

***Bill and Melinda Gates Foundation: Voices for Economic Opportunity  
Challenge Grant Proposals***

**Facilitating Opportunity Moves and Integration with a MoveSmart app**

*Partners: Oak Park Regional Housing Center, American University*

We propose to develop and test a mobile app (with a website counterpart) called MoveSmart. MoveSmart will allow users to quickly access information about housing opportunities and will help users find and get a positive sense for neighborhoods they might not otherwise consider in their housing searches.

**Developing and Publicizing Inclusivity Ratings**

*Partners: Inclusivity Institute, Chicago Fair Housing Alliance*

We propose to develop “inclusivity ratings” that identify the key regulatory barriers to affordable housing and identify and “grade” jurisdictions according to the degree to which they rely upon those barriers, and whether they are making progress over time in reducing those barriers.

**Enabling First-Time Homeowners with Counseling and Very Low-Cost Mortgage Loans**

*Partners: Affordable Housing Partners, Oak Park Regional Housing Center*

In this proposal, we request additional funding for homeownership counseling and very low-cost mortgage loans. We have developed a partnership between the Oak Park Regional Housing Center and a local bank, Affordable Housing Partners. Through this partnership, moderate-income, predominantly minority households qualify for “low cost” mortgage loans. The Oak Park Regional Housing Center’s counseling program will work with other community partners to encourage borrowers to consider and identify homes in “opportunity” neighborhoods.

**Early Warning System and Protecting Proto-Gentrifying Neighborhoods**

*Partners: Maggie Walker Community Land Trust, Inclusivity Institute*

We propose to develop and test an “early warning system” to identify neighborhoods where gentrification is likely to happen, and to cost out a program of responses aimed at promoting stable integration.

**The Innovation Houses Project**

*Partners: Neighborscapes*

Our partner, NeighborScapes is a non-profit organization with a mission to strengthen the physical and social fabric of neighborhoods. In this proposal, we request additional funding to support their project, titled the Innovation Houses Project. The purpose of the Innovation Houses Project is to rehabilitate vacant properties in the Englewood neighborhood of Chicago. The units are then leased to “Community Building Fellows”. In return, the Community Building Fellows are asked to commit to community service, therefore generating the civic energy needed to further support the Englewood neighborhood. NeighborScapes works closely with a Community Building Fellow to purchase an Innovation House or similar property in the neighborhood.

## Facilitating Opportunity Moves and Integration with a MoveSmart app

Part I. Preface. Our organization is part of a national consortium of scholars, community organizations, fair housing groups and NGOs that are developing coordinated strategies for reducing metropolitan levels of housing segregation. We are motivated by the compelling research published over the past decade that demonstrates (a) intense housing segregation is a primary driver of racial disparities in health, employment, education, and other racial outcomes; (b) a much clearer understanding of how lower housing segregation comes about; and (c) promising and efficient strategies – including the one described in this proposal – that can, in concert, produce steady declines in segregation. Reducing racial and economic isolation and segregation is a key part of giving individuals voice and helping different parts of our society to “see” and understand one another.

A key element in reducing segregation is providing households with better information about housing opportunities. As Chetty et al (2019) demonstrated in their Seattle experiment, housing counseling can dramatically increase the rate at which housing voucher holders move to “opportunity” neighborhoods rather than high-poverty enclaves. This raises two questions: (1) can housing counseling work similarly well in increasing the mobility of households in general and in helping moving households to consider pro-integrative moves, and (2) what technologies could disseminate these counseling ideas widely and cheaply?

**Our idea. We will develop and test a mobile app (with a website counterpart) called MoveSmart that will allow users to quickly access information about housing opportunities, and in particular will help users find and get a positive sense for neighborhoods they might not otherwise consider in their housing searches. Making it easy for users to discover neighborhoods and learn about available housing in those neighborhoods will, we hypothesize, encourage pro-integrative moves that create opportunity.**

Theory and creativity behind the idea. The MoveSmart intervention builds on a growing body of research that identifies *information barriers* as one of the primary mechanisms sustaining residential inequality. In highly segregated metropolitan areas, prospective movers have “mental maps” of what neighborhoods they can realistically consider. These maps are often defined by race and by stereotypes and reinforced by guidance received from friends and relatives. This means that there are high costs for movers to learn about new neighborhoods. As a result, most moves reinforce the existing geography of inequality.

