that is, it measures a CDFI's ability to support its ongoing operations without external financial support.

¹⁵ CDFI Fund, *CDFIs Stepping into the Breach: An Impact Evaluation — Summary Report*, 2014.

¹⁶ Clearinghouse CDFI acquired Arizona MultiBank in 2015.

¹⁷ NEDCO officially became a wholly owned subsidiary of A New Leaf in January of 2017. See <http://www.turnanewleaf.org/> for more information on A New Leaf.

The Many Roles of Raza

Adelante Phoenix’s lead member, Raza Development Fund undertakes the collaboration’s largest projects. Chief among them are transit-oriented multifamily housing developments, for which Raza can provide acquisition, predevelopment, construction or renovation, and permanent loans. The hallmark of a Raza development is collaboration. Every project Raza funded as a part of Adelante Phoenix involved multiple organizations and funding streams. In addition to PRO Neighborhoods money and Raza’s own capital, Raza leveraged Low-Income Housing Tax Credits, Federal Home Loan Bank Affordable Housing Program grants, HUD Community Development Block Grant monies, and even Federal Historic Preservation Tax Incentive Program credits.

Nine Raza-financed housing projects dot the length of the 20-mile light-rail corridor. With 675 units completed, Raza has had a hand in more than a third of all the affordable housing units built along the light-rail line.¹⁸ In its work, Raza partnered with community-based organizations like Native American Connections to build projects that reflect the needs of local residents. One notable project, a renovation of the hundred-year-old Alhambra hotel in Mesa, created housing for students from low-income families to complement a new college campus that is a collaboration between the City of Mesa and Benedictine University.

Healthcare for low-income residents—a critical need—figured into several of Raza’s projects. Two multifamily housing projects included on-site health or substance-abuse treatment facilities, including the innovative Patina Wellness Center created by Native American Connections. Raza also funded the construction of a new facility for Adelante Health Care, a community health center for low-income residents, along the light rail in downtown Mesa.

Raza also worked to help improve educational institutions, another pillar of thriving communities. Raza’s quick action was critical to the creation of a charter school for low-income residents in South Phoenix. When a YMCA building went up for sale suddenly, Spirit Mission Academy was able to acquire the property with the speed of a private buyer thanks to a Raza loan. The school, supported by the National Football League among others, serves 400 mostly Hispanic students.

The New America School, another charter school that received a Raza loan, will serve 200-300 low-income students in central Phoenix.

Within the coalition, Raza made large loans (over \$150,000) to two small businesses, providing facility and equipment loans. With these loans, Raza helped many local entrepreneurs: one borrower was a Latino street vendor cooperative which built a central kitchen for the use of all 35 of its member small businesses.

LOAN TYPE	NUMBER OF LOANS	TOTAL DOLLAR AMOUNT
Housing Development	10	10,236,900
Charter School Facility	3	10,665,000
Health Care Facility	1	2,500,000
Small Business	2	265,000
Total	16	23,666,900

Figure 3: Raza Development Fund Loan Totals

¹⁸ Valley Metro, *Valley Metro Rail Supports Economic Vitality*, February 2017. 1,702 total affordable units are completed or under construction.

NEDCO and the Art of Small Business Development

NEDCO works in depth with small businesses in Mesa and Tempe, providing training, technical assistance, and small loans. NEDCO's loans, which range from \$5,000 to \$50,000, assist businesses that are either too small or too new for traditional bank loans. Over the past three years, NEDCO made 11 such loans totaling \$257,000.

Much of NEDCO's work with small businesses consists of hands-on training in the basics of business management and planning. Describing NEDCO's approach, Gastelum said, "As financial institutions get more and more high tech and more and more hands off, we're getting more and more hands on." "We are working with them," he continued, "sometimes on a daily basis."¹⁹ This hands-on approach is often most helpful to fledgling small business owners who have a good idea and entrepreneurial spirit, but not the technical expertise to thrive and grow.

