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The New Role of Health Care in Economic Development

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Health Policy
Studies Division

NGA Center for
Best Practices

The New Role of Health Care in Economic Development

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Since their initial meeting in 1908 to discuss interstate water problems, the Governors have worked through the National Governors' Association (NGA) to deal collectively with issues of public policy and governance. The association's ongoing mission is to support the work of the Governors by providing a bipartisan forum to help shape and implement national policy and to solve state problems.

The members of the National Governors' Association are the Governors of the fifty states, the territories of American Samoa, Guam, and the Virgin Islands, and the commonwealths of the Northern Mariana Islands and Puerto Rico. The association has a nine-member Executive Committee and three standing committees—on Economic Development and Commerce, Human Resources, and Natural Resources. Through NGA's committees, the Governors examine and develop policy and address key state and national issues. Special task forces often are created to focus gubernatorial attention on federal legislation or on state-level issues.

The association works closely with the administration and Congress on state-federal policy issues through its offices in the Hall of the States in Washington, D.C. The association serves as a vehicle for sharing knowledge of innovative programs among the states and provides technical assistance and consultant services to Governors on a wide range of management and policy issues.

The Center for Best Practices is a vehicle for sharing knowledge about innovative state activities, exploring the impact of federal initiatives on state government, and providing technical assistance to states. The center works in a number of policy fields, including agriculture and rural development, economic development, education, energy and environment, health, social services, technology, trade, transportation, and workforce development.

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Executive Summary

Community and economic development initiatives that include health services can lay the foundation for economic growth and contribute to a strong state economy. Traditionally, economic development has focused primarily on job development. However, community infrastructure, such as health care, housing, transportation, and child care, also drives economic development. In particular, health care institutions are important stabilizing entities in communities that provide essential services and jobs.

State policymakers can foster innovative development initiatives that create jobs while providing needed health and social services to communities. They must strive to build solid local infrastructures to empower communities to solve their own problems, lessening the burden on state finances and support systems. Community and economic development initiatives that include health care offer important avenues to meet broader state policy objectives. For example, these development initiatives can support state welfare reform by providing employment opportunities and health services to enable former welfare recipients to succeed in the workforce.

This report describes the key factors distinguishing successful community and economic development that includes health care. An analysis of four community projects highlights the different ways that health services are being incorporated into development activities. The four sites include two urban areas, Oakland, California, and Kansas City, Missouri, and two rural areas, Wray, Colorado, and southern Illinois. Each site uses health care as an anchor for development projects and combines this strategy with other development components, such as affordable housing, child care centers, senior centers, retail businesses, assisted living facilities, and job training and placement initiatives.

Factors Distinguishing Successful Community and Economic Development That Includes Health Care

Analysis of the four community development projects suggests several factors that can influence project success.

- **Community residents and organizations can be powerful initiators of change.** Two types of leadership roles enabled these collaborative initiatives to thrive: committed individuals and community-based institutions and key leaders in the private sector and local government. The four development projects studied will take from seven to twelve years to complete, so it is critical to have a strong anchor organization and/or group of local residents committed to guide the project from the design and fundraising phases through implementation.
- **Projects with multiple funding sources are better able to withstand the ups and downs of project implementation.** A wide variety of federal, state, and foundation financial incentive programs offer communities creative development opportunities when these resources are combined and leveraged. In addition, financing a project is easier if more than one funder is on board; multiple funders reduce the risk to and increase the confidence of foundations, corporations, and banks.

- **Collaboration with nontraditional partners can offer innovative development opportunities.** This collaboration might take the form of new public-private partnerships (e.g., a regional transit district authority partnering with a community health center), state-community alliances (e.g., a state department on aging partnering with a local health care institution), and cross-disciplinary community-based organization collaborations (e.g., a community health center partnering with a community development corporation and a child care provider). The nontraditional alliances in the four project sites often couple entities that have not worked together in the past but have identified a mutual goal benefiting the entities and the community.
- **Development projects can build on successes achieved early in the implementation process.** Recognizing early project milestones through media attention or public events is important to sustain key player and community commitment, generate momentum, and develop and maintain current and future funding. Successes may include acquiring a critical piece of land for the project, raising funds for development efforts, or codifying a community development plan into local statute.

What States Can Do to Facilitate Innovative Development Initiatives

Once states recognize the factors distinguishing successful development projects that bring health services to the community, they can take several actions to facilitate these innovative initiatives.

- **Realign government regulations and requirements to be responsive to community innovations.** Many state programs have conflicting regulations and requirements that impede collaborative community health and economic development efforts. Realigning these multiple programs' regulations and requirements will make it easier for communities to implement their projects.
- **Coordinate systems for processing requests for approvals and resources within and among agencies.** Coordinating these systems will reduce administrative and financial barriers to local project implementation.
- **Encourage interagency collaboration, particularly between health policy and economic development agency officials.** Collaboration across policy disciplines is critical to facilitating community access to timely project approvals and complementary funding and development programs.
- **Help communities identify funding sources.** States can raise awareness about community and economic development opportunities by marketing this information to communities. This action can direct communities to the multiple funding sources they need to support projects.
- **Use demonstrations and waivers to test innovative approaches and identify and resolve implementation problems.** Pilot testing a new strategy or program is an important first step before establishing it statewide. Moreover, some projects may need a waiver of specific state restrictions that might otherwise prohibit the development of creative alternatives to providing health care and other services. Demonstrations and waivers can provide funding options and foster the development of public-private partnerships.
- **Look for opportunities to piggyback local initiatives that can help meet state policy objectives.** States can leverage their efforts to achieve particular state policy objectives by working more closely with communities implementing innovative development programs. Such collaboration recognizes communities as important change agents and promotes public-private partnerships to achieve common goals.

Future Opportunities for Creating Healthy Communities

Health care institutions can be catalysts for community and economic development.

The focus of economic development must go beyond simply creating jobs to leveraging the important role that these institutions can play in stabilizing and growing communities. State health agency and economic development agency officials must work together to effect this change in development approaches at the local level.

Community and economic development initiatives can be challenging to plan and implement, but in the long run they can produce positive results for local residents and the state. Initiatives that revitalize blighted urban neighborhoods or build needed programs and facilities in small rural towns create healthy communities that can contribute to a strong state economy. The project sites analyzed in this report indicate that these efforts are enhanced when state and local policymakers seek out and foster innovative development opportunities when they arise.

Creating "Healthy Communities"

Community and economic development initiatives that incorporate health care can lay the foundation for economic growth and contribute to a strong state economy. Traditionally, economic development has focused primarily on job development. Community development activities have long included efforts to expand or rehabilitate neighborhood, city, or regional infrastructure, increase the housing stock, provide social and recreational services, and expand economic opportunities. Community supports, including health care, are needed for economic development efforts to thrive. However, as community and business leaders recognize their mutual need to ensure access to diverse services and amenities fo residents and workers, they are turning to health care as a catalyst for community and economic development. The concept of creating "healthy communities" is broadening the focus of traditional economic development activities to include more direct links with health services and other community supports, as business and community leaders recognize the synergy created in this coupling.

State policymakers can foster innovative development initiatives that create jobs and provide needed health and social services to communities. They must strive to build solid local infrastructures to empower communities to solve their own problems, lessening the burden on state finances and support systems. Community and economic development initiatives that include health care also offer important avenues for state policymakers to work with communities to meet broader state policy objectives. For example, these development initiatives can directly support state welfare reform efforts by providing the critical employment opportunities and necessary mix of services—health care, child care, transportation, and housing—to enable former welfare recipients to succeed in the workforce.

Communities that offer a mix of services and amenities are better able to attract and retain residents, workers, and businesses. Health care is a critical component of the community infrastructure that can drive economic development. Health care institutions are important stabilizing entities that provide essential services and jobs. Many of them believe that their participation in community and economic development efforts supports their broadly defined mission to promote the development of healthy communities. Several communities are acting on this belief and are integrating health care, social services, employment assistance, child care support, transportation services, and local business development in their revitalization efforts.

The following chapters describe the factors distinguishing successful community and economic development that includes health

care. An analysis of four community projects highlights the different ways that health care is being incorporated into community and economic development activities. The four sites include two urban areas, Oakland, California, and Kansas City, Missouri, and two rural areas, Wray, Colorado, and southern Illinois. Each site is using health care as an anchor for community-based economic development and is combining this strategy with other development components, such as affordable housing, child care centers, senior centers, retail businesses, assisted living facilities, and job training and placement initiatives.