The MoveSmart app will be developed by talented designers working with leading scholars and a pioneering housing center with over four decades of experience promoting integrative moves. The designers have laid out interfaces and styles that will make MoveSmart attractive and interesting to use. MoveSmart is unique from existing housing apps in three ways: (a) MoveSmart helps users discover then learn about *neighborhoods* rather than housing units; (b) it allows users to opt-in to a supplemental interface specifically designed to facilitate pro-integrative, pro-opportunity moves; and (c) it connects users to in-person housing counseling services where they can get deeper assistance, including counseling to facilitate homeownership and opportunity moves. *These features can scale the benefits of Opportunity Insights successful Seattle demonstration by reducing per-user costs of neighborhood discovery and counseling services.*

Hypothesis. Our hypothesis is that people using MoveSmart are significantly more likely to make pro-integrative moves (including moves to opportunity neighborhoods), than are people who do not have access to MoveSmart.

### Part II. Implementation.

Experimental plan. We will create and distribute a beta version of MoveSmart that guides users to housing options and neighborhood information for ten communities in and around our home community. These communities cover approximately 15% of our metropolitan region. A user begins using MoveSmart by selecting their top priorities from a list of neighborhood characteristics that include features like “good access to public transit,” “close to work”, and “parks nearby.” The user also enters information about the necessary housing unit size and price they can pay. MoveSmart then guides users through information about neighborhoods that meet the criteria. The interactive interface also displays units within those neighborhoods. In the process, MoveSmart gives users the option to select “show me ‘pro-integrative’ moves” and “show me ‘opportunity’ moves.” If the user selects either, MoveSmart asks users for additional demographic information and are guided through additional selections. Users are encouraged to contact our

housing counseling service for personal and in-depth assistance. Our counseling is based on decades of experience helping movers make pro-integrative moves.

In the first stage of the project, we will convene focus groups to help design menus and options participants find valuable and accessible. We view the design as a collaborative process that will include racially and economically diverse voices. Through this process, MoveSmart builds on the dignity of all users to build the best app possible. When the prototype nears completion (March 2021), we will create a panel of 200 households who live in or near our target neighborhoods and are beginning a housing search. We anticipate this will be good timing, since roughly a fifth of all renters in our region move in the April-May period in any given year. Each household will receive \$50 to provide us with information about their household and their housing-search process. We will randomly assign half the households to a “control group”, which will receive a package of standard materials from the housing center; the other half of households constitute our “experimental group”, which will receive a package introducing them to MoveSmart. We will periodically contact participants to ask about aspects of their housing searches. We will focus on three outcomes to assess for differences across the two groups: (a) how much participants know about the communities included in the app; (b) where participants looked for housing, and (c) if and where they moved. We will also use data from the app to ascertain when and how the experimental group used the app during their searches.

Timeline and team. We have created a very strong team to implement this project. It includes: (a) software development experts who create innovative and easy to use software; (b) computational demographers who can assemble and update the necessary data to maintain accurate neighborhood and housing listings; and (c) a community housing counseling center with forty years of successful experience in fostering integration through our relationships with landlords, real estate agents, homeseekers, and government programs. We anticipate two months of planning and development with community partners; six months of software and data development, experimentation, research, and refinement; eight months of deployment; and two months of analysis.

Data generated in Phase I. By the end of Phase I, we will have (a) created and refined the MoveSmart software through conversations with users, and learned how to improve its interface and data; (b) developed efficient processes for gathering and deploying the data used in MoveSmart; (c) learned how access to MoveSmart affects the housing search process through our experimental design; (e) learned how best to harmonize MoveSmart with housing center counseling

After Phase I? If our vision for MoveSmart’s potential is borne out by the experience and data generated in Phase I, we will move to develop a metropolitan-level MoveSmart application. Our team is actively involved in an effort, sponsored by 19 local jurisdictions, to develop innovative, effective strategies to reduce housing segregation. There is good reason to believe some or all of these jurisdictions would sponsor the scaling-up of a proven MoveSmart prototype. The technology can then be deployed to other metropolitan areas as one of several complementary efforts of the national consortium we noted at the outset.

