

Executive Summary

OVERVIEW OF THE INTEGRATION INITIATIVE

In January 2010, Living Cities launched The Integration Initiative (TII) to support “bold, promising approaches that have the potential to transform the lives of low-income people and the communities in which they live.” Living Cities offered applicants a blend of three types of financing to implement their local strategies: direct grants of \$2.77 million for three years; program-related investments of up to \$4 million; and up to \$15 million of commercial debt. Living Cities required that each community applying to be part of TII incorporate the following in its approach: a focus on systems, a cross-sector “table” to lead the work, the use of both grants and debt financing through a CDFI, involvement of philanthropy, and engagement of the public sector.

In July 2010, Living Cities selected five sites to be part of The Integration Initiative:

- **Baltimore—Baltimore Integration Partnership (BIP):** The goal of BIP was to connect low-income, predominantly African-American, residents in Central and East Baltimore to jobs and to reinvest in these neighborhoods. The primary focus of the work was related to workforce development and anchor institutions. The CDFI partner for BIP was The Reinvestment Fund (TRF), a Philadelphia based CDFI.
- **Cleveland—The Greater University Circle Community Wealth Building Initiative (GUCI-EIMC):** The goal of Cleveland’s TII initiative was to create a new model of economic development that harnessed the power of anchor

institutions to create a new model of economic development that connects residents and businesses to a revitalized community, increases the number of jobs and opportunities available, and improves the quality of life for low-income individuals. The initiative, geographically focused in University Circle and then extended to the Health-Tech Corridor (HTC), a three-mile corridor connecting downtown to University Circle, is involved in a multifaceted anchor strategy. The CDFI involved in Cleveland was the National Development Council, a national CDFI.

- **Detroit—The Woodward Corridor Initiative (WCI):** The goal of WCI was to leverage work in the Midtown Detroit area and its multiple anchor institutions to drive reinvestment in Detroit, generate greater benefits for area residents, and create system change in regional land use and city regulatory policies. The WCI geography included Midtown and the adjacent North End neighborhood. The CDFI partner was Capital Impact Partners, a national CDFI that was brought in to work in Detroit.
- **Minneapolis-St. Paul—Corridors of Opportunity (CoO):** CoO’s goal was to ensure that low-income residents, businesses, and neighborhoods benefited from the planned transit-related investments in the region through advancing equitable transit-oriented development. The primary geographic focus was the Central Corridor, which was in the midst of construction of a light rail line that would connect the downtowns of Minneapolis and St. Paul, and the

Southwest Corridor, the next light rail corridor that was in the planning phase. The initiative included funding from both TII and the HUD Sustainable Communities Regional Planning Grant, and one governance group oversaw the two efforts. The financing work was undertaken by four CDFIs: LISC, Twin Cities Community Land Bank, Family Housing Fund, and the Neighborhood Development Center.

- **Newark—Strong Healthy Communities Initiative (SHCI):** SHCI’s initial goal was to improve social and economic outcomes for residents living in disinvested neighborhoods by creating a wellness economy. The focus of the work evolved significantly over the three years, and SHCI refined its strategies around a central population-level outcome, “improving the education outcomes of children in Newark’s low-income neighborhoods by improving their health and well-being.” With this new outcome, it restructured its work around housing and neighborhood development, health access, and food access strategies. SHCI’s CDFI partner was New Jersey Community Capital.

When Living Cities launched TII, it had very high expectations that the work would have a transformative effect not only on the five sites that were chosen, but also more broadly in the field. Many of the concepts that were the foundation of TII were relatively untested at that time. These included the importance of cross-sector collaboratives, reaching scale through going beyond projects and programs to changing systems, driving private capital to work on behalf of low-income people, and, finally, the importance of engaging the public sector and the private sector in a new way.

That Living Cities wrapped all of these elements together through TII is an indication of the ambition and complexity of the work.