Organization of the Report

Chapter 2 highlights the four case study sites that are using health care as a catalyst for economic development in their communities. The methodology of the study also is described.

The factors distinguishing successful community and economic development that includes health care are discussed in Chapters 3 through 7. These factors are recognizing communities as change agents, capitalizing on community leadership and initiative, taking advantage of multiple funding sources, collaborating with nontraditional partners, and recognizing successes early in the development process. These chapters merge the lessons learned and public policy issues identified across the four case study communities and use project-specific examples to illustrate how barriers to planning and implementing innovative community and economic development efforts can be overcome. Each chapter also highlights the role that state policymakers can play to facilitate these community-initiated actions. Finally, Chapter 8 focuses specifically on what state policymakers can do to facilitate innovative health and economic development efforts.

Detailed case studies of each project site are provided in Appendix B. Each case study includes sections on the impetus for change, key players' incentives to participate, implementation and financing issues, job creation and relevant welfare links, and lessons learned and public policy issues. Appendix C describes resources and financial incentives for community and economic development.

Health care institutions can help initiate successful and innovative community and economic development projects. Although planning and implementing these types of initiatives is very complicated and time-consuming, the case studies illustrate that these projects are feasible and sustainable over time.

Identifying Sites That Include Health Care in Economic Development

Study Methodology

Between December 1996 and March 1997, the National Governors' Association (NGA) Center for Best Practices sought to identify projects around the nation where health care is an integral part of community and economic development activities. Staff collected information from Governors' staff, state agency officials, federal agencies, foundations, and national nonprofit entities that support affordable housing and community and economic development activities. They selected four sites that reflect diverse approaches to integrating health care services into community and economic development initiatives.

NGA staff visited each community project site between March and May 1997. The purposes of these visits were to explore what motivated these communities to implement their initiatives; determine how these communities identified, financed, and implemented the community and economic development activities that include health care; and identify how states can facilitate other innovative initiatives. (See Appendix A for details of the study's methodology.)

Site Descriptions

Fruitvale BART Transit Village Project, Oakland, California

This ten-year redevelopment project will bring neighborhood and senior centers, affordable housing, a child care center, retail stores, and an expanded community health center to the Fruitvale District in Oakland. The $100-million initiative to revitalize this low-income urban community reflects the work of a dynamic public-private partnership that includes citizens and merchants, a community development corporation, housing and social service agencies, city officials, and a district transit authority. The Spanish Speaking Unity Council is working closely with the San Francisco Bay Area Rapid Transit (BART) District on the Fruitvale BART Transit Village. The initiative will produce a business-lined pedestrian walkway linking BART's transit station and a new bus transfer facility to the community's commercial corridor. BART agreed to let the Spanish Speaking Unity Council use eight acres of the land around the local BART station to build the transit village. The remaining two acres of land will be used to build a multilevel parking structure to replace the lost parking spaces. The initiative aims to integrate retail businesses, affordable housing, health services, and social services in this transit village to meet the needs of the primarily Hispanic, African-American, and Asian residents; existing transit users; and new riders attracted to the improved transit facility. (See Appendix B for a case study of this initiative.)

Mount Cleveland Initiative, Kansas City, Missouri

The Swope Parkway Health Center is the core of a ten-year, inner-city revitalization initiative. This initiative focuses on delivering high-quality health and social services, building affordable housing, and luring retail business development to Kansas City's Mount Cleveland neighborhood. Swope and its community partners convinced federal, state, and local policymakers, as well as bankers, foundation directors, and other private business leaders, that coupling health services with other

economic development activities is advantageous and feasible for a declining and impoverished community. The initiative has three major components: a health and family services campus that includes a residential drug rehabilitation facility, a new and expanded community health center, a day care center, and a family resource center; affordable housing; and a neighborhood commercial center that includes a grocery store, a bank, a restaurant, shops, and a medical office complex. Complementing Swope's work is the Missouri Local Investment Commission (LINC), a state initiative affiliated with the Missouri Department of Social Services that tackles social service and welfare-to-work issues. (See Appendix B for a case study of this initiative.)

Wray Rehabilitation and Activities Center, Wray, Colorado

Isolated rural residents in Colorado are benefiting from health services and community activities blended in a thriving, multipurpose center. The residents of Wray, Colorado, and their neighbors suffered from farming and ranching injuries and related ailments, such as arthritis, but lacked access to appropriate rehabilitative services. They also desired expanded recreational activities. The Wray Rehabilitation and Activities Center (WRAC) combines rehabilitative and therapeutic health services, intergenerational recreational and fitness activities, and advanced education and skill-building activities in a centralized facility. WRAC serves rural residents in northeast Colorado, northwest Kansas, and southwest Nebraska. Two important goals of this project are to keep local residents, especially young people, committed to remain in the community and to attract new residents to the region. The project founders recognized that rural communities have an opportunity, as well as a challenge, to market the traditional benefits of community living while providing convenient access to amenities attractive to those accustomed to urban settings. (See Appendix B for a case study of this initiative.)

River to River Project, Southern Illinois

Southern Illinois is a very rural area with a growing elderly population that has distinct health care service needs. The Shawnee Health Service and Development Corporation has been working with the Illinois Department on Aging to identify and establish more affordable health care alternatives for frail elderly residents. The goal is to enable elderly people who do not require institutionalized care to continue to live in their rural communities as independently as possible. Under a state care coordination demonstration project, the Illinois Department on Aging contracted with Shawnee to identify community-based services to maintain frail elderly residents in their homes, preventing premature institutionalization. As a result of this pilot, the Shawnee Alliance for Seniors now assesses, places, and tracks all elderly patients being discharged from the hospital in a thirteen-county area and is responsible for identifying alternative living situations and community-based care if nursing home placement is inappropriate. In addition, the elder care coordination program has been expanded statewide. Because of its experience with this elder care coordination, Shawnee seized the opportunity to develop low-income assisted living facilities—referred to as the River to River project—that link health, social, personal care, and housing services for rural elderly to provide a functional alternative to institutional care. By building more affordable housing and health care service options in the community, local leaders also hope to promote the region as an attractive retirement destination for senior citizens and as a residence for their families. (See Appendix B for a case study of this initiative.)

Recognizing Communities as Change Agents

Community residents and organizations can be powerful agents of change. All four case study initiatives are driven by committed community residents and organizations with a vision for the future. The resounding message across the project sites is that without this grassroots commitment, these initiatives are not possible. Community commitment is crucial for building consensus and momentum for community and economic development and for inducing the business and foundation sectors to support an initiative. Although numerous incentives can induce community change, the right circumstances and motivated individuals and entities must be present to foster timely change. A variety of tools can be used to gauge and foster community commitment when opportunities arise.

"Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has."

—Margaret Mead

State policymakers can also encourage community commitment and initiative by responding to and supporting innovative local ideas. When states help communities drive change, residents' needs for health care, child care, social services, housing, education, transportation, and retail services will be addressed, making it easier to meet broader state policy objectives. Moreover, state policymakers need to recognize and communicate the important role that health care institutions can play as employers and service providers in supporting economic development.

Circumstances That Foster Change

In each of the four sites, residents recognized and seized opportunities to improve their community. These opportunities took the form of a catalytic event occurring in or to the community, or a groundswell of interest happening at the right time. The impetus for change in the two urban case study sites in Oakland and Kansas City came from significant events in the community to which local leaders responded. In contrast, residents and providers in the rural communities of Wray, Colorado, and southern Illinois identified persistent health-related needs and took the initiative to address them.

- **Transit Authority's Proposal to Build a Parking Structure.** During a town hall meeting in the Fruitvale District of Oakland, the Bay Area Rapid Transit district authority proposed the construction of an additional multilevel parking structure at the local BART station as a strategy to increase its ridership. The community voiced concern about the added value of the structure because it believed any new development needed to contribute to employment opportunities and economic development in the community. In response, the local community development corporation worked with BART and a local health center to develop a mutually acceptable alternative plan. Using the health center as the anchor service provider, they developed a plan that would increase BART's ridership and create

a more pedestrian-friendly transit village that links the station to the commercial district of the community.