For these small businesses, the PRO Neighborhoods award funded a new technical assistance program, NEDCO's "Business Growth Series." Yet another instance of collaboration, the Business Growth Series saw NEDCO partner with Stoney-Wilson Business Consulting, LLC to deliver ten weeks of classes. Working with diverse small businesses—including a barbershop and men's boutique, a coffee shop, and a salsa company—NEDCO taught business basics, planning, and financial management. After helping the businesses establish "all the things they would need to eventually apply for a loan," Gastelum proudly reports that three of the businesses received loans from NEDCO.²⁰

NEDCO also does "placemaking" for businesses in two areas along the light-rail: downtown Mesa and Apache Boulevard in Tempe. These efforts bring small businesses—along with artists and other community members—together to develop a sense of place and advocate for the interests of the group. In Tempe, NEDCO even helped local businesses come up with a name—the "Spice Trail"—that captures the diversity of cultures represented in the many restaurants along Apache Boulevard. NEDCO meets regularly with local government

officials to communicate the needs of local businesses and to coordinate plans. As evidence of their efforts, the "Spice Trail" is now featured on Tempe's official tourism website, which also lists Apache Boulevard as one of seven places to "discover" in Tempe.²¹

For NEDCO, placemaking and small business development are not activities wholly separate from its lending. This work improves NEDCO's lending, first by expanding the pool of well-run businesses that are prepared to take on debt, and second by bringing attention—and thus customers—to a business area. On the second point Gastelum explains, "In a lot of ways, it's self-serving: if we're making loans in this area, we want to make sure that people are coming. In order for people to come, they need to know where to go. The 'Spice Trail' tells them where to go."²²

NEDCO's supplementary activities, however, require significant operating support. The return on very small business loans does not cover the wide range of non-lending activities that NEDCO carries out. Here, partnering with other organizations is key. For NEDCO, the Adelante Phoenix partnership provided some of this support, while other support is provided by LISC Phoenix. In both instances, the supporting organizations see NEDCO's work as reinforcing broad community development goals.

¹⁹ Gastelum, interview, April 21, 2017.

²⁰ Gastelum, interview, April 21, 2017.

²¹ <https://www.tempetourism.com/discover-tempe/apache-blvd/>

²² Gastelum, interview, April 21, 2017.

SUPPORTING COMMUNITY- FOCUSED BUSINESSES

A NEDCO business loan helped Kelsey and Jim Bob Strothers, shown here in front of their specialty sandwich shop, Worth Takeaway, in downtown Mesa. The Strothers support the regional economy by purchasing ingredients for their menu items from local food suppliers and farms.



MariSol's Small but Vital Lifeline Loans

Organized in 2009 as a merger of two credit unions with large Hispanic clienteles, MariSol serves the needs of its members by offering a wide range of consumer loans, including many that are specifically tailored to their low-to-moderate-income members. The PRO Neighborhoods grant covered some of the operating expenses for MariSol's new products, and as a part of the Adelante Phoenix collaboration Raza provided partial loan guarantees that allowed MariSol to lend more confidently.²³

MariSol launched several new or modified loan products as a part of the Adelante Phoenix collaboration, including their successful "Pay Yourself" Mortgage, where borrowers contribute to a MariSol saving account; "Quick Loans," MariSol's payday alternative; and loans to file immigration or DACA ("deferred action for childhood arrivals") applications. MariSol tries to respond to its members' needs—hence the credit union does a brisk business in used car loans—and where possible create loan products that will help stabilize its members' finances. For example, the "Pay Yourself" mortgage and "Quick Loan" products include a savings requirement for borrowers. Romano "loves required savings" in her loan products and believes that helping people save even \$500 can be an important step toward financial security. Unlike title lenders, who profit by getting borrowers stuck in a cycle of new loans, MariSol is "trying to get people to a point where they don't have to come back and get a loan from us."²⁴

The "Quick Loan" product exemplifies MariSol's commitment to tailoring products to help its members. Created as an alternative to predatory title loans (which function in much the same way as payday loans), the Quick Loan is a \$500 loan repaid in four months.²⁵ Unlike a title loan—where borrowers make interest-only payments that leave them with nothing to show for months of payments—Quick Loans are amortized and paid in full after four months. In addition, the monthly payment includes \$20 that goes into a savings account, so that at the end of the four-month loan the borrower has saved \$80. Altogether, these \$500 loans cost the borrower about \$72 in interest and fees. Compare this to the \$340 in finance charges for a \$500 title loan.²⁶ Taking account

of the \$268 savings, MariSol's 307 Quick Loans saved its members as much as \$82,000 (which does not include the high likelihood of rolling over a title loan and paying even more interest).

MariSol also meets the distinctive needs of its members by offering loans to cover the cost of submitting an application for immigration or DACA. Operating funds from the PRO Neighborhoods award allowed MariSol to start charging a flat fee for these loans, which made the loans "much more popular," according to Romano, than the previous method of charging a fee plus interest.²⁷ In addition to these specialized loans, much of MariSol's lending takes the form of more traditional automobile loans and microloans (loans of \$5,000 to \$15,000) to small businesses along the transit corridor.