Direct Project Costs. Below is a table that outlines the project’s direct costs:

<b>Cost</b>	<b>Amount</b>	<b>Detail</b>
<i>Lead organization:</i> Community Engagement Specialist	\$ 18,000	Coordinate focus groups for input and discussion on MoveSmart design and key neighborhood inputs
Research associate	\$ 13,000	Tracking control and experimental groups; developing information on neighborhood resources
Community residents	\$ 10,000	200 participants in mobility tracking @ \$50
Housing counselor	\$ 13,000	Direct assistance for persons referred by MoveSmart for supplemental counseling
<i>Subcontracts:</i> Software development	\$ 35,000	Creating MoveSmart prototype software
Data consultants	\$ 11,000	Devising effective ways to collect and organize data on housing and neighborhood conditions for MoveSmart.
<b>Total:</b>	<b>\$ 100,000.00</b>	



## Application Form: Developing and Publicizing Inclusivity Ratings

**Part I. Preface.** Our organization is part of a national consortium of scholars, community organizations, fair housing groups and NGOs that are developing coordinated strategies for reducing metropolitan levels of housing segregation. We are motivated by the compelling research published over the past decade that demonstrates (a) intense housing segregation is a primary driver of racial disparities in health, employment, education, and other racial outcomes; (b) the factors that, in many metro areas, lock segregation in place are now more known than ever before; and (c) promising and efficient strategies – including the one described in this proposal – that can, in concert, produce steady declines in segregation.

An important part of an overall desegregation strategy (and a vital issue on its own because of rising housing costs) is the development of affordable housing. In many suburban jurisdictions – and even in portions of most central cities – exclusionary zoning and land use practices either bar the creation of affordable, multifamily housing, or create so many obstacles that available subsidies for development (such as the 4% Low-Income Housing Tax Credit (“LIHTC”)) go unused. As governments have increasingly relied on incentives to private developers to generate affordable housing, local land-use restrictions have become even more important. Indeed, there is a good deal of bipartisan agreement that land-use restrictions have become a key problem in fostering mobility and expanding opportunity. We seek to improve and focus the analysis and public discussion of these barriers. Making clearer the barriers that separate us is an important part of changing perceptions about the metropolitan landscape and giving voice to excluded groups.

**Our idea.** We propose to rigorously develop “inclusivity ratings” that identify the key regulatory barriers to affordable housing and identify and “grade” jurisdictions according to the degree to which they rely upon those barriers, and whether they are making progress over time in reducing those barriers.

Theory and creativity behind the idea. A number of scholars have attempted to show in a systematic way the influence of zoning restrictions on problems such as housing affordability and segregation. To date, however, these projects have relied on surveys of planning officials to identify land-use practices, and have only tried to “aggregate” these survey results at the metropolitan level – purporting to show, for example, that metropolitan Boston has more restrictive policies than metropolitan Houston. These studies suffer from low response rates to surveys, inconsistent reporting, and, in particular, an absence of any analysis of **intra**-metropolitan variations in practices (which would allow us to tie poor access to specific jurisdictional practices).

Our approach is different and, we believe, more helpful in identifying problems and mobilizing reforms. We create regression models that seek to explain the variation across census tracts **within** a metropolitan area in the number and type of affordable housing units produced. By controlling for individual jurisdictional boundaries and entering objective data on local land use laws and practices, we can directly estimate the effect of individual local governments upon important housing outcomes. Our “inclusivity index” will provide an objective way of both holding local governments accountable, and measuring the likely impact of specific regulatory and policy changes.

We propose to develop this “Inclusivity Index” for one major metropolitan area – an area that has over one hundred jurisdictions whose policies have a significant impact upon the supply of affordable housing. Our research organization will partner with the leading fair housing advocacy group for this region – a group that has already published pioneering and influential reports on fair housing practices across the region’s jurisdictions. Community involvement and feedback in this process is crucial and will be built into our process. For example, in our target metropolitan region (and some others), “senior housing” is the one form of publicly-subsidized housing that many jurisdictions will not “resist.” Using measures that adjust for this distinction is an important example of creating accountability.