- **An Opportunity to Slow Down Urban Crime and Blight.** In the Mount Cleveland neighborhood of Kansas City, a predominantly low-income, African-American neighborhood, residents wanted to stop the crime and general deterioration of their community. Swope Parkway Health Center, a local health care provider, took on the challenge of devising a revitalization plan for the community in exchange for Swope being allowed to build a residential drug treatment facility in Mount Cleveland. A primary component of the plan was raising money to build a new facility for Swope Parkway Health Center, but federal and foundation support for an expanded health center was not forthcoming. Swope Parkway Health Center employees pledged $300,000 to jump-start the project, and the board of directors matched this pledge with $300,000. This $600,000 commitment from local residents convinced the local philanthropic and business communities to provide the $7.4 million startup grant for the Mount Cleveland Initiative.

- **Public Demand for Rehabilitative Services and Recreational Activities.** Wray is a rural community that thrives on farming and cattle ranching. However, residents had limited access to the therapeutic and rehabilitative services they needed to treat the job-related injuries and ailments associated with these occupations. In addition, the community desired a wider range of intergenerational recreational services and educational skills-building activities to attract and retain families and providers. A few determined residents decided it was time to take action to address those needs and desires.

- **A Need for Community-Based Care Alternatives to Nursing Homes.** Rural southern Illinois has a large elderly population with limited alternatives to nursing home care if individuals want to remain in their homes. Many of these residents could continue to live independently if they had assistance with their medications, food preparation, personal care, and house cleaning, as well as access to an emergency response system. With the help of local residents and a national foundation and development bank, the Shawnee Health Service and Development Corporation is developing low-income assisted living facilities to provide alternative community-based care settings in three rural towns.

Incentives for Community Change

The incentives for community change are remarkably similar for urban and rural communities. In urban communities, revitalization efforts can slow the exodus of residents and reduce crime. Improving a community infrastructure that includes quality health care and child care, affordable housing, and commercial development increases the economic vitality of urban settings and increases the confidence of urban taxpayers. The projects in urban Oakland and Kansas City are creating new employment opportunities as part of their redevelopment efforts. Increasing the number of service and retail jobs in these communities also supports some state welfare-to-work initiatives.

Similarly, in rural areas, creative community development efforts can help retain residents and induce others to move into rural communities. Attracting new residents can also bring solid financial investments to the community. For example, the River to River project in southern Illinois aims to retain elderly residents by enabling these seniors to continue to live independently in their homes if they so desire. By building more affordable housing and offering more health care service options in the community, private sector entities can point to other existing recreational and educational amenities of their rural area to promote the region as an attractive retirement destination for seniors and families. In Wray, Colorado, local residents recognized that rural communities have an opportunity, and a challenge, to market the traditional benefits of community living while providing convenient access to the amenities and services attractive to those accustomed to urban settings.

Tools to Foster Community Commitment

Several tools can assess and foster community interest and commitment to change, including surveys, focus groups, local meetings, and feasibility studies. In southern Illinois, community leaders and Shawnee convened focus groups and local meetings, as well as conducted a feasibility study, to determine the need and support for assisted living facilities for low-income elderly residents. As a result, the River to River project is developing low-income assisted living facilities in three rural communities in southern Illinois.

The projects in Colorado and Missouri used surveys to verify the needed direction for change. In Wray, Colorado, the founding project group published a community needs assessment survey in the *Wray Gazette* asking for citizen guidance on the project's plans. The survey responses indicated that rehabilitation therapy, recreation programs for all ages, and access to general education and health education opportunities were of greatest concern to the community and would receive the most support. The founding project group developed a slide presentation as part of community and civic meetings to share information and begin developing community buy-in on the proposed project. In Missouri residents in Mount Cleveland and surrounding neighborhoods were surveyed on their needs and desires for future community improvement, revitalization, and development projects. The Mount Cleveland Redevelopment Plan evolved from the consensus of ideas identified through the survey responses.

Community involvement is a defining development principle that ensures residents, local merchants, and community organizations play a role in deciding the primary components of the Fruitvale BART Transit Village in Oakland, California. The lead entity, the Spanish Speaking Unity Council, tied the community closely to the planning process by facilitating citizen review at each step of the design and planning process and incorporating citizen suggestions into the designs.

Recognizing that communities are important change agents, many state policymakers also seek community buy-in to ensure program success. For example, under a contract with the Illinois Department on Aging, the Shawnee Health Service and Development Corporation tested the effectiveness of using a local entity to appropriately assess and direct elderly clients to nursing home care or alternative health care delivery options in their community. By pilot testing an innovative program, the state agency and local entity were able to try new ways of collaborating, iron out problems in the new delivery system, and build confidence and local ownership in a new service approach. In addition, this demonstration showed that local providers could meet the needs of community residents in a more cost-effective manner.

Capitalizing on Community Leadership And Initiative

The appropriate mix of project leadership is critical to its success. The challenge for any community trying to establish a complex development initiative is to bring together partners who can contribute the right combination of commitment, credibility, access to funding, and expertise. In the four project sites, two types of leadership roles enabled these initiatives to thrive: committed individuals and community-based institutions and key leaders in the private sector and local government. State policymakers can also play a critical role in promoting community leadership and initiative by encouraging and empowering city and county officials to be receptive to innovative development plans and to streamline the necessary approval processes whenever possible.

Recognizing Individual and Institutional Leaders Who Can Guide the Project

Successful leaders provide project vision and guidance. These committed individuals convince others of the initiative's feasibility, ensure that needed activities are accomplished, generate ideas and solutions to problems, and push all the key players to remain focused on the goals. In many communities, these individual leaders are found within a local nonprofit entity that assumes responsibility for implementing the initiative and ensuring the project's long-term growth and sustainability by committing time and resources to complete planned projects. The four projects highlighted in this report will take anywhere from seven to twelve years to complete, so a strong anchor organization and/or a committed group of local residents is crucial to guide the project from the design and fundraising phases through implementation.

The projects in Kansas City, Missouri, and southern Illinois are led by individuals in health-related institutions. The project in Wray, Colorado, is led by a committee of community residents, and the project in Oakland, California, is led by a community development corporation (CDC). CDCs were created in the 1960s as community-managed private corporations designed to encourage business activity in blighted inner-city areas and focused most of their early activity on housing improvements. Over the years, CDCs have broadened their focus to include fostering economic development and community enhancement.

- **A Community Development Corporation.** The Spanish Speaking Unity Council is a CDC that promotes Hispanic leadership, programs, and ventures to assist Latinos. The Unity Council is a community advocate but also a multifaceted organization that addresses housing, child care, economic development, and social service needs. The Fruitvale BART Transit Village is the vehicle that is enabling the Unity Council to use its extensive experience and community support to address the problems of poverty

through job and new business creation; improve access to social services, health care, and mainstream institutions; and heighten awareness of the issues important to the community's residents.

- **A Committee of Committed Residents.** The founders of the Wray Rehabilitation and Activities Center were nine community residents with various professional affiliations. They shared a desire to provide the health care, recreation, and higher education facilities needed to retain local residents, especially youth, in the community, and to attract new residents to the region. It was important to the founders to meet local needs through local action.
- **A Health Care Entity and Development Corporation.** The Shawnee Health Service and Development Corporation was established in 1972 to develop and manage health care and social services in rural southern Illinois; lend technical assistance and support to organizations, hospitals, and physicians interested in developing programs to meet community needs; and explore new ways to address local problems through short-term demonstration projects. Through the River to River project, Shawnee is building affordable assisted living facilities with onsite access to necessary health-related services. These facilities are enabling three rural towns to meet the health care needs of their elderly residents and prevent their unnecessary placement in costly nursing homes.
- **A Community Health Center.** The Swope Parkway Health Center defined its mission to improve the health status of community residents very broadly to encompass their physical, mental, and economic needs. Swope saw the challenge to work with the community to revitalize the Mount Cleveland neighborhood as a natural extension of its mission. It is collaborating with Community Builders, a community development corporation.

Recognizing Private and Public Sector Leadership Opportunities

The other type of leadership role includes leaders in the private sector and in city and county government. Private sector leadership can come from the business, foundation, and/or religious communities, while government leadership can come from the mayor, city council, or other government officials. Involvement and support from any or all of these leaders can bring credibility and momentum to an initiative. In addition, each leader contributes different expertise and experience to a project, so there are numerous ways to capitalize on a leader's potential interest in certain components of a project. The project in California is relying on local government leadership. Business and religious leaders and the city council are lending their support to the development effort in Missouri. Funding from a local foundation is facilitating the project in Colorado.