In addition to these successes, MariSol also explored, but ultimately didn't pursue, Small Business Administration (SBA) and non-citizen loans. Part of the PRO Neighborhoods grant covered the cost of training and approval for MariSol to participate in the SBA's 7(a) loan program. However, even with the startup costs covered, the task of complying with SBA regulations was too great to make sense for MariSol's small staff.²⁸ In another example, Adelante's hopes for a mortgage product for non-citizens, using just an Individual Taxpayer Identification Number (ITIN) rather than a Social Security Number, were ultimately never realized, although MariSol did begin to offer ITIN-based auto loans.

MariSol’s Quick Loan product is an intriguing model that could help other communities around the country where low-income consumers take out payday loans. Romano has already shared the model at conferences and with the Consumer Financial Protection Bureau, which is currently reviewing regulations on payday alternative loans. It is worth noting that MariSol is not the only CDFI trying to give its borrowers an alternative to payday loans; the Community Loan Center Program, a 2015 PRO Neighborhoods awardee, is currently offering a different payday alternative loan product in Texas and Indiana.

LOAN TYPE	NUMBER OF LOANS	TOTAL DOLLAR AMOUNT
Quick Loan	307	203,000
Immigration	52	47,248
Small Business	38	282,217
Used Vehicle	374	5,225,450
Mortgage	42	2,751,071
DREAMer/DACA	12	15,072
Total	825	8,524,058

Figure 4: MariSol Loan Totals

²³ Romano, interview, April 6, 2017.

²⁴ Romano, interview, April 6, 2017.

²⁵ The state of Arizona does not allow “payday loans” as such, but in Arizona title loans have similar terms but use a car title as collateral.

²⁶ Finance charge on a \$500 title loan with a four-month term at 17 percent per month (204% APR) and interest-only payments. Rates are set in accordance with Arizona Revised Statutes sec. 44-291, <http://www.azleg.gov/viewdocument/?docName=http://www.azleg.gov/ars/44/00291.htm>.

²⁷ Romano, interview, April 6, 2017.

²⁸ Romano, interview, April 6, 2017.



EDUCATING LOCAL ENTREPRENEURS

Local business owners gather for “Muevete Mesa!” workshops sponsored by NEDCO and the Latino Business Alliance. NEDCO helps entrepreneurs learn skills that can help them to expand their businesses and prepare them to obtain loans.

The Trellis Strategy of Stability through Homeownership

Trellis works directly with potential homeowners, helping them to understand their choices, prepare for homeownership, and find down-payment assistance. As part of Adelante Phoenix's overall strategy of community development in low-income areas along the transit line, the partners believe that homeownership supports neighborhood stability and the long-term financial health of households. Among its other benefits, homeownership can also blunt some of the gentrifying forces that sometimes accompany new development in previously disinvested areas like the ones Adelante works in.

The collaboration between Trellis and MariSol on the "Pay Yourself" mortgage product is a noteworthy success. Not only is the product itself a clever way to provide more benefit to borrowers than the competition (FHA-insured mortgages), but pairing Trellis's homeowner counseling with MariSol's underwriting and funding makes both organizations' efforts more effective. According to Chris Smith, director of mortgage lending at Trellis, "the collaboration has been great for both Trellis and the clients that we serve."²⁹

Potential homebuyers are required to take Trellis's homeownership counseling as a stipulation of the "Pay Yourself" mortgage, bringing borrowers to MariSol that are prepared to succeed as homeowners. The MariSol loans give Trellis's clients a quality option for their mortgage, while Trellis's preparation makes MariSol's loans that much less risky. Continuing this fruitful partnership, Trellis and MariSol have committed to making another \$1 million in mortgage loans in 2017.

One way Trellis supports homebuyers is by helping them find down-payment assistance. To further this aim, Trellis is working with Raza on a request for a Workforce Initiative Subsidy for Homeownership (WISH) Program grant for down-payment assistance from the Federal Home Loan Bank of San Francisco (FHLBank San Francisco). Raza, as a member of the FHLBank San Francisco, is sponsoring Trellis's request, which will provide WISH grants of up to \$15,000 for low-to-moderate-income first-time homebuyers.

²⁹ Chris Smith, email correspondence with Matthew Arck, May 22, 2017.

Large-Scale Development: The Unfinished Saga of the Plaza de las Culturas

A key component of Adelante Phoenix's proposal to revitalize South Phoenix was its plan to transform the 80-acre site of a former cement plant two miles south of downtown into a mixed-use cultural and economic complex to be known as the Plaza de las Culturas. Led by Raza, the collaboration devoted a little more than half of its PRO Neighborhoods award to this development project, which it initially hoped would begin construction by early 2017. The project took many crucial steps toward the redevelopment of the site, but fell short of its ambitious goals.