Hypotheses. Our hypotheses are (a) that the methodology we describe above (and have developed in-house in substantially greater detail) can successfully and objectively identify key obstacles to affordable housing across the jurisdictions of a metropolitan area, and thus generate an “inclusivity index” and (b) that through an iterative process of engagement with community groups, fair housing advocates, civic leaders, and journalists, the index can be a valuable way of having conversations and dialog about affordable housing objectives and obstacles, foster better norms of land-use policy across a metropolitan area, and, crucially, track progress over time in whether land-use barriers rise or fall.

**Part II. Implementation. Experimental plan.** We start by identifying a series of “dependent” (i.e., “outcome”) variables for our model. Examples of key outcomes include whether LIHTC developments can be undertaken in any jurisdiction, or how many affordable units have been created within a jurisdiction over the past ten years. These are matters not only of data-gathering, but of conversation with community residents, affordable housing developers, and fair housing advocates. With an initial set of outcome variables, we can use census data at the tract level to create a simple predictive model: how do, for example, median income, distance from the metropolitan center, or proximity of commuter rail lines affect the volume of our outcome variable? When we add dummy variables for individual jurisdictions, how powerful are those? (If they are powerful, that tells us that varying local policies have a big impact.). We then continue adding information to the model on local zoning laws, land use rules, and other variables to observe their influence on outcomes. We are “done” when we can explain nearly all the variation in outcomes, or when added information does not produce added explanatory power.

Timeline and team. Our organization has substantial expertise in conducting intermetropolitan housing and demographic analyses of the type we have described, as well as substantial in-house expertise in the initial target metro area and in housing and land use policy. Our formal partner in this project is the leading, most analytical of fair housing organizations in the metro area; we are informally partnering with two agencies that have national reputations for their work on zoning and land use issues. We expect the initial process of data-gathering, and community discussion and input, to run about six months. We then envision a series of intertwined next steps evolving in tandem: (a) developing an interactive website where we can post our results and solicit comments; (b) adding more detailed variables to our model (i.e., moving from township level summaries of zoning rules to tract-level specifics); (c) discussing results with stakeholder groups and public officials; (d) issuing refined “inclusivity indices” and launching public advocacy around the results.

Data generated in Phase I. By the end of Phase I, we will have created (a) comprehensive data on zoning laws, land use regulations, and permit-approval processes through our metropolitan area; (b) regression analyses showing the effect of these in shaping the distribution of affordable housing (and other desired housing outcomes) across the metropolitan area; (c) valuable information on community perceptions of housing barriers; and (d) the actual Inclusivity Index and accompanying publications themselves.

After Phase I? The Inclusivity Index is a key part of a larger strategy to lower levels of housing segregation. Successful completion of Phase I will assist us in developing sound broader strategies for desegregation. And the Index is a replicable methodology that can and should be applied to other metropolitan areas where economic or racial segregation is severe.

**Budget Breakdown of Direct Costs:**

Personnel: Staff. 1000 hours @ \$35 per hour; supervision 100 hours @50 hour	\$39,000
Subcontract with fair housing/community group:	\$30,000
Subcontract with university researcher	\$10,000
Travel	\$ 4,000
Other expenses (e.g., website development, statistical software, data)	<u>\$ 17,000</u>
Total	\$100,000

Note: the submission website did not allow us to identify co-applicants. Please contact us if this information is useful.

## **(2) Enabling First-Time Homeowners with Counseling and Very Low Cost Mortgage Loans (from AHP, in partnership with OPRHC)**

Part I. Preface. Our organization is part of a national consortium of scholars, community organizations, fair housing groups and NGOs that are developing coordinated strategies for reducing metropolitan levels of housing segregation. We are motivated by the compelling research published over the past decade that demonstrates (a) intense housing segregation is a primary driver of racial disparities in health, employment, education, and other racial outcomes; (b) a much clearer understanding of when and how *lower* housing segregation can come about; and (c) promising and efficient strategies – including the one described in this proposal – that can, in concert, produce steady declines in segregation.

An important contributor to housing segregation is the difficulty African-American and Hispanic households experience in accessing competitive home mortgage loans. Indeed, in segregated neighborhoods the most available credit products are predatory or subprime loans which simultaneously exclude many homeseekers who would qualify for a more competitive loan, and produce default and foreclosure for many of those who receive mortgage loans. Addressing segregation requires that we improve access to affordable credit.

