

Elizabeth A Duke: Community voices – promising practices for neighborhood stabilization

Speech by Ms Elizabeth A Duke, Member of the Board of Governors of the Federal Reserve System, at the 2011 Federal Reserve Community Affairs Research Conference, Arlington, Virginia, 28 April 2011.

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The Federal Reserve is best known for its role in the national economy and monetary policy. But through the 12 Federal Reserve Banks across the country, it also gets involved in efforts to support local communities and their economies. This work helps to enhance our understanding of the pace of economic recovery and further creates a backdrop for a national dialogue about common problems and their potential solutions.

Over the last several years, every community across the country has felt the effects of the financial crisis. Foreclosed, vacant, and abandoned properties threaten neighborhoods nationwide, and community leaders are working to stabilize those neighborhoods. While the problem touches every community, it doesn't look the same in each because it's shaped by the circumstances that prevailed in those neighborhoods before the crisis hit.

Neighborhood stabilization efforts are critical, now more than ever, as not all communities will be stabilized without intervention. This is because the market will not correct equally in all places. Through the 12 Reserve Banks and the Board, the Federal Reserve System facilitates community development activities as communities strive to repair the damage wrought by the financial crisis. We participate in local collaboration efforts, help evaluate what's working and what's not, and highlight promising practices. We do this by combining research and local outreach, and also by bringing together financial institutions, policymakers, and community leaders.

Introduction of three Federal Reserve community development videos

While the Fed conducts all kinds of research analyzing economic trends, we're also looking for new ways to identify and showcase replicable models. To that end, I'd like to share with you a series of stories we've produced that highlight various challenges faced by communities and targeted strategies to deal with them. Everyone has heard about the foreclosure crisis, but it helps to see what it really looks like. So, we're featuring three very different cities in a series of video reports that will be accessible on the Federal Reserve's website. These "Reports from the Field" showcase three promising stabilization efforts that highlight grassroots innovation and collaboration.

Cleveland

Cleveland neighborhoods face five decades of population loss, outmigration of jobs, and urban sprawl, in addition to the more recent wave of foreclosures. Despite these persistent challenges, city leaders have responded with dynamic leadership. In Cleveland, public and private partners have created an innovative stabilization strategy that uses targeted data to help community leaders focus scarce resources on the neighborhoods that have the best chance for success. This is a model that has great potential to be replicated in other cities. Let's watch Cleveland's story.

As the video highlights, Cleveland's success is built around both on-the-ground community outreach and intensive data collection that helps to identify block-level and community-level trends. It showcases strong collaboration among city and county officials; nonprofits like Neighborhood Progress, Inc.; local foundations; and universities. The Northeast Ohio

Community and Neighborhood Data for Organizing (NEO CANDO) provides cutting-edge analytical mapping tools, and these data help steer resources into neighborhoods where the money will have the greatest impact. This “tipping point” strategy relies on the comprehensive investment of public and private resources for sustained stabilization.

Phoenix

The crisis looks different in western states. Phoenix reminds us that the foreclosure problem has hit suburban as well as urban areas. The vacant homes here tend to be newer than in many parts of the country, but overbuilding has left a high proportion of foreclosed homes in a community that has never dealt with these issues at scale before. Here, public-private partnerships have reached out to real estate professionals to help connect eligible families with affordable homes. Let’s take a look at Phoenix.

Given that the problem in Phoenix has largely been shaped by overbuilding and falling home prices, Phoenix faces a much different set of post-foreclosure crisis issues than older industrial cities such as Cleveland or Detroit. In Phoenix, houses and sometimes entire subdivisions are often purchased by investors armed with cash and able to move faster than individual homebuyers. The challenge for those trying to revitalize neighborhoods is to ensure that qualified homeowners and non-profits are in a position to compete with investors for these now affordable homes, and the city and private sector have come together to achieve this goal.

Detroit

While population growth may eventually aid the recovery in places like Phoenix, communities like Detroit are faced with the opposite problem. In Detroit, the nexus between decades of population loss and the foreclosure crisis has created a pivotal moment in which the city must reinvent itself. With extensive economic challenges and an infrastructure designed for a much larger population, few easy solutions exist. The city is partnering with community leaders to bring together thousands of residents to help make the tough choices that will shape Detroit’s future. Let’s turn to Detroit.

As the video illustrates, Detroit is finding new solutions to the decades-long problem of stabilizing its neighborhoods and attracting new residents. The Detroit Works Project aims to reimagine the city’s geographic footprint and service range, based on the current smaller population. Detroit’s story reminds us that when ideas are controversial and hard choices must be made, community input and buy-in is critical for success. To this end, the project has hosted extensive community meetings and created a leadership taskforce to map out future growth and investment areas.

Conclusion

At the Federal Reserve, we have been working to understand the issues, help craft national policies, and collect data that can be used by government agencies and nonprofits. But sometimes a research paper or a speech doesn’t give you a true picture of what the foreclosure crisis really looks like. When I began my role as a Governor, I travelled to the 12 Reserve Bank Districts to see firsthand what was happening across the country. It was an eye-opening experience – one that has informed my perspective as a Governor. And these stories from around the country can help provide the same type of context for researchers and policymakers.

Here at the Federal Reserve we are learning more each day about the complex task of stabilizing communities in the wake of the crisis, and research and analysis of what is working is critical. From these video “Reports from the Field,” we’ve learned that

collaborations and partnerships help achieve success; strategic targeting of limited resources may be necessary; data can help focus a strategy; community input and buy-in are critical for long-term planning; and different approaches will work for diverse challenges and places.

The Fed will continue to identify the needs and challenges facing communities by fostering a dialogue for a better understanding of community development practices. As the research conference unfolds over the next two days, we'll learn more about what community development may look like going forward. While research and evaluation remain central to the Fed's contribution, the System is equally well positioned to share best practices and foster partnerships: connecting at the local level, building networks, raising awareness of successes, and using data and research to evaluate what's working and to suggest improvements.

We are looking forward to a lively conversation, and we thank you for joining us.