- **Local Government Leadership.** In Oakland, California, it took the commitment and partnership of the Spanish Speaking Unity Council, the city council, and the mayor to convince BART that the Fruitvale Transit Village is a redevelopment opportunity that has the necessary community support to ensure its success.
- **Business and Religious Leader Involvement.** In Kansas City, Missouri, the chief executive officer of a local corporation and an African-American religious leader co-chaired the new Swope Parkway Medical Center capital campaign fund. The campaign raised $8 million through dinner events, gala fundraisers, and individual solicitations.
- **City Council Commitment.** The chair of the city council in Kansas City is supporting the Mount Cleveland Initiative because this community has the highest infant mortality rate in his district and the entire state. The councilman views the revitalization plan as a way to reverse this disturbing statistic.

- **Foundation Support.** In rural Wray, Colorado, a local trust expressed interest in funding a regional project that focuses on health, education, and recreation. The plan to build the Wray Rehabilitation and Activities Center met all of the foundation's criteria. The foundation committed to match part of the donations raised to build the center. The match is an important marketing tool for community fundraising.

Securing Long-Term Commitment to Overcome Leadership Changes

Broad networks of support at the local level must be established for initiatives to thrive. The personalities involved and the personal relationships developed in community initiatives and public-private partnerships can make all the difference in an initiative's success or failure. Establishing trust and credibility and building solid relationships among the partners are critical, especially to weather the ups and inevitable downs of a project.

Changes in key local policymakers and agency staff can threaten long-term support for a project if new policymakers and staff are not committed to continuing the partnership. Communities can codify their redevelopment plans in local law to eliminate some of a project's dependence on particular relationships. For example, the city council in Kansas City codified the Mount Cleveland Redevelopment Plan in statute. The ordinance identifies the facilities that will be built, the sites where they will be built, and the purposes for which they will be built. This ordinance also sent a strong message to Mount Cleveland and all its public and private partners that the city has confidence in the project and views the revitalization effort as a public policy concern.

Taking Advantage of Multiple Funding Sources

Projects with multiple funding sources are better able to withstand the ups and downs of project implementation. Blending diverse funding sources can also enhance a community's ability to launch innovative initiatives. A wide variety of federal, state, and foundation financial incentive programs offer communities creative development opportunities when these resources are combined and leveraged. In addition, it is often easier to raise financing for a project with more than one funder; multiple funders reduce the risk to and increase the confidence of foundations, corporations, and banks. Projects must also show a reasonable rate of return on investment to obtain and combine a wide range of funding sources and mechanisms from both the public and private sectors.

Public and private sector contributors often provide very different kinds of financial support to initiatives. Foundations and private corporations often fill the role of risk taker, allowing their grants to be used to test creative and groundbreaking ideas. In contrast, federal and state government support is used primarily for implementing projects, building infrastructure, and institutionalizing innovations. Finally, banks and other private financing institutions provide critical loan support or purchase tax credits that sustain financing.

State policymakers can help community and economic development projects obtain project financing in a number of ways. They can help local leaders identify and secure funding sources by marketing information on state and federal community and economic development opportunities more directly to communities. They can also realign regulations and better coordinate the approval processes required to obtain government funding. State government officials from multiple policy disciplines must be encouraged to work together and coordinate complementary funding and development programs. Interagency collaboration at the state level encourages and enhances such action at the local level.

Show a Reasonable Rate of Return on Investment

The number one selling point for obtaining bank and other private sector creditor support is the ability to show a reasonable rate of return on investment. Public, private, and nonprofit entities must use accepted business practices to be taken seriously in the financial marketplace. Consequently, community and economic development proposals must also provide a reasonable profit or benefit to investors to attract their support and confidence in the initiative. The sites in California, Illinois, and Missouri made a point of marketing their projects to funders by clearly indicating the rate of return on investment each partner would receive for its support. For example, in the Fruitvale BART Transit Village, BART and the development team expect a return on

investment of approximately 10 percent. By 2010, the partners expect to have paid off the debt and to begin sharing profits.

Initiating project entities should secure staff, partners, and consultants who can contribute the financial expertise and capabilities needed to implement the project. In Kansas City, Swope Parkway Health Center established an affiliate nonprofit CDC to help identify innovative financing strategies and implement the goals of the redevelopment plan. In southern Illinois, Shawnee conducted a feasibility study to determine whether low-income assisted living facilities in this rural area could be financially sustainable.

Combine a Wide Range of Funding Sources and Mechanisms

The other key to successful long-term financing is to diversify funding sources whenever possible. Innovative states, local governments, and private entities now combine the best-fitting features of a wide range of funding opportunities to meet the unique needs of their communities. (See Appendix C for brief descriptions of the predominant federal, state, and foundation incentive programs that can foster community development and revitalization activities.)

The four case study sites used a combination of federal, state, local, foundation, private institution, and individual support to create their initiatives. The sites in Colorado, Illinois, and Missouri obtained critical startup funds from private individuals and philanthropies. In contrast, the Fruitvale BART Transit Village project in California received its initial funding from federal sources. Obtaining these startup funds increased credibility and opened the door to a rich mix of other funding resources and partners.

However, multiple funding sources can have different expectations and requirements attached to the money that complicate project implementation and compliance efforts. Understanding these types of constraints, the facilitators of the initiative in Wray, Colorado, chose to minimize any federal and state government support because of the restrictions and requirements associated with these funds. Local foundations and individual donors have primarily supported this project; local government has provided only one grant.

- **Public and Private Entity Collaboration.** Many of the transit village projects in Oakland, California, combine public and private financing and in-kind services. For example, to support the senior housing complex, seven separate entities, including private banks, the Spanish Speaking Unity Council, a federal housing program, and the city, have contributed grants, loans, land, and equity capital. Components of the project also receive technical, political, and financial support from the U.S. Environmental Protection Agency and the U.S. Departments of Transportation, Housing and Urban Development, and Health and Human Services.
- **State Enterprise Zone Programs.** WRAC's designation in 1991 as a qualified project in the Colorado Enterprise Zone Program has been a valuable fundraising tool for facility donations and endowment contributions. Under the program, any taxpayer who made a monetary contribution to WRAC was eligible to claim a state income tax credit of 50 percent of the value of the contribution, up to a maximum credit of $100,000. Board members demonstrated to local donors that the tax credit was a way to target their state income tax payments to benefit their community.
- **Low-Income Housing Tax Credits.** The Illinois Tax Reform Act of 1986 authorizes tax credits for residential rental property that qualifies as low-income housing. The ten-year credit is offered to investors in low-income housing based on the cost to acquire, rehabilitate, or construct eligible low-income housing projects. Investors use the tax credit to reduce the taxes due on income from other sources. For example, in exchange for the low-income housing tax credits, each bank receives an annual $100,000 write-off, assuming a 10 percent return, for every

$1 million in investment for up to ten years. Credits can be sold to individual or institutional investors. This financing approach raises equity that can be used to reduce the amount of debt financing required for the project, enabling lower rents. The predevelopment and development costs for building the assisted living facility in the southern Illinois community of Ullin total $3.7 million. A large proportion of the project was financed with state tax credits of $2.2 million that the River to River Corporation sold to two banks that became limited equity partners in the project.

- **Bank Incentives.** The Missouri Community Reinvestment Act of 1977 directs banks to support community and economic development projects and provide assistance to underserved communities. Several of the banks participating in the Mount Cleveland Initiative got involved because Swope and the community had already raised much of the financing from foundations, corporations, and several government agencies. In addition, Swope Parkway Health Center approached a group of local banks to share the project risk, increasing the comfort level of all the participating banks. As a result, several local banks financed the construction and end loans of the drug treatment facility, the new health center, and the affordable housing projects.

Collaborating with Nontraditional Partners

Forging new alliances with nontraditional partners can enhance a community's ability to establish innovative community and economic development projects. Collaborations with nontraditional partners might take the form of new public-private partnerships (e.g., a regional transit district authority partnering with a community health center (CHC)), state-community alliances (e.g., a state department on aging partnering with a local health care institution), and cross-disciplinary, community-based organization collaborations (e.g., a CHC partnering with a community development corporation and a child care provider). In contrast, a more traditional partnership often seen in communities involves nonprofit organizations in the same discipline collaborating with local government agencies and city councils.

The nontraditional alliances in the four project sites often couple entities that have not worked together in the past but have identified a mutual goal benefiting the entities and the community. In addition, these alliances may offer new opportunities to creatively fund project components, provide in-kind job placement services, or solve complex implementation problems.