**Our idea. We propose to create a demonstration partnership between a community organization and a local bank to qualify moderate-income, predominantly minority households for “los cost” mortgage loans. The mortgage loans will be made at 100 basis points below market (i.e., at about 2.5% for a 30-year mortgage loan), using subsidies already in place (and not financed by this grant). The community organization will expand its current homeownership counseling program to identify qualified borrowers (e.g., those with credit scores of 660 and above) and to provide credit counseling for borrowers who, with a variety of improvements in financial management, could qualify. The counseling program will work with other community partners to encourage borrowers to consider and identify homes in “opportunity” neighborhoods.**

Theory and creativity behind the idea. A large body of research shows that would-be homeowners who live in racially segregated neighborhoods have difficulty accessing mortgage credit at competitive market rates. Yet there are many “good” conventional banks that treat customers fairly and based on the merits, and are in many cases eager to make more loans to borrowers, and in neighborhoods, that will help their CRA ratings. The disconnect exists in large part because segregated neighborhoods are often “underbanked”; the willing lenders tend to be located downtown or in suburbs. Our program aims to bridge that gap.

Three other important ideas and innovations drive our program. First, this proposal is not just about connecting borrowers to good conventional lenders, but creating a scalable mechanism for qualifying homeseekers for below-market mortgage loans. This increases both the pool of potential buyers and the pool of housing that a given buyer can consider. At a 2.5% mortgage rate, the monthly payment on a \$100,000, 30-year mortgage is under \$400, and 40% of monthly payments, even at the outset of the loan, goes to paying down the principal of the loan and building equity (the percent going to principal steadily increases, of course, over time). Second, good homeownership counseling can greatly expand the pool of qualified homebuyers. Many homeseekers will not realize, without counseling, how close they are to qualifying for a mortgage loan, especially one with a below-market rate. And counseling helps prospective homebuyers improve their credit and develop good money management practices. Third, our counseling program is linked to home-search services for a broad public that includes renters, and which focuses on facilitating pro-integrative moves. This means that our initiative accomplishes many interrelated goals at once, all related directly or indirectly toward reducing segregation and mitigating segregation’s effects.

Hypotheses. Our hypotheses are that the combination of program ingredients we have described will (a) generate \$3 million in below-market mortgage loans for 20 to 30 homebuyers; (b) document a model partnership that can be replicated by other community-bank partnerships; and (c) significantly increase the likelihood that recipients of homebuyers counseling will make pro-integrative moves.

Part II. Implementation. Experimental plan. Our organization will recruit (through advertising and our existing networks) some one hundred fifty homeseekers who pass a preliminary screening to establish whether they are within a “range of plausibility” for homeowners and eligibility for our “superprime” loan program. Each homeseeker will receive \$75 in return for allowing us to track what happens to them in their home search process. Half of the participants will

be referred to a standard homeownership counseling program; the other half will be enrolled in our new program. Those in our program will undergo a credit evaluation and receive some degree of homeownership counseling which, depending on the client, may last from two weeks to nine months. All of the clients who are interested will receive assistance in locating homes for purchase or rental that meet their needs; we anticipate that forty of the seventy-five clients will be referred to our partner bank to submit a mortgage loan application. We will evaluate the ultimate moves and costs experienced by both our control and experimental groups.

The non-experimental portion of our project, to which about one-third of the resources will be directed, lies first in expanding the pool of community organizations and banks that can partner in (for the community groups) providing counseling for prospective homeowners and pro-integrative search counseling, and (for the banks) creating below-market loan funds. It lies second in advocating for simple innovations (such as placing state or local government deposits in banks that will fund similar sorts of mortgages, or using available bond authority to trigger federal tax credits for low-interest mortgages) that will greatly increase the program's depth and breadth.

Timeline and team. Our non-profit organization has a twenty-year history of successfully creating affordable housing, recruiting satisfied tenants for that housing, and working closely with banks to provide financing in innovative ways that further lower development and operating costs. Our community organization partner has a forty-year history of fostering opportunity moves and neighborhood integration, and a three-year history of successfully providing financial counseling to prospective homebuyers. Our banking partner – not receiving grant funds – is committed to the program we outline. (The innovations here lie in the low-interest mortgage loans with our bank partner, and experimentally comparing program initiatives.)