Owned by a large building materials company, this former industrial site has long been an eyesore, highly visible to those entering South Phoenix. The leaders of Adelante Phoenix nonetheless saw promise in the site, especially since it is bordered on the north by the recently rehabilitated wetlands habitat of the Salt River and on the east by the future track of the South Central Avenue light-rail line. With its locational advantages, the Adelante partners saw the potential to redevelop the site into a mixed-use focal point for the community, featuring educational facilities, affordable housing, a business incubator, shops, and a cultural center.

Over the next three years, Adelante Phoenix pushed the Plaza de las Culturas project forward. It completed environmental and geotechnical studies, collaborated on an extensive community planning survey of 900 residents, and carried out \$1.5 million of predevelopment activities, including environmental remediation of the site.

Environmental and political obstacles, however, stalled the project. Adelante's predevelopment studies revealed an unexpectedly large geotechnical problem, 25 acres of buried rubble from the cement plant, which would cost up to \$14 million to eliminate. Even so, two government-sponsored economic development authorities, the Industrial Development Authority of Phoenix and the Industrial Development Authority of Maricopa County, expressed a willingness to share the costs by issuing bonds on the project. Adelante was also counting on the City of Phoenix to provide necessary infrastructure improvement—e.g., roads, parks, and water and sewer

pipes. In the end, despite Raza's energetic advocacy, which included enlisting Arizona Senator John McCain as a supporter, the city government declined to commit to the \$50 million expenditure. The two industrial authorities then withdrew as well, effectively halting the project.³⁰

Although Raza has felt obliged to cease to pay for control of the site, the Adelante Phoenix partners still have reason to hope that the Plaza site will be developed in accord with the aspirations of the South Phoenix community. Through the process, government officials learned about the site and its potential for future development. When the light rail is built and the area nearby begins to develop, key players will recognize the importance of developing the site, and the work of Adelante Phoenix will likely influence the ultimate result.

³⁰ Van Brunt, interviewed by Alexander von Hoffman and Matthew Arck, May 22, 2017.

Lessons from Phoenix

As is fitting for such a complex collaboration, the experience of Adelante Phoenix reveals many different types of lessons for experts and practitioners in the community development field.

SMALL CDFIS WILL INNOVATE, IF THEY HAVE THE FINANCIAL BREATHING ROOM

Small CDFIs often find it difficult if not impossible to undertake new programs without the security of additional financial and logistical support. The smaller CDFIs in Adelante Phoenix benefited from the collaboration with a larger CDFI and the availability of the PRO Neighborhoods funds. Their experience demonstrates that increasing small CDFIs' access to capital can help them to survive and innovate.

“Our biggest problem,” Romano observes about MariSol, is “being able to cover our operating expenses when we get into a project.”³¹ The PRO Neighborhoods grant and Raza’s partial loan guarantees, however, allowed MariSol to pursue several new loan products. For example, the grant supported the “Pay Yourself” mortgage, which MariSol offered with Trellis. MariSol also pursued but eventually declined to offer SBA loans. Without the PRO Neighborhoods award, MariSol would have either lost money or been unable to try out this promising idea. Adelante Phoenix also enabled MariSol to pursue marketing in ways that it had not previously. Thanks to the partnership with Raza, MariSol staff members began attending citizenship information sessions organized by Promise Arizona, a group with a large membership, where they spread the word about MariSol’s immigration loans. With some of the PRO Neighborhoods grant money, MariSol also launched a successful ad campaign on a Spanish-language radio station.

As we have seen, NEDCO was also limited by its small size and budget. The challenge that small CDFIs face, according to NEDCO director Gastelum, “is that few organizations, banks, or municipalities want to fund the administrative side of things.”³² Yet thanks to the Adelante Phoenix collaboration, NEDCO was able to pursue the Business Growth Series, a new way of training small business owners.

THERE IS POWER IN BELONGING TO A LARGE COMMUNITY-WIDE MOVEMENT

Being connected to a broad community-wide effort allows CDFIs to multiply benefits and, just as importantly, to withstand setbacks. With many projects and avenues of collaboration, if one fails, others continue. In this way, complexity can be a strength.