The evaluation of the first phase of TII provides some insights into these issues. TII is a 10-year evaluation. As is often the case in both public and philanthropic initiatives, the timeframe of the evaluation does not match the timeframe anticipated for results. In TII, progress related to the funding of the first three years of work does not match the 10-year timeframe anticipated for reaching scale in TII’s theory of change. As a result, the evaluation reports primarily on how well the actual implementation of the Initiative aligned with the initial theory of change and the type of system change that occurred. How these changes are translating into improved outcomes for large numbers of low-income residents in each of the five sites will not be evident for a number of years. This is not a limitation of TII or the evaluation, merely a reflection of the realities of efforts such as TII that were designed with an understanding of complexity and an ambition around transformative change, not smaller scale programmatic outcomes.

Although the long-term results are uncertain, the evaluation of the first three years revealed many areas of success. Most notably, TII has met the expectation that the work in the five sites would lead to changing relationships, perspectives, and boundaries amongst public and private sector leadership in each community, would build the communities’ capacity to work across sectors, and would break down issue area silos. In addition, new CDFIs have been introduced in some of the communities and have become important players in the civic infrastructure, while existing CDFIs have expanded their capacity.

There is also evidence of changing policies, practices, and funding flows at three levels: within the individual organizations involved in TII work, within the systems that were targeted for change, and, finally, in the larger civic infrastructure where addressing equity and using cross-sector collaboratives to address complex issues have become more embedded in the way work is done.

Beyond the five sites, Living Cities learned a great deal from its engagement and translated this knowledge into new frameworks that are having an influence more broadly in the field. The work is being replicated in efforts such as the Working Cities Challenge of the Federal Reserve Bank of Boston; the capital absorption framework, which was developed as Living Cities staff considered the capital deployment challenges in TII sites, is being used to engage communities around the country in a rethinking of their community development finance systems; and foundations and financial institutions, including CDFIs, are taking what they learned through their engagement in TII to other communities.

The following provides a summary of some of the key findings of the evaluation as well as some of the lessons that emerge from the work.

SHORT-TERM OUTCOMES: IMPLEMENTATION AND SYSTEM BUILDING

According to TII's theory of change, the focus of the first three years of the Initiative was on implementation and "system building" and involved creating new governance structures, engaging a CDFI in the work, closing and deploying the financing, and identifying strategies and approaches to achieve system change. With the exception of the capital deployment, the evaluation found strong

evidence that the sites achieved the expectations for this phase of the work.

- Both the Survey of Stakeholders and stakeholder interviews provide strong evidence of changing system dynamics, with those involved developing new relationships across geographic boundaries, stakeholder groups, and discipline areas.

- One of the most immediate and potentially lasting impacts of TII was strengthening CDFI capacity and integrating CDFIs within the civic infrastructure in each of the sites.

- Investments in policy research and engagement of the governance groups helped sites to identify policy barriers that needed to be addressed to change targeted systems.

- The slower than anticipated deployment of Living Cities capital, particularly commercial debt, resulted in members who found the outcomes poor related to the costs associated with putting the financing together.

- The sites felt strongly that the terms of the financing did not meet their needs.

- Living Cities support leveraged a considerable amount of public, private, and philanthropic funds in each of the communities.

BEYOND SYSTEM BUILDING TO ENDURING SYSTEM OUTCOMES

Beyond the system-building activity, the evaluation focuses on the interim outcomes that have occurred that are both likely to

result in enduring system change that could extend beyond the initial three years and that could lead to improved outcomes for low-income residents. The evaluation model identified three pathways towards enduring system outcomes: policy and practice changes resulting from *deliberate system change strategies* designed as part of the initial approach of the Initiative; policy and practice changes that emerge as a result of the *changing system dynamics*; and system outcomes related to *emergent strategies* that were implemented as sites pivoted their work over the course of the three years.

In considering the progress towards achieving enduring system outcomes, the evaluation also considered the nested nature of systems and looked at outcomes in terms of the *targeted system*, the *individual institutions* that make up the system, as well as the broader *civic infrastructure* in which the system operates.

Although the initial theory of change did not anticipate significant enduring outcomes in the first three years, the evaluation found evidence that the seeds of change have been planted:

-  Many of the system outcomes were emergent, primarily related to changes in the system dynamics.
-  The majority of stakeholders involved in TII reported that their involvement has led to changes in policies, practices, funding flows, and relationships within their organization or agency.
-  There are potentially enduring changes in individual anchor institutions and public sector agencies that have the

potential to lead to longer-term population-level outcomes.