Data generated in Phase I. By the end of Phase I, we will have completed our “experiment” and will have substantial data on the credit condition and homeownership interest of a substantial cross-section of our clients; and we will know something about the effectiveness of our intervention. We will also have developed extensive knowledge about the potential to recruit other banks and community groups to similar programs.

After Phase I? As noted earlier, the natural next steps in our program are (a) working with local and state officials for the simple administrative steps that could dramatically increase the pool of low-cost mortgage funds, and (b) extending and replicating our model to other neighborhood groups and lenders.

#### Budget Breakdown of Direct Costs:

Personnel: Staff. 700 hours @ \$35 per hour; supervision 100 hours @50 hour	\$29,500
Payments to participants: 150 participants @ \$75	\$11,250
Subcontract with housing counseling agency:	\$47,000
Travel	\$10,000
Other expenses (e.g., printing report)	<u>\$ 2,250</u>
Total	\$100,000

## **Draft of Gates Submission on Early Warning System and Protecting Proto-Gentrifying Neighborhoods**

**Part I. Preface.** Our organization is part of a national consortium of scholars, community organizations, fair housing groups and NGOs that are developing coordinated strategies for reducing metropolitan levels of housing segregation. We are motivated by the compelling research published over the past decade that demonstrates (a) intense housing segregation is a primary driver of racial disparities in health, employment, education, and other racial outcomes; (b) we now have a good understanding of how lower housing segregation comes about; and (c) we believe that promising and efficient strategies – including the one described in this proposal – can, in concert, produce steady declines in segregation.

Any successful effort to significantly reduce metropolitan segregation requires increased mobility in all directions. African-American migration from central city neighborhoods to white suburbs, for example, is self-defeating (central city housing markets will depress) if there is not some commensurate migration from the suburbs into the central city. But in our metro area and many others, middle-class migration to the central city has often produced resegregation and displacement rather than lasting integration. Fear of displacement is widespread in our communities of color and affects all conversations about our urban future. Giving voice to these concerns and providing successful policy responses is crucial in any strategy to reduce segregation.

**Our idea.** We propose to develop and test an “early warning system” to identify neighborhoods where gentrification is likely to happen, and to cost out a program of responses aimed at promoting stable integration.

Theory and creativity behind the idea. Since the mid-2000s, scholars have experimented with ways to track community trends and identify neighborhoods where gentrification might occur. A 2015 article in *Governing Magazine*, based on these methods, led us to start some experimentation here. Existing methods, however, have only about a 15% success rate in predicting gentrification; they are limited by heavy reliance on lagged American Community Survey (“ACS”) data, the failure to incorporate racial dynamics; and inadequate spatial modelling (since gentrification usually involves spillovers from adjacent neighborhoods). Our proposal goes beyond this work in four important ways.

- (1) We will use better and more current data and a more sophisticated model. Although ACS data is a valuable component of an early warning system, at small geographies (like census tracts) it necessarily lags behind current conditions by three or more years – a key problem if one is trying to move ahead of the market. We will make use of real-time data from title companies and multiple listing services (“MLS”) to track purchase prices, and city data on building permits, to create more timely and sensitive indicators. We will build racial dynamics into our model by tracking racial changes where we can, and estimating how racial change will affect housing demand. And our metrics will be mapped and spatially analyzed to incorporate how change in a given tract is affected by changes in surrounding tracts.
- (2) We will test alternate versions of our “early warning system” by using our data sources and methods to project, based on 2010 data, what neighborhoods would be experiencing gentrification in 2015.
- (3) An important dimension of gentrification is its social aspect, with low-and-moderate income residents experiencing alienation from their own neighborhoods as stores and institutions disappear and formerly tolerated behaviors become suspect. We will convene focus groups to develop social measures of incipient gentrification, centering residents in our analysis.
- (4) We will cost out methods for preserving integration in proto-gentrifying neighborhoods (elaborated below).

Hypotheses. Our hypotheses are (a) that we can significantly improve our ability to predict where gentrification is likely to occur; (b) better forecasts of where gentrification and displacement are likely to happen translate directly into less expensive and more impactful interventions to forestall displacement and promote sustainably integrated communities, and a greater ability to develop community and political consensus on steps forward.