Instead of becoming an expert in all the services required in an initiative, the lead entity can partner with those that have the desired service expertise and credibility in the community. However, service organizations, businesses, and state agencies often have different operating principles, missions, and capabilities. Not surprisingly, these differences can create tensions when groups try to forge a working relationship. For example, health care and child care institutions function very differently from entities that promote affordable housing or operate transit systems. All of the participating entities in an initiative need to be aware of the unique strengths and capabilities that each partner brings to the project. In addition, all partners must keep the desired outcomes in mind as they work through project fundraising and implementation problems.

States that collaborate with community-based organizations can also benefit from these nontraditional partnerships. They can test new approaches to address resident needs and identify and resolve implementation problems before expanding projects statewide. States can also leverage local initiatives that support broader state policy objectives.

Nontraditional Partnerships Can Work

It is also important to be open to combining both traditional and nontraditional partnerships to create innovative community and economic development initiatives. Although the incentives for partners to collaborate may

be very different, their agreement on desired outcomes raises the project's credibility among those not participating in the partnership.

- **Public-Private Partnerships.** In Oakland, California, a public-private partnership has been established among the Spanish Speaking Unity Council (a community development corporation), La Clinica de la Raza (a community health center), and the San Francisco Bay Area Rapid Transit District (a regional transit district authority). The two private nonprofit entities are working with BART to implement the Fruitvale BART Transit Village project. BART has committed staff and other resources to help the partners navigate the federal and state requirements governing this complex development project.

- **State-Community Alliances.** Partnerships between state agencies and community-based private entities can be invaluable in testing and implementing new and innovative programs. Private entities often are more willing than state governments to take some risk and experiment with new service delivery approaches. To foster less expensive care alternatives, some state policymakers are experimenting with different types of privatization policies, such as contracting with local entities to provide services on behalf of the state. Such policies also give communities the flexibility to create solutions, within defined parameters, to address their particular needs.

  The Illinois Department on Aging contracted with a program of the Shawnee Health Service and Development Corporation to assess the feasibility of a local entity screening frail elderly residents to determine their need for institutionalized care or their ability to live in alternative community-based settings. In addition, Shawnee provides case management services for all clients in a thirteen-county region and identifies local alternative health care and social services for these clients if institutionalized care is not necessary. The state wanted to test its theory that local entities are better equipped to address resident health care needs because they know the community and its provider options. In the past, nursing homes have functioned primarily under a medical model of care. Now the state and community are shifting to a social model of assisted living to help seniors continue to live independently, recognizing that many of the factors that drive nursing home placement are unrelated to medical conditions.

- **Cross-Disciplinary Community-Based Organization Collaborations.** In Kansas City, a community health center, a community development corporation that focuses on affordable housing and commercial development, and a nonprofit management corporation of day care centers are collaborating to implement components of the Mount Cleveland Initiative. The lead entity for this initiative, Swope Parkway Health Center, recognized that it was more efficient to partner with other entities with expertise in affordable housing, child care, and commercial development than to try to become an expert in each of these areas.

Other Innovative Opportunities Can Arise

Collaborating with nontraditional partners can create new opportunities for community and economic development. A lead community agency will often have expertise in specific areas of the initiative, but it may not always be aware of funding or in-kind services available from related disciplines that could help meet project goals.

- **Child Care Center Is Being Funded by a Federal Transit Agency.** BART was instrumental in securing a $2.3-million Federal Transit Administration grant under the Livable Communities Initiative for construction of the child development center that will be located in the transit village of the Fruitvale District in Oakland, California. (The Livable Communities Initiative reflects the federal agency's interest in assisting communities with user-friendly transit linked to related development.) BART will own the center, and the Spanish Speaking Unity Council's De Colores Child Care Program will operate the facility and pay

ground rent and common area maintenance fees to BART. An additional $218,000 grant from the U.S. Department of Health and Human Services is enabling the development of a Head Start program within the center.

- **Rural Junior College Is Handling the Skills Training and Job Placement Components of the River to River Project.** Each new assisted living facility built under the River to River project in southern Illinois will create about twenty new permanent jobs as well as construction jobs for local residents. Most of the jobs at these new facilities will be entry-level positions, providing employment opportunities for community residents trying to make the transition from welfare to work. Shawnee Community College has agreed to provide skills training and job placement assistance to support the employment component of the River to River project. The college recruits, screens, and refers applicants wanting to work at River to River project facilities. One of its goals is to prepare local residents for work and move people off the welfare rolls so they can succeed in the workplace.

Creative opportunities and solutions can also result when government entities collaborate and keep their sights on the desired outcomes. The resolution of a difficult problem encountered by the Fruitvale BART Transit Village project provides a perfect example of how intergovernmental cooperation can achieve innovative solutions.

- **Land Transfer Solution Is Safeguarding Health Center Participation in Project.** La Clinica de la Raza, the anchor tenant in the transit village in Oakland, faced a significant hurdle in securing a private loan to construct the new health center. The lender, Cal Mortgage Corporation, required the clinic to own the building site, which was then owned by BART. Further, it gave La Clinica a very tight deadline within which to meet this requirement. The city of Oakland, which had decided to close two of the four street lanes on adjacent 12th Street to reduce traffic problems, agreed to give those two lanes to BART for development. In return, BART would be able to donate the land rather than lease it to La Clinica, which would then own its property. All of the partners believe that the clinic's participation in the transit village is crucial to the success of the project because of La Clinica's credibility among community residents and its potential to draw pedestrian traffic. The city's land transfer allowed BART to receive required compensation for the land that it then gave up for the health center and La Clinica to qualify for the crucial loan.

Recognizing Successes Early in the Development Process

Highlighting early project successes can pave the way for future funding opportunities and new collaborative partnerships. Most community and economic development projects are multiyear efforts that require extensive time and financial resources to complete. Because of this long timeframe for implementation, the case study sites found it was important to identify some "wins" or positive accomplishments early in the development process. Recognizing early project milestones and moving the project forward in phases sustains key player and community commitment, generates momentum, and develops and maintains current and future funding.

State policymakers can benefit from and leverage these successes in several ways. They can keep themselves apprised of local project accomplishments to identify those efforts that could further state objectives. In addition, they can initiate or participate in project recognition activities to raise the visibility of these efforts.

Capitalizing on Project Accomplishments

By drawing attention to accomplishments, project initiators can induce other potential funders and collaborators to support future development. Different approaches to showcase project milestones include alerting local press about project achievements or holding a ribbon-cutting ceremony to mark the acquisition of land for a project or the opening of a new facility. For example, the River to River project in southern Illinois celebrated the opening of its new assisted living facility in Ullin with a dedication and ceremony. Approximately 400 people attended the grand opening, and this event was written up in the local newspaper. In addition, if implementation problems arise, project leaders might be able to draw on the credibility gained from these publicly celebrated successes to request assistance from local residents, organizations, and businesses.

Moving Forward in Phases

Some of the project sites also found that moving the project forward in phases not only enabled some accomplishments to be shown earlier in the implementation process, but also made some of the implementation and fundraising aspects of the project less burdensome. The projects in California, Colorado, and Missouri all had several components or phases. It is often easier to raise capital for project components than to fund the whole initiative before actual building begins. This type of strategy is particularly important for the Fruitvale BART Transit Village and Mount Cleveland projects, which require between $50 million and $100 million for total initiative implementation. Further, completion of earlier project components enhances project credibility and fundraising opportunities with other potential public and private funders.

- **Codifying Redevelopment Plans.** Two important actions at the community and city levels helped prove that the resolve to carry out the Mount Cleveland Initiative was genuine. First, Swope Parkway Health Center produced a draft redevelopment plan for community residents in four months to demonstrate its commitment to revitalizing the area. Second, the city council officially codified the Mount Cleveland Redevelopment Plan into law to ensure long-term government commitment to the project. Codifying the redevelopment plan into city statute helps safeguard the plan against the effects of changes in political leadership and policymakers. Both actions occurred during the first few years of the initiative.

- **Adjusting Local Infrastructure.** The River to River project in southern Illinois was successful in convincing the town of Ullin to change its water supply company in order to build the proposed assisted living facility for the frail elderly. Ullin needed to upgrade its water supply capabilities to comply with federal and state regulatory standards on the water pressure necessary to serve assisted living facilities as well as to accommodate future community growth. This issue took six months to resolve, and it was one of the first hurdles the project had to overcome.