-  Baltimore is one of the few sites that developed a deliberate system change strategy involving city and state workforce development policies and practices. This work has led to enduring new policies and is changing workforce system practices in that city.

-  The small business development system capacity was enhanced in most sites through the entry of new players, expanded capacity in existing players, and new approaches to longstanding system barriers.

-  The entry of new CDFIs and difficulty in deploying capital was a “forcing mechanism” that led to changes in the community development finance system, most notably through changing funding flows and increased collaboration.

-  TII work led to changes in practices and, in some cases, changes in policies, within the place-based development systems in many of the sites.

-  Beyond individual organizations and systems, TII has influenced some more potentially transformational changes in the civic infrastructure, by embedding the focus on equity and inclusion more broadly in Minneapolis-St. Paul and in Baltimore, changing how investors view Detroit, and creating new norms for collaborative work in Minneapolis-St. Paul and Newark.

FACTORS AFFECTING SITE OUTCOMES

After only three years of implementation of TII, it is too early to assess with any rigor the contribution that various factors have had on the outcomes. Given the strong adaptive frame of this Initiative and the long timeframes associated with system change work, the types and level of success in achieving enduring change to the systems can vary significantly over the next five years. With these limitations in mind, this section provides initial thoughts on some of the factors that have been observed as influencing success to date.

Living Cities: Selection, Design, and Interventions

- Some of the sites selected were facing economic challenges, were in the early stages of their work, and/or were focused on traditional community development strategies, thus presenting a mismatch with some of TII assumptions.
- The blending of grants and capital was a significant factor in bringing stakeholders to the table, providing resources to support the type of implementation work required, and, most notably, as a forcing mechanism that led sites to understand and address capital absorption challenges.
- The systems frame, while difficult to understand, was perhaps one of the more transformative elements of TII.
- Having grant funds available to the sites over a three-year period was a critical factor in the success of some of TII work.

- By the end of the three years, both the initiative directors and many of the philanthropic partners viewed the Living Cities staff as valued advisors who challenged sites to pivot their work in positive directions.

- The learning communities were almost universally cited as the most effective and important intervention of Living Cities, leading directly to changing practices and improved system capacity in some sites.

- The shifting Living Cities frame slowed progress and created some frustration on the part of the sites.

Local Site-Specific Factors

- Many of the changes in system dynamics occurred as a result of interactions at the new “tables” established as part of TII, which, with the exception of stakeholders in Detroit, were perceived by those involved very positively.
- The evidence to date does not show a strong link between the structure and operations of the governance groups and the outcomes achieved at the sites.
- Housing the initiative in locally based foundations proved an effective model.
- The role of the initiative directors as “connectors” was a very important success factor, particularly in terms of the emergent outcomes.

 The struggle to identify large-scale results, understand the system challenges, and develop a strategic approach to addressing these challenges, was a gap in almost all of the sites.

Contextual Factors

 A lot of “adjacent” work, competing high priorities, and serious capacity deficiencies can complicate both alignment and level of city engagement.

 The possibility of political change is a given when working on a relatively longer-term initiative with the public sector. Balancing deep political engagement and ownership with the long-term sustainability of the work is a challenge.

 Pre-existing relationships between the philanthropic community and the public sector can be a critical factor in making progress on achieving enduring system outcomes.

OUTCOMES BEYOND THE FIVE SITES: NATIONAL INFLUENCE

In designing TII, the clear intent of Living Cities was to create new knowledge and learning and to utilize this learning to help transform systems that connect low-income people to opportunities *beyond the five sites* being supported in the Initiative. While for most of the period in which TII operated Living Cities had limited capacity related to knowledge capture and dissemination, it was nonetheless able to influence many in the field.

 There were five areas of knowledge emerging from TII site work that Living Cities explored in more depth: capital absorption, the anchor work, cross-sector partnerships, and the two “deep dives” on small business development and public sector engagement that were part of the evaluation.

 TII has influenced work in many locations beyond the five selected sites, including the replication of TII by the Boston Federal Reserve Bank in its Working Cities Challenge in six small cities of Massachusetts, capital absorption workshops that reached multiple stakeholders in 10 communities, and new practices by Capital Impact Partners and The Reinvestment Fund outside of TII sites.