**Part II. Implementation.** Experimental plan. Creating, testing, and deploying the early-warning system is half of our program, and is described above. In the other half, we identify two proto-gentrifying neighborhoods and cost out detailed, innovative plans for defending low-and-moderate income housing from price escalation; not to forestall the

entry of middle-class buyers, but to insulate a large sector of housing so that the neighborhood will be economically and racially integrated. Examples of these strategies include: (a) buying low-and-moderate income rental housing, inserting a deed amendment restricting future rent increases, and re-selling the property to the private market (thus insulating the property from gentrification while tying up relatively little capital); (b) assisting homeowners to structure the financing of their properties so that their housing costs remain fixed, or decline, even as the property itself appreciates (and property taxes and insurance increases), and providing refinancing options for homeowners with predatory loans; (c) deploy underutilized 4% LIHTC credits and land trust funds to develop mixed-income rental housing on vacant land; (d) assisting tenants to buy their apartment buildings and convert them to limited-equity coops, which allow tenants to gain some wealth-building capacity, protect their housing from large cost increases, and preserve their housing at modest cost for future buyers. These are all relatively low-cost interventions. By developing these detailed plans, we will create the first “budget” showing specifically what it would cost to deploy protective strategies at a scale necessary to evolve a proto-gentrifying neighborhood into one of long-term racial and economic integration.

Timeline and team. Our organization has substantial experience in using a simple early warning system, and in engaging in some straightforward efforts to preserve housing stock in neighborhoods experiencing displacement. This project enables us to approach these tasks in a more comprehensive and innovative way that we believe can serve as a replicable national model. Our team will be broadened to draw upon three specialized skills we have identified in our broader anti-segregation network: (1) demographic/urban experts in measuring neighborhood change; (2) legal/development experts in structuring the innovative interventions to protect affordable housing and increase community control, as noted above; and (3) neighborhood allies in our metro area who can assist in bringing community voice to our discussions and analysis. Our timeline envisions creating and testing the early-warning system in Months 1-8, and costing out our two neighborhood strategies in Months 9-18.

Data generated in Phase I. By the end of Phase I, we will have created (a) a validated model for forecasting gentrification with specified levels of reliability; (b) the actual forecasts for neighborhoods in our metropolitan area, and (c) a specific budget plan, housing objectives, and demographic strategy for generating stable integration in two target neighborhoods.

After Phase I? Successful completion of Phase I would lead to two natural next steps: (a) implementing our gentrification-prevention, integration-promotion strategies in our target neighborhoods, and (b) documenting and disseminating our “early warning system” for use in other American urban areas.

## **Gates Submission on The Innovation Houses Project**

Part I Preface. Our organization is part of a national consortium of scholars, community organizations, fair housing groups and NGOs that are developing coordinated strategies for reducing metropolitan levels of housing segregation. We are motivated by the compelling research published over the past decade that demonstrates (a) intense housing segregation is a primary driver of racial disparities in health, employment, education, and other racial outcomes; (b) the factors that, in many metro areas, lock segregation in place are now more known than ever before; and (c) promising and efficient strategies – including the one described in this proposal – that can, in concert, produce steady declines in segregation.

Much of the history of efforts to promote racial integration has centered around patterns that (i) move poor people, people of color, or both into “Opportunity Neighborhoods” where levels of wealth, educational access and social networks are perceived to be stronger, and (ii) involve middle-class members of communities of color moving “up and out” to whiter, wealthier receiving communities. These patterns have led to suspicion and distrust in communities of color, which are often left more segregated, poorer and depopulated after people move to more integrated communities. A crucial component of a broad racial integration strategy will be strengthening segregated neighborhoods of concentrated poverty from within, as a precursor to broader integration, so that they will be more attractive to in-movers from all racial backgrounds without displacing existing residents and creating waves of distrust due to gentrification: transformation without displacement. This in turn maintains diverse support for a broader integration agenda by demonstrating that there is an important purpose for communities of color and a grassroots community improvement agenda in the wider coalition.

