

## *Guest Editors' Introduction*

# Transforming Communities for Inclusive Growth

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*The analysis and conclusions set forth in this introduction are solely the responsibility of the authors and do not indicate concurrence by the Federal Reserve Bank of Atlanta, the Federal Reserve Bank of Philadelphia, or the Federal Reserve System.*

Economic opportunities in the United States have become increasingly concentrated in communities that are inaccessible to many Americans. Authors in this symposium describe a troubling and challenging reality—that good jobs, schools, and housing are, in many places, out of reach, especially for low-income families. This reality is the consequence of several mutually reinforcing trends—high-wage, high-skill jobs are increasing in certain places, but not everywhere; those places are growing more expensive; and expensive places are becoming more rich with amenities, including good schools.

In this symposium, the authors synthesize and update recent research findings to describe the forces and factors behind these trends. Arthur Acolin and Susan Wachter frame the challenges facing local officials attempting to reinvent older communities (Acolin and Wachter, 2017). Economic segregation is growing in part as a result of localities that exclude through a lack of affordable housing, a phenomenon that is now occurring on a regional scale. Acolin and Wachter describe the growing economic importance of knowledge- and innovation-based industries and the clustering of such industries in places with a ready supply of highly educated workers. This clustering in turn drives up the productivity of the places in which they concentrate, resulting in more and better jobs for people with the education and skills to fill them. These productive places are further enriched, in a reinforcing cycle, with good schools, safe neighborhoods, and other markers of opportunity.

The clustering of high-wage, high-skill jobs thus creates places rich with opportunity, but access to these places can be limited by, among other things, transit connections, zoning restrictions,

increasing property taxes, and ultimately the supply of affordable housing. Housing supply in opportunity-rich places is increasingly constrained, as Acolin and Wachter discuss. This phenomenon is attributable in part to the difficulty of building in the already densely developed central cities that knowledge-based industries and workers favor but also is the result of land use regulatory regimes.

The scarcity of affordable housing is thus a key driver in making places more polarized in terms of the access they offer to jobs, education, training, and housing. The places with more job growth are also the ones with higher levels of economic mobility. Thus, not only does the polarization of access to opportunity affect the earning potential and the welfare of the current generation, but it also propagates patterns of income and welfare for future generations as well.

## Strategies

The economic polarization playing out in communities across the United States offers a new opportunity for local leadership. Disrupting this cycle and spurring broad-based revitalization of older cities, while preserving affordable housing, start at the local level. It is local practitioners, planners, and policymakers who can innovate and implement solutions for transforming economies for better outcomes for all. The articles in this symposium provide evidence-based policy options that respond to the challenges of spatially based economic polarization. Together, they suggest a roadmap for local communities seeking to achieve inclusive economic growth.

### Transforming Opportunity Through Local Action

Andrés Rodríguez-Pose and Callum Wilkie describe the growing power that local actors have to implement solutions as part of an ongoing, global trend toward devolution of power to local and regional governments (Rodríguez-Pose and Wilkie, 2017). Matthew P. Steinberg and Rand Quinn echo this point in their discussion of education policy in the United States. Reauthorization of the Every Student Succeeds Act in 2015 gave states and districts greater autonomy in implementing education policy, specifically to revise accountability, testing, and educator evaluation policies (Steinberg and Quinn, 2017). Harry J. Holzer also points to the importance of regional public-private collaboration to provide skills and training for the new economy (Holzer, 2017).

Regarding economic development policy, Rodríguez-Pose and Wilkie point out a number of things to like about the trend toward devolution. First, place-based approaches to economic development initiated by local governments result in strategies that are tailored to local needs and conditions, which makes them more effective. By identifying and building on their communities' specific strengths, localities can more effectively promote their own unique qualities rather than "building new activities from scratch" (Rodríguez-Pose and Wilkie, 2017: 154). In addition, place-based strategies can better incorporate local needs and policy, a fact that Rodríguez-Pose and Wilkie say usually leads to "the creation of more stable and high-quality jobs" (Rodríguez-Pose and Wilkie, 2017: 154).

### Transforming Urban Work and Skills

Holzer (2017) identifies a number of successful initiatives that are strengthening the demand for and supply of workers in older urban communities. These include employer-led practices that create

“high-road” workplaces, which improve outcomes for workers and for the communities in which employers are based. Such practices include career-laddering or lattices to ensure upward mobility for employees and employee stock-ownership programs to help workers gain a stake in firms’ successes.

Holzer also describes strategies that communities and industry are implementing together to provide training for new and existing high-quality jobs. These strategies include partnerships among industry, community colleges, and intermediaries to scale up sector-based training and to develop career pathways in those sectors with “stackable credentials” to train students for good-paying jobs.

Holzer also suggests that officials hold community colleges and other training institutions more accountable for the employment outcomes of low-income students by tying funding to these outcomes. For example, he suggests using the future earning potential of graduates of associate of arts and associate of science programs as a measure of these programs’ success and tying that to subsequent funding. Further, he identifies high-quality career technical education, apprenticeships, and dual enrollment at community colleges and high schools as emergent bright spots in preparing low-income students for jobs.