 The work on anchor institutions has not had a significant influence in the field. On the other hand, the research and publications related to cross-sector partnerships are becoming part of the collective impact knowledge base.

 While exposure to TII framework, design, and implementation process did not have a significant influence on Living Cities members’ grantmaking activities, it was influential in the design of the Citi Foundation Partners in Progress initiative.

 The work of TII has had a significant influence on Living Cities itself and served as a “learning lab” that has shaped the organization’s approach to addressing the challenges of low-income residents of cities.

 Influence emerged primarily through deep senior-level Living Cities staff engagement with the sites and their commitment to draw and share learning from their experience.

LESSONS

The following section reviews some of the lessons for both Living Cities and for the broader field that are based on what was learned through the first three years of the Initiative. Given the new frame at Living Cities, the lessons focus on the three levers that now form the foundation of its work: collective impact, capital innovation, and public sector innovation. It is important to note that since the evaluation was structured with real-time feedback provided through the course of the work, Living Cities has already responded to some of these lessons and integrated them into the design of the second phase of TII in which five new sites, New Orleans, Albuquerque, the Seattle region, San Antonio, and San Francisco, received planning grants.

Collective Impact

1. Collective impact does not apply to every problem and to every community.
2. Effective collective impact involves considerable planning.
3. Qualitative feedback loops are as important as having a quantitative data dashboard in system change work.
4. System change work requires patience—it may take many years of foundational work before population-level outcomes are realized.

5. Tensions between people- and place-based approaches make the collective impact model difficult in efforts targeting neighborhoods and individual corridors.
6. There is a need to balance accountability and evidence-based results with more emergent approaches that focus on changing system dynamics.
7. Complex problems can be addressed through many different strategies. The challenge is not to take on too many, but to identify one or two with high leverage.
8. More attention should be paid to the role of stakeholders at the table.
9. Strong initiative directors are needed to keep the work on track, staff the “table,” and, most importantly, provide the connecting glue for the adjacent work in the community.
10. Leadership by a small core team of the most involved stakeholders is critical to collective impact work.
11. It is critical to pay attention to service delivery system capacity and scale, not just the capacity of individual organizations.
12. Developing relevant data to track results is very hard; creating the systems for capturing and reporting the data is even harder.

Capital Innovation

1. Capital can be a forcing mechanism, pushing stakeholders to work together differently and to consider the community’s broader capital absorption capacity.

2. Capital market innovation requires new ways of working, with CDFIs more embedded in the civic infrastructure.
 3. Development pipelines emerge at different rates and may require significant predevelopment work.
 4. The supply and assembly of appropriate subsidy is a key constraint to development and capital deployment in weak market cities and neighborhoods.
 5. Small business financing needs to be well networked to the large community development finance system to be effective.
 6. Importing higher-capacity CDFIs should be considered an option in communities with limited CDFI capacity.
 7. Financing tools should not be designed before sites have identified the specific use of capital, have a pipeline, and understand the capital absorption capacity in their community.
4. System change requires multiple levels of engagement—from elected officials down to the boots on the ground.
 5. Hiring and embedding staff in city agencies can nurture a culture of innovation.
 6. Changing public sector agency culture in a sustainable way is very difficult.
 7. It is important to understand the role of the public sector in the system being targeted and the appropriate public sector stakeholders relevant to that system.

Knowledge and Influence

Public Sector Innovation

1. Money helps to bring the public sector to the table; flexible money keeps it there.
 2. Fully engaging elected leaders requires sensitivity to credit and attribution as well as providing cover at times.
 3. Alignment with mayoral priorities is required to sustain engagement.
1. Experienced senior-level staff with deep engagement in the work are critical to making meaning from site work and developing new frameworks that have relevance to the field.
 2. For TII work to influence members outside of the sites, members need to be more involved in the learning and sharing of knowledge emerging from the work.
 3. Open sourcing knowledge is important, but influence also requires an investment in staff time and/or outside research so that the knowledge is deep enough to impact the work in the field.
 4. Living Cities staff need to “own” the knowledge products and actively disseminate findings if they are to have influence.