Our Idea. Innovation Houses generate civic energy for distressed neighborhoods through a co-living situation by which “Community Building Fellows” commit to living in rehabilitated vacant homes while participating in their surrounding neighborhoods through community service, through partnerships with host organizations in the neighborhoods, and civic activity, through participation in neighborhood planning efforts. Through the Innovation Houses Project, our organization will purchase vacant properties, rehabilitate them, and lease units to Community Building Fellows who in turn engage deeply in the civic efforts of the neighborhood, coordinate by both the City government and larger national intermediaries subgranting to local nonprofit planning leads. To encourage generational wealth, after five years of residence and service, our organization will work closely with a Community Building Fellow to purchase an Innovation House or similar property in the neighborhood.

### Theory and Creativity behind the idea.

Research (Great American City, Sampson 2013) has revealed the ties between neighborhood quality, social capital/collective efficacy and health, education, and economic opportunities. Though the causes of crime and poverty are multifaceted, research also shows that a lack of economic opportunity can lead to higher rates of crime. By investing economic, civic and social resources into neighborhoods, we believe that we can help to achieve a resilient, vibrant community – which will in turn attract in-movers of all backgrounds and lead eventually to integrated communities. Our program seeks to address and alleviate the barriers of poverty by providing affordable housing, while engaging residents in other-regarding behavior of mutual benefit to neighbors and the neighborhood. The lived experience of Innovation Houses also aids the transition to independence and active citizenship for low-income neighborhood residents who are part of envisioning and achieving positive outcomes for the community.

### Hypothesis

We expect that achieving scale in a hypersegregated neighborhood of concentrated poverty with multiple Innovation Houses will lead to lower levels of crime and greater civic engagement among participants and for a community as a whole. By adding to three houses in process, this funding request will help our efforts to scale reach exit velocity.

### Part II Implementation. Experimental plan.

Through the Innovation Homes Project, we purchase and rehab houses in the community. Using creative banking partnerships, rent in these homes is subsidized and made available to Community Building Fellows

once they commit to volunteer in the community for 10+ hours a month. By using funding from this proposal as equity to make down payments on two houses, our banking partner can supply funding for the remainder of purchase and rehab financing. We then recruit a cadre of community building fellows to occupy each Innovation House and make civic commitments to the neighborhood. Through service partnerships with existing neighborhood host organizations, Community Building Fellows engage youth in educational settings, after-school programming, and employment initiatives. Fellows have sponsored events that encourage community members to advocate for justice through art, philanthropy and civic action. Community Building Fellows participate in regular ongoing programming to examine structures of inequality, collaborate with neighborhood leaders on programs of community uplift, and build community among themselves as social capital for neighborhood transformation. Through the combination of housing redevelopment and civic engagement, we believe that Community Building Fellows can achieve transformative results in neighborhood improvement.

Timeline and Team. During the 18-month program term, we propose to use grant funds as acquisition down payment equity for two additional Innovation Houses, drawing approximately 15 new Community Building Fellows to our pilot neighborhood. Managed by an executive director and program coordinator using half of their salaried time for this expansion, Community Building Fellows engage with community civic processes and align their community service with a number of host organizations meeting a variety of community needs. In this way, the civic energy of Innovation Houses is adaptable to multiple neighborhoods across disparate geographies – without supplanting indigenous neighborhood leadership and organic visions for neighborhood change. Further, we have committed to recruit and support as Community Building Fellows “home-grown talent” that is 51% or more from the host neighborhood.

Data generated in Phase I. We have developed a partnership with a public policy school at a major nearby research university to measure baseline data both for crime incidence and neighborhood efficacy, as well as participant attitudes toward civic participation and solving community problems. As this program enables us to reach scale with Innovation Houses in the neighborhood, we expect to be able to measure longitudinal data to evaluate neighborhood impacts and changes wrought by lived experience in Innovation Houses.

After Phase I? Innovation Houses represent a scalable strategy for elevating community vitality in places that have been disinvested due to segregation and neglect. After two successful Houses can be added to our existing inventory and programmed through this support, we expect to raise additional funds to reach impact scale in our pilot community. Demonstration of impact through the lived commitments of Community Building Fellows will leverage local funding through multiple channels in numerous localities, creating a nationwide model for community vitality in distressed neighborhoods.

Budget Breakdown of Direct Costs:

Two Personnel at \$25 per hour (average) fully loaded x 2000 hours:	\$50,000
Program Expenses	\$10,000
Equity for two purchase down payments, to leverage acquisition/rehab financing:	\$40,000