Even before they formed their collaboration, the Adelante Phoenix CDFIs were engaged with a community effort to provide equitable transit-oriented development. During the course of the grant period, they worked with at least fifteen different partner organizations. Raza chief operating officer, Mark Van Brunt, finds that creating organizational connections is almost an end unto itself, because it is “catalytic” in achieving goals that a community development group could not achieve on its own.³³

Some of the benefits of such a broad-based set of partnerships are hard to quantify and took place outside the formal Adelante Phoenix collaborative. One of the most significant examples of the power of coalitions is the Valley Metro’s decision to accelerate construction of the South Phoenix light-rail extension. The Valley Metro board, whose members are appointed by the local municipalities, originally slated it to open in 2034, but last year moved up the opening date to 2023. Although many factors went into this decision, the board members reportedly were moved by the impressive community support for development efforts in South Phoenix, including the possibility of the Plaza de las Culturas development.³⁴

Furthermore, collaboration begets further collaboration. NEDCO’s merger with A New Leaf grew out of the two organizations’ working together on Phoenix-area transit-oriented development projects. Adelante Phoenix partners MariSol and NEDCO are discussing a joint application to

the CDFI Fund that would continue their collaboration even after the PRO Neighborhoods grant period ends. “Sometimes,” Romano opines, “I think that my [CDFI] brethren get too caught up with competition instead of finding ways that you can help and support one another in your various niches.”³⁵ Echoing this sentiment, Smith believes that collaboration can help CDFIs “have greater impact on the public that they are serving.”³⁶

COMMUNICATION IS ALWAYS VALUABLE

The Adelante Phoenix collaboration, with its myriad avenues of connection and collaboration, makes clear the value of communication. Romano counsels other CDFIs to “sit down and don’t be afraid to talk to people you don’t know and ask what they do and find out how you can work together.”³⁷ Within the collaboration, MariSol and Raza communicate at least quarterly to discuss any potential new opportunities for collaboration. Just recently, for instance, they began working on a possible joint affordable housing development. By remaining open to new ideas in the face of changing circumstances, the Adelante collaborators found many ways to succeed, both during and after the period of their PRO Neighborhoods award.

IT IS BETTER TO AIM TOO HIGH AND FALL SHORT THAN TO AIM LOW AND ACHIEVE THE MARK

Sometimes it is better to reach for the stars and fail than to settle for the status quo, especially if the status quo is an 80-acre blighted area. The saga of the Plaza de las Culturas so far would seem to be a story of frustrated ambitions. Certainly community development organizations should realize that long-term, capital-intensive projects, such as a large mixed-use real estate development, are highly risky. They incur large costs, which few nonprofit developers could sustain. Furthermore, their success depends upon the cooperation and support of government agencies, which as we have seen are subject to change. Yet the “chance to aim high,” as Van Brunt describes the PRO Neighborhoods grant, allowed Adelante Phoenix to raise awareness of the potential importance of the large plot of land, involve community residents in an unprecedented planning

exercise, and prepare the site in anticipation of the day when the site will be developed.³⁸ Although it is unknown when the project will come to fruition, Adelante Phoenix’s efforts have contributed to the development of an area that is crucial to the improvement of the South Phoenix neighborhood.

A GREAT EFFORT ILLUMINATES THE PATH TO THE FUTURE

Uniting with others in a larger effort creates a momentum for future endeavors. The Adelante Phoenix partners joined and helped shape a broad-based civic crusade that could continue to benefit the Phoenix area’s low-income people and places for years to come. “When the politics are right, and there’s the right chemistry amongst the CDFIs and other organizations, and a real tie to the community,” Van Brunt reflects, there’s an opportunity to do unique “interdisciplinary work at scale.”³⁹ The Adelante Phoenix partners intend to continue collaborating now that the PRO Neighborhoods grant period has ended, and to continue their pursuit of equitable and transit-oriented development in the region. Or as Romano put it, “We want to continue because we didn’t solve all of Maricopa County’s problems.”⁴⁰

³¹ Romano, interviewed by Nathalie Janson, October 29, 2015.

³² Gastelum, interview, April 21, 2017.

³³ Van Brunt, interview, April 4, 2017.

³⁴ Brenna Goth, “South Phoenix Light Rail on Fast Track, to Come a Decade Early,” *The Arizona Republic*, Feb. 9, 2016; Valley Metro, “South Central Extension Step Closer to Reality,” Jan. 12, 2017.

³⁵ Romano, interview, April 6, 2017.

³⁶ Smith, email correspondence, May 22, 2017.

³⁷ Romano, interview, April 6, 2017.

³⁸ Van Brunt, interview, April 4, 2017.

³⁹ Van Brunt, interview, April 4, 2017.

⁴⁰ Romano, interview, April 6, 2017.



Joint Center For Housing Studies
of Harvard University

FIVE DECADES OF HOUSING RESEARCH
SINCE 1959