

Reinventing Urban Transformation

1. Who is Living Cities?
 - i. Longest-standing collaboration of foundations & financial institutions committed to low-income people and neighborhoods
 - ii. 22 of world's leading foundations and financial institutions
 - iii. Blind pooling of loans & grants
 - iv. Statutory partnership that leveraged federal funds 3:1 over 13 years
 - v. \$1 billion in members investments
 - vi. 140,000 units of affordable housing; \$16 billion in real estate value

2. What have we learned over almost 20 years?
 - i. We have to move innovation from where it is currently thriving on the periphery to the mainstream where it is so desperately needed.
 - ii. We must advance a comprehensive, integrative, bottom up (neighborhood) and top down (systems) approach in order to achieve real urban change for low-income people
 - iii. No more big workarounds
 - iv. Need leadership and risk-taking

3. What must we do to reinvent the transformation of cities?

As a first step, "we must reinvent a future free of blinders so that we can choose from real options." (David Suzuki, Japanese Canadian academic, science broadcaster and environmental activist)

1. To date, we had blinders as to real facts (but did not let them getting in the way of how we acted)

The World is racing toward a low carbon economy - Negligible response

- We are stuck in real estate and Wall Street
- \$1.9 billion in venture capital in the first 6 months (bigger than software and biotech)
- Electric cars, batteries, solar, energy efficiency
- Cities are ground zero for climate change: 60-70%
- Emblematic: The American Recovery Reinvestment Act (ARRA) for high speed rail services vs. China's response

There is a massive Gap in Higher Educational Attainment – Negligible Response

- Our people should be leading that but we are no way prepared
- In 2008 more than 1/3 of US adults held a post secondary degree, compared to up to 1/4 in 1990
- But this rate is shrinking
- Black and Hispanic, a growing part of our future workforce, now lag white and Asian in attaining the bachelor degree by 20%

Spatial realities have changed dramatically

- i. More places are growing small (1/3 of our country) but no one has done anything - Detroit has 138 square miles of land, but only 68 square miles are inhabited
- ii. We do not have cheap oil or credit anymore which fueled sprawl, but yet highways rule
- iii. Population has aged. The population which is 55-64 years old increased by 45% from 2000-2008. But they demand different ways of living than in former times.

2. We have had blinders on about the real deterioration in our social fabric

The U.S. is a country considered with great strengths and seen as the land of opportunities and of escape velocity.

- We want to maximizing opportunities for all (education, income, living)
- But in cities there are
 - poverty
 - a. people below poverty increased, number in poverty rose by 15% since 2000
 - b. typical American household saw real income decline by \$2,000 between 1998 and 2008
 - income polarization
High-wage workers outearned low-wage workers by 5:1 since 2000

We have failed to simultaneously invest in people, places and opportunities (a mutually reinforcing trinity) to maintain that social fabric. And we have never really been able to do more than one.

3. We have had blinders on our problem solving mechanisms being broken and built on obsolete and outdated assumptions. Often they are built on grossly outdated assumptions:

- Agrarian economy (education)
- One employer for life (retirement & health care)
- There will be unlimited fossil fuel
- Matt Miller would call it a Tyranny of Dead Ideas:

Americans are in a grip of a set of ideas that are not only dubious or dead wrong – they are on a collision course with social and economic developments that are irreversible.

- And we lack the ability to address complex solutions to intractable problems that we've long ignored like education pipeline, cars vs. transit

Definition of Insanity: Keep doing same thing and expecting different results each time.

What needs to be done to change this?

- a. We need to focus on behavior change: Innovation requires a shift in expectations and norms around an interconnected set of players and issues.
- b. We need to strive for the creation of new civic infrastructure with the flexibility, capacity and authority to attack long broken systems and re-knit a new more adaptive system in its place
This can be done with a focus on data and results to build ongoing accountability and public engagement
- c. We need to work with local leaders. **PMI**
- d. We need to provide frameworks for new ways of operating and give them the glue to do it (e.g. Living Cities' "Green Boot Camps")

We need to focus on capital: our problems need solutions with a lot of zeros

- e. Need to blend loans, grants and flexible debt together to achieve scale
- f. Need to attract new capital to this work – even in bad times its out there (\$600 billion in socially responsible investments over last ten years, now \$2.3 trillion)
- g. So far, 40 billionaires have responded to the challenge by Warren Buffett and Bill and Melinda Gates to donate at least half of their money to philanthropy.
- h. Need vehicles
 - Catalyst Fund: \$40 million in last 2 years
 - Admiral Center:

We need to focus on creating new normals

- In the past, innovative work which seeks to improve the lives of low-income people has often consisted of a series of pilots. But as the pilot ended, so has that work.
- We need to permanently drive public and private sector funding streams away from obsolete approaches and applying them to these new solutions; setting new policy priorities, using data to track, ensure and communicate accountability for results, and institutionalizing these changes through its focus on local, state and federal policy.

Our signature effort to show what's possible over the next decade will be The Integration Initiative:

- Putting our money where our mouth is; \$80 mill in bundles of loans, grants, **PRI**
- Develop new civic infrastructure. decision makers from various governmental entities, the philanthropic community, the nonprofit sector, the business community and elsewhere.
- Drive the private market to work on behalf of low income people. attract private sector capital, structures investments with appropriate balance of risk and reward, and brings mainstream market goods and services to disinvested communities.

- Creating a “new normal” by institutionalizing these changes through its focus on local, state and federal policy.

Baltimore: *Dysfunctional workforce development system (\$117 billion)* Creating a model that systematically harnesses the power of anchor institutions, substantial infrastructure investments and local and state workforce development resources to create ongoing economic opportunity for low-income people

Cleveland: *Anchor supply chain and hiring (1 billion jobs, 2 billion supply chain)* Create a model that fully leverages all the assets of nationally significant anchor institutions, including procurement, employee incentives, and capital investment, to develop jobs and businesses in the region

Detroit: *Redensify and Re-use Land (138 sq miles, 68 inhabited)* Creating a model for older industrial cities of concentrating population and activities in sustainable corridors, expanding opportunity for low-income residents, and addressing vacant land.

Twin Cities: *Transit led regional economic development* Creating a model of inter-governmental (local, state and federal) collaboration to develop regional transit in ways that expand opportunities for low-income people

As you embark on the next 3 days talking about reinventing urban transformation and enhancing social cohesion, I hope you walk away from tonight thinking about 3 things:

- we all need to be **intolerant of the blinders** that we have allowed to keep us from addressing the real problems of urban life
- we need to **fight against the tyranny of dead ideas and incrementalism** that keeps innovation on the periphery and away from the mainstream; and finally,
- **we need to work hard to increase the escape velocity through the trinity of people, place and opportunity** so we have the social cohesion we all want to live amongst

Thank you and have some great 3 days.