Ultimately, Holzer encourages local officials to recognize the extent to which access (both physical and social) to schooling and to labor market opportunities matters. Transportation and childcare create physical access to jobs and skill-building opportunities, and high school counselors create social access by introducing students to a wider range of options and paths than they might find on their own. He ends by emphasizing that counseling and fundamental skill building can link students to the new-economy jobs that require a broad range of skills and workforce readiness competencies.

## **Transforming Urban Schools**

In their comprehensive review of empirical work on education policy interventions, Steinberg and Quinn (2017) identify initiatives that improve educational outcomes, especially for children from low-income families. They emphasize in particular the body of evidence on the importance of qualified professionals in early childhood education programs, making the point that ongoing professional development for pre-kindergarten teachers is an important piece of the puzzle in expanding access to opportunity.

Steinberg and Quinn’s review of the evidence also shows the importance of human capital policies in improving educational outcomes. Considering teacher recruitment, Steinberg and Quinn suggest that districts should consider incorporating nontraditional measures of teacher quality, such as cognitive and noncognitive skills, into hiring decisions. They report that teacher induction programs with rigorous supports can have a positive impact on student outcomes over time. Teacher evaluation systems with frequent classroom observations by the principal, followed by conferences during which detailed feedback is provided, were also shown to be effective.

Steinberg and Quinn report too on policies related to accountability, standards, and assessment. Although they find that high-stakes accountability may generate improvements in academic achievement, the authors caution practitioners to consider unintended consequences; for example, accountability and assessment structured around high-stakes testing can encourage districts to focus disproportionately on students near the threshold scores or on test-specific skills.

Regarding policies that lead to closure of low-performing schools, the authors conclude that a policy of closing schools to improve academic outcomes is unlikely to be effective. The evidence “suggests that producing higher levels of achievement would require moving students to schools that are dramatically higher achieving than the schools they left” (Engberg et al. 2012: 198).

Finally, Steinberg and Quinn examine evidence on the impact on student outcomes of various market-based reforms and school choice programs. For example, they report that small schools established in New York City in the early 2000s improved the probability of high school graduation, likely as a result of a variety of factors including the competitive nature of establishing these schools and their high per-pupil funding.

Steinberg and Quinn also find that No Excuses charter schools, like the Harlem Children’s Zone Promise Academies, can be highly effective. Attending a Promise Academy school was enough to close the Black-White achievement gap in elementary and middle school math and elementary English language arts, for example. These schools are unique in that they have large per-pupil allocations, long school days and years, and achievement incentives for students and teachers.

## **Transforming the Availability of Affordable Housing**

Opportunity is increasingly tied to place, as regions and localities with good jobs become less affordable. Lance Freeman and Jenny Schuetz target the problem of housing affordability in rising and revitalizing markets, identifying the most successful strategies for increasing the supply of affordable housing in high-quality neighborhoods and improving conditions in existing, more affordable neighborhoods (Freeman and Schuetz, 2017). They demonstrate that existing state and local efforts have produced relatively few affordable units, although some work better than others; mandatory inclusionary zoning programs seem to work better than voluntary ones, for example. They call on state and local governments, housing advocacy organizations, and research organizations to facilitate the gathering of data to better understand what is working, how existing programs can be improved, and, equally importantly, the political dynamics of both local and state programs.

Freeman and Schuetz’s review of the evidence also leads them to two concrete policy suggestions for cities and counties—(1) to systematically reduce the regulatory burdens of development, thereby reducing the development and construction costs of new housing (or at least slowing future price growth), and (2) to increase the jurisdiction-wide densities allowed (*upzone*) to facilitate the production of smaller, lower-cost housing units.

Although reducing regulations and upzoning are intended to increase the supply of affordable housing, Freeman and Schuetz also note promising examples of policies aimed at expanding opportunity for affordable housing, and particularly workforce housing, by targeting low-income residents of gentrifying neighborhoods. By providing preferences in new affordable housing developments for such residents, this strategy can make it easier for those residents to remain in their neighborhoods and might make them less wary of gentrification. The authors caution, however, that this approach is controversial and the circumstances in which it is applicable are as yet unclear.

Although the focus of their article is on state and local programs, Freeman and Schuetz note two federal initiatives that may expand access to high-quality neighborhoods for low-income

households. First, a HUD program change shows promise in enabling more voucher recipients to rent apartments in low-poverty, high-opportunity neighborhoods. Second, a new HUD rule would require localities receiving funding to set goals for reducing racial segregation. Freeman and Schuetz also recognize that local, state, and federal policies need to attract and leverage private capital in the provision of affordable housing.

## Conclusion

The evidence-based recommendations summarized in this introduction stem from initiatives that are transforming economies in localities across the United States. Transforming economies and re-inventing communities are major challenges, marked by an increasing lack of affordable housing, which in turn prevents access to areas of high job growth. Nonetheless, inclusive growth can be achieved by implementing policies that increase access to places of opportunity while also increasing opportunity in places that are currently left behind. The locus of action is now even more firmly at the local and regional levels. What is important is to use this new structure of opportunity, as described in these articles, to design and implement inclusive economies.

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