- **Securing Land for a New Facility.** One of the first hurdles the Wray Rehabilitation and Activities Center in Wray, Colorado, had to surmount was acquiring the land for the new facility. The WRAC development committee identified the vacant Wray Elementary School as a possible site for the center and approached school district officials about purchasing and renovating the building. An engineering study and consultations with architects indicated that it would be more costly to renovate the elementary school than to demolish the building and build a new facility. Although school district officials were willing to offer the land and building to WRAC for one dollar, some in the community argued that the elementary school was a historic landmark that should not be razed. Development committee members surveyed residents by telephone on the proposed demolition of Wray Elementary. The telephone survey showed that the majority of residents were willing to have the elementary school demolished if it led to construction of a comprehensive community center.

- **Encouraging Key Partner Support.** In the Fruitvale BART Transit Village project in Oakland, California, it was critical that BART was open and responsive to the community's alternative redevelopment plan to meet particular community development needs. Without the early support of BART, the entire project would not have gotten off the ground. An important complement to this support was the early buy-in and committed participation of La Clinica de la Raza as a partner in the redevelopment process. The health center is viewed as an anchor in the community, bringing credibility to the project and the respect and support of community residents served by the clinic.

Highlighting Outside Validation of Project Successes

Another way to highlight early initiative success is through competition for national and regional awards. Recognition through awards promotes community pride in and increased commitment to the project, and it can harness important political leadership and support. For example, the WRAC project was recognized by the National Civic League with its All-America City Award in 1993, an Excellence in Health Care Award given by Colorado's El Pomar Foundation in 1994, and a nomination for the Peter F. Drucker Award for Innovation in Nonprofit Management in 1995. In addition, the Thomas-Roque Child and Family Center, built as part of the Mount Cleveland Initiative, is viewed nationally as a model day care facility. These types of acknowledgements and awards show community residents that their efforts are worthwhile and that they are supporting an effort perceived as a prototype for other areas.

Facilitating Innovative Health Care and Economic Development Initiatives

Innovative community and economic development initiatives that include health care provide another avenue for state policymakers to collaborate with communities to meet broader state policy objectives. The economic well-being of a state depends on building healthy communities with healthy economies. Governors recognize the need to meet the health and social service needs of residents while simultaneously focusing on cost containment and the economic bottom line for the state. However, there is no "one-size-fits-all" model for facilitating innovative community and economic development efforts.

Every community, state, and key player has different needs, societal demands, and financial constraints influencing how they define their problems and create viable solutions in the community health and economic development arena. Once states recognize the factors distinguishing successful development projects, they can facilitate further implementation of these initiatives in several ways.

Key Factors Necessary to Ensure a Project's Success

Analysis of the four case study community development projects identified several key factors that can influence a project's success or failure. In all of the project sites, health care was a critical component because health care institutions were viewed as stabilizing entities and relatively large employers. Although the sites were purposely selected for their differences in target populations, project parameters, catalysts, and financing approaches, the vital lessons common among the projects can inform the direction of future public policy interventions. All of the projects:

- secured community involvement and committed individual and institutional leadership;
- applied accepted business practices to all components or phases being implemented;
- established public-private partnerships and collaborated with nontraditional partners;
- obtained diverse funding sources;
- highlighted successes early in the project development and implementation phases; and
- tried to document project outcomes and contributions to the community over time to report to current and potential funders.

State Policymakers' Role in Facilitating Innovative Development

States can take several actions to directly facilitate innovative health care and community and economic development initiatives that benefit state residents. They can:

- realign government regulations and requirements to be responsive to community innovations, including coordinating systems for processing requests for approvals and resources within and among agencies and encouraging interagency collaboration, particularly between health policy and economic development agency officials;

- help communities identify funding sources and offer technical assistance opportunities through state, county, and local agencies tailored to the different needs, players, and demographics of communities;
- use demonstrations and waivers to test innovative approaches and identify and resolve implementation problems; and
- look for opportunities to piggyback local initiatives that can help meet state policy objectives.

Realign Government Regulations and Requirements to Be Responsive to Community Innovations

Many state programs have conflicting regulations and requirements that can impede community health and economic development efforts. Although many of these programs have similar goals, the processes and requirements of each program can make it difficult to use them in tandem. All four case study sites identified this issue as a significant barrier and/or consideration for their projects. Not only should these regulations and processes be aligned and coordinated at all levels of government, but these requirements also need to be flexible enough to foster innovative efforts. Most important, coordinating these multiple programs' regulations and processes will make it easier for communities to obtain the multiple funding sources and appropriate and timely approvals necessary to implement their projects.

- **Environmental Assessment and Transit Requirements—Oakland, California.** The environmental assessment requirements for developing the Fruitvale BART Transit Village not only have been rigid, but also have differed among the state and federal programs involved in various components of this project. For example, the federal government requires the developers to clear any modifications to the existing building stock with a state historic preservation officer (SHPO). However, the state follows a separate historic review process based on local ordinances, not the SHPO's decision. Further, from the BART district's perspective, the federal guidelines related to transit-funded projects of the Federal Transit Administration, U.S. Department of Transportation, and U.S. Department of Housing and Urban Development conflict, making implementation much more complicated.
- **Governance of Nursing Homes and Assisted Living Facilities—Southern, Illinois.** The Illinois Nursing Home Care Act regulates all development of assisted living facilities that provide personal care services. If the provision of housing is coupled with the delivery of personal care services, then the nursing home regulations automatically go into effect. As a result, there is a limit on the number and type of services that can be provided in an assisted living facility setting. Because many seniors need access to a range of services in their residential setting to continue to live independently, the Illinois Nursing Home Care Act limits the development of low-income alternative community-based care settings. As a temporary solution, one River to River project site has received a state waiver from these restrictions.

Coordinate Systems for Processing Requests for Approvals and Resources Within and Among Agencies. State programs can direct the broad systemic changes that communities should strive for but allow communities the latitude to design creative projects within those defined parameters. In particular, state agencies need to work cooperatively to enable communities to blend funding sources more readily. To accomplish this, these agencies need to develop more efficient and coordinated systems for processing requests for approvals, resources, and services. Governors can also facilitate innovation by directing state agencies to be responsive to opportunities to partner with communities.

Encourage Interagency Collaboration, Particularly Between Health Policy and Economic Development Agency Officials. For creative and comprehensive economic development to succeed, state officials from multiple policy disciplines must work together

and coordinate complementary funding streams and development programs. For example, state economic development agencies and health agencies might have financial incentive grant programs with similar missions. These programs could be used in tandem to develop initiatives that incorporate health services, affordable housing, and retail development in a blighted neighborhood. Collaboration across policy disciplines is also critical to facilitating community access to timely project approvals and complementary funding and development programs.

Recognize Inherent Differences Between Rural and Urban Communities. To adequately realign government regulations, state agencies must also use criteria that recognize the inherent differences between rural and urban communities. A regulation or law developed for urban areas might not take into account the needs of rural areas with lower population densities, fewer job creation opportunities, and limited administrative and financial resources. Therefore, rural areas can often be at a disadvantage in meeting program requirements because they must compete for limited state resources based on the same statewide criteria.

In southern Illinois, the River to River project needed to compete for state money to pay for changing a town's water supply system to meet the requirements for building an assisted living facility. The town of Ullin lacked the necessary water pressure to meet fire safety regulations for the new facility. River to River staff convinced the mayor to compete for state funds to pay for upgrading the town's water supply system to meet the site building requirements and better serve the community. However, the competition for these funds was contingent on job creation criteria based on standards inappropriate for a sparsely populated rural area. Despite this disadvantage, the community was successful in winning the state funds to upgrade the water supply system.

Help Communities Identify Funding Sources

States can raise awareness about community and economic development opportunities by marketing this information to communities. This action can direct communities to the multiple funding sources they need to support projects. Many government entities at the city, county, state, and federal levels have financial incentive programs and other financing mechanisms to promote community and economic development efforts (see Appendix C). In Kansas City, Swope used a state grant, which provided eight years of operating funds, as collateral to secure private financing to build a residential drug treatment facility in the Mount Cleveland neighborhood. Communities need to be made aware of these financing programs and mechanisms. In addition, state policymakers can encourage city and county governments and businesses to be receptive to supporting comprehensive community and economic development initiatives.

Use Demonstrations and Waivers to Test Innovative Approaches

Pilot testing a new strategy or program can help identify and resolve implementation problems early in project development. Strict government subsidy guidelines and other regulations that do not take into account the specific needs of differing communities render them much less useful to community and economic development efforts. Therefore, some projects may need a waiver of specific state restrictions that might otherwise prohibit the development of creative alternatives to providing health care and other services. Demonstrations and waivers can also provide project funding options and foster the development of public-private partnerships.

- **Demonstrations.** Pilot testing a new strategy or program is a good first step before establishing it statewide. This phase can establish appropriate systems and protocols and identify and resolve implementation problems. The Illinois Department on Aging tested its care coordination program with Shawnee to determine whether the program was feasible, cost-effective, and met the needs of the state and its aging residents.
- **Waivers.** Waivers provide the opportunity to test alternative health care delivery models

and waive state restrictions that might prohibit the development of creative alternatives for providing multiple services. Illinois waived the Illinois Nursing Home Care Act for three community projects that are attempting to establish service-enriched assisted living facilities throughout the state.

Look for Opportunities to Piggyback Local Initiatives That Can Help Meet State Policy Objectives

States can leverage their efforts to achieve state policy objectives by working more closely with communities implementing innovative development programs. For example, community and economic development initiatives that expand access to health care, child care, affordable housing, and retail businesses can further a state's efforts to improve state residents' health status and increase the number of entry-level positions and support services that enable people to move successfully from welfare to work. States that collaborate with local initiatives recognize communities as important change agents and reap public policy benefits from building public-private partnerships.

In Kansas City, Swope Parkway Health Center is working with the Missouri Local Investment Commission, a state initiative affiliated with the Missouri Department of Social Services that tackles social service and welfare-to-work issues. Swope has hired twelve welfare-to-work graduates from LINC's 21st Century Wage Supplement Project to work at FirstGuard, its health maintenance organization. Through a waiver from the federal government, LINC converts federal welfare and food stamp payments into wage supplements to induce employers to create jobs and provide full-time employment opportunities. Swope is committed to helping community residents make the transition from welfare to work. LINC's welfare-to-work initiatives and the Mount Cleveland Initiative are important complementary projects in the Kansas City area that will improve the long-term prospects for individual and family self-sufficiency and community viability.

Future Challenges and Opportunities

Health care institutions can be catalysts for community and economic development. The focus of economic development must go beyond simply creating jobs to leveraging the important role that these institutions can play in stabilizing and growing communities. State health agency and economic development agency officials must work together to assist and effect this change in development approaches at the local level.

Community and economic development initiatives can be challenging to develop and implement, but in the long run they can produce positive results for local residents and the state. Initiatives that revitalize blighted urban neighborhoods or build necessary programs and facilities in small rural towns create healthy communities that contribute to a strong state economy. The project sites analyzed in this report indicate that these efforts are enhanced when state and local policymakers seek out and foster innovative development opportunities when they arise.

Appendix A

Study Methodology

With support from the federal Bureau of Primary Health Care and the Ewing Marion Kauffman Foundation, the Health Policy Studies Division of the National Governors' Association (NGA) Center for Best Practices sought to identify community projects that include health care as an integral part of community and economic development efforts.

Between December 1996 and March 1997, information was collected from Governors' offices, state agencies, federal agencies, and foundations, as well as from national nonprofit entities that support affordable housing and community and economic development activities.

NGA selected four projects that use diverse approaches to incorporating health services into community and economic development initiatives. Each project addresses health, social service, and economic needs. Each site combines different elements of the following selection criteria.

- Rural or urban community—two rural sites and two urban sites.
- Diverse partnerships—local collaborations among health care entities, banks, foundations, district transit authorities, retail businesses, hospitals, child care providers, and organizations providing services to seniors.
- Community development corporation involvement—community development corporations (CDCs) focus on building or revitalizing community infrastructure by expanding access to child care, health care, and affordable housing; creating jobs in low-income areas; and stimulating commercial investment. At least one of the sites relied on CDC involvement.
- Linkage of a range of community and economic development activities—development of affordable housing, development of retail businesses, development of child care and senior centers, development of low-income assisted living facilities for the elderly, and/or provision of job skills training and employment services.
- State efforts that support community development activities.

The four site visits were conducted between March and May 1997 in two urban areas, Kansas City, Missouri, and Oakland, California, and in two rural areas, southern Illinois and Wray, Colorado. The purposes of the site visits were to explore what factors motivated these communities to develop their initiatives; determine how these communities financed and implemented the community and economic development activities being linked to health services; and identify which state policies and practices are relevant to fostering these types of initiatives. Interviews were conducted with community project directors and staff, Governors' staff, business executives, bankers, foundation staff, state agency directors, local health and housing agency officials, the president of a district transit authority, local council members, and other community leaders. The case studies provided in Appendix B illustrate the broad range of services and activities that can be included in community and economic development initiatives to meet the unique needs of communities and the broader policy objectives of states.

Appendix B

Case Studies of Sites That Include Health Care in Economic Development

OAKLAND, CALIFORNIA: Fruitvale BART Transit Village

The Fruitvale District in Oakland capitalized on its opposition to a district transit authority's plan to build a parking garage at a local transit station to create a ten-year redevelopment project that will bring neighborhood and senior centers, housing, a child development center, retail stores, and an expanded community health clinic to the community. The $100-million initiative to revitalize this low-income urban community reflects the work of a dynamic public-private partnership that includes citizens and merchants, a community development corporation, housing and social service agencies, city officials, and various regional and local transportation agencies.

Impetus for Change

Fruitvale, once considered a second downtown in Oakland, has lost affluent residents to the suburbs and watched canneries and factories close down. Today this ethnically diverse community of mostly low- and moderate-income residents faces overcrowding, a declining housing stock, and a lack of community facilities. Yet it also boasts a strong network of community-based organizations, two recently built shopping centers, and a vibrant and established neighborhood identity.

A Catalytic Event

In late 1991, the San Francisco Bay Area Rapid Transit (BART) district authority decided that a new parking garage at the Fruitvale BART station would attract more passengers to drive to the station and use the trains. The agency held a public hearing to announce its plans to build a 1,062-space, multilevel parking garage on the existing ten-acre parking lot. Local residents, spearheaded by the Spanish Speaking Unity Council, vehemently opposed the structure, questioning its value to the community and stating their desire to be involved in planning any improvements to the site. The Spanish Speaking Unity Council is a community development corporation (CDC) that seeks to encourage business activity, housing improvements, and other development in the Fruitvale area. Fruitvale residents believed the parking garage would create a barrier between the station and the community's deteriorating commercial district, discourage pedestrian traffic, and increase crime. The Unity Council and other community leaders realized that they could build on BART's interest in investing in the Fruitvale station. The community's goal was to integrate retail businesses, affordable housing, health care, and social services in a transit village to meet the needs of the primarily

Hispanic, African-American, and Asian residents; existing transit users; and new riders attracted to the improved transit facility.

The Unity Council, along with residents of the neighborhood, persuaded BART officials that agency investment to help develop a busy, pedestrian-friendly corridor to shops, housing, and community services leading to the transit station would produce greater returns because of increased ridership. BART responded to the community's approach by withdrawing its parking proposal and agreeing to cooperate with community leaders to devise a more community-sensitive plan. It began working with the community to identify economically viable proposals, negotiate the complex regulations and requirements for a large-scale development project, and attract new participants to bring expertise and funding to the initiative. Construction of the parking garage would be part of the agreement to pursue the development of a transit village. The Spanish Speaking Unity Council, working collaboratively with BART, is leading the development of the Fruitvale BART Transit Village.

Key Players' Incentives to Participate

Government agencies are often limited in their ability to respond to specific community needs because of the restrictions that relate to their categorical funding and the jurisdictional boundaries that limit their authority to operate. In Oakland the challenge was to create a mechanism by which community-based nonprofit organizations and neighborhood residents could be involved in city, state, and federal funding decisions, while compelling government officials to explore creative ways of using existing funding sources. Several of the key players and their incentives for participation in the Fruitvale BART Transit Village project are outlined below.

Spanish Speaking Unity Council

The Unity Council has evolved from its role as a community advocate into a multifaceted organization addressing housing, child care, economic development, and social service needs. Based on its success in taking on more and larger programs, the Unity Council was ready to launch a comprehensive community and economic development project to make long-term and significant social, economic, and quality-of-life improvements in the Fruitvale community. The Fruitvale BART Transit Village is the vehicle enabling the Unity Council to use its extensive experience and community support to address the problems of poverty through job and new business creation; improve access to social services, health care, and mainstream institutions; and achieve greater awareness of the issues important to the community's ethnic residents.

San Francisco Bay Area Rapid Transit District

By focusing on the broader benefits of the transit station improvements, BART began moving beyond its limited, traditional mission of providing transit services to participating in a much wider range of activities that would add value to its investment. BART's chief incentive was to bring more passengers to the transit system, but it realized that creating a thriving business and community center would make the transit station more attractive to passengers while providing direct ground lease and other fees for the agency.

La Clinica de la Raza

La Clinica de la Raza became involved in the transit village project because it needed to consolidate its health services in one facility to improve efficiency and compete effectively in a managed care marketplace. La Clinica handles nearly 87,000 client visits annually in ten clinic-owned buildings and two leased facilities in the Fruitvale/San Antonio neighborhoods. The clinic is part of an eight-center community health center network managed care group that receives capitated Medicaid and Medicare payments for primary care and specialty services. A new, modern facility would help La Clinica meet its goal of competing with the private sector for Medicaid managed care clients. Relocating to the transit village would also make the clinic available to BART passengers who, because of higher incomes, might become private-pay patients.

City of Oakland

Oakland's participation was driven in large part by the interest of the Fruitvale District's city council representative and his ability to gain the support of the mayor and other council members. City Council Member Ignacio De La Fuente, chair of the council's economic development and housing committee, was able to focus the committee's action and the city's resources on Fruitvale by demonstrating the community's needs, its commitment to revitalization, and its readiness to take on a project of major import.

Implementation and Financing

The Fruitvale BART Transit Village project will convert approximately seventeen acres of parking lot and adjacent neglected parcels of land into a corridor of homes, shops, offices, and community-based service organizations. The transit village will have a broad and business-lined pedestrian walkway that connects the Fruitvale BART station and International Boulevard, the community's primary commercial thoroughfare. Nearly $30 million had been secured as of September 1997 for predevelopment activities, infrastructure improvements, technical support, and direct construction. Additional grants and loans are being sought to finance second-phase components of the transit village. This financing is expected to bring the total project cost to nearly $100 million.

The Fruitvale BART Transit Village initiative will include two major development phases.

- Projects to serve the community mark the first phase. These improvements are being anchored by La Clinica de la Raza and a community resource center that will house a multipurpose senior center, a child development center, new offices for the Spanish Speaking Unity Council, an expanded Oakland Public Library Latin American Branch, and flexible office and residential space. Also being built are the intermodal transfer facility, a covered bus bay enabling passengers to transfer between trains and buses and the connecting pedestrian walkway. Other improvements adjacent to the transit village include a senior citizen housing project, street realignment and traffic signal improvements for two adjoining streets, and building facade and street improvements for stores on the streets bordering the redevelopment area.
- Future projects include a new parking garage for BART passengers and transit village customers, affordable housing, and additional mixed-use office and retail space. Housing is in high demand and is expected to be developed quickly once construction on the parking structure is completed.

Although enhancing existing retail businesses will be a focus of both phases, new office and commercial facilities are expected to develop as the number of visitors and transit riders increases as a result of the public projects.

Implementation

This public-private partnership has maintained momentum during the more than four years of development and has continued to attract new players with additional resources. Factors contributing to this success are community involvement, diverse funding, personal relationships and interest, government flexibility and innovation, and consultant expertise. Community involvement is a defining development principle that ensures that residents, local merchants, and community organizations play a role in deciding the primary components of the transit village. The Spanish Speaking Unity Council tied the community closely to the planning process, for example, by facilitating citizen review at each step of the design and planning process and incorporating citizen suggestions into the designs.

The partners looked for varied funding sources and relied on specialists for advice and expertise when defining the projects slated for the transit village. Grants, loans, donations, and equity capital have been garnered from citizens; the program partners; national economic development organizations; city, state, and federal agencies; private foundations; and traditional lenders. Donated expertise and assistance in

planning, design feasibility, community organizing, neighborhood revitalization, and fundraising have been provided by BART, the University of California at Berkeley, the National Main Street Program, and the Local Initiatives Support Corporation (LISC). To ensure long-term success, the Unity Council is aggressively pursuing equity investors and joint venture partners to share the development risks, build and market the facilities, and help identify additional funding sources.

Personal relationships and interest in the project were key to continued support and communication among the primary project partners. Margaret K. Pryor, a member of the BART Board of Directors, is a former Fruitvale resident with a keen understanding of the community's unique needs and circumstances. Her participation lent credibility to the project and enabled BART staff members to help shepherd the project through the administrative and political environments of the many private and public entities needed to support the transit village's development. Council Member De La Fuente helped the partners through a three-year process to rezone the project land for the various types of building construction and usage required on a transit site.

Finally, innovation, flexibility, and risk taking by government agencies have played an important role in overcoming obstacles and making the project attractive to many diverse partners. For example, La Clinica de la Raza faced a significant hurdle in securing a private loan for construction of the new health center. The lender, Cal Mortgage Corporation, required the clinic to own the building site, then owned by BART, and gave a tight deadline to meet the obligation. The city of Oakland, which had decided to close two of the four street lanes on adjacent 12th Street to reduce traffic problems, agreed to give those two lanes to BART for development. In return, BART was able to donate the land, rather than lease it, to La Clinica, which would then own its property. All of the partners believe that the clinic's participation in the transit village is crucial to the success of the project because of La Clinica's credibility among community residents and its potential to draw pedestrian traffic. These land transfers allowed BART to receive required compensation for the land that it gave up for the health center and La Clinica to qualify for the crucial loan.

The Unity Council undertook a trial joint venture agreement with a development firm. The Unity Council also selected ELS/Elbasani and Logan Architects to complete the site plans. Development will also include a transit village management plan and a strategy for attracting retail, office, and housing tenants and acquiring financial support for unfunded projects. However, after four months, the trial joint venture was evaluated, and it was decided that at this stage the project did not have enough development opportunities to justify the creation of a development partnership. The Unity Council and the development firm mutually agreed that the first phase would proceed with the construction of the social and community elements of the project with only a limited market component. After construction of this phase, the Unity Council will reevaluate the development opportunities and the potential role of a joint venture partner.

A preliminary environmental soils test of the project site was completed. The assessment determined that apart from an isolated location of potential gasoline contamination, the remainder of the site will not require costly remediation. Further investigations will be conducted on the isolated location. The project must also meet the different state and federal environmental impact standards before it will be cleared to proceed with site development. The Oakland City Council must approve the master site plan when the environmental clearance document is completed.

The Unity Council has a memorandum of understanding with BART and the city of Oakland detailing its responsibilities to develop the Fruitvale BART station. It also has entered into an exclusive negotiating agreement with BART; BART will retain ownership of the site and sign a ground lease of at least seventy-five years with the development partnership.

An important issue that had to be negotiated before the majority of the transit village projects can get underway in 1998 is BART's requirement for a new parking garage. This facility will replace the parking spaces being sacrificed to house the transit village. The project partners have agreed to seek funding and build replacement parking before starting the second phase of development.

Financing

To initiate the Fruitvale BART Transit Village project, the Unity Council applied to the city of Oakland for Community Development Block Grant funding. It received $185,000 in mid-1992 to begin a planning process to revitalize the area around the BART station. The planning meetings included citizens and community organizations, the Unity Council, BART, transit specialists from the University of California at Berkeley, and local architects. The transit village development also began to gain national attention. In 1993 U.S. Secretary of Transportation Federico Peña visited the project, pledged his support, and later that year awarded a $470,000 grant for planning and feasibility studies.

Since then the development partners for the transit village, led by the Unity Council, have secured a diverse mix of financial support and technical assistance from a broad array of private and city, county, regional, and federal funding sources. Many of the transit village projects are supported by a combination of local equity; city, regional, federal, or private grants and loans; or in-kind services. For example, at the federal level, the project has received political and financial support from the Environmental Protection Agency and the U.S. Departments of Transportation, Housing and Urban Development, and Health and Human Services. An overview of project funding and definitions of the funding mechanisms for those components of the transit village that are underway or have secured funding are presented in the table.

Some unique combinations of funding sources used to support the transit village include the following.

- City officials agreed to include the transit village site in the Oakland Coliseum Redevelopment Area and designate the project as both a federal enhanced enterprise community and a state enterprise zone. Oakland will issue redevelopment bonds beginning in 1998, and the Unity Council is negotiating with the city to receive a portion of these funds for the transit village during the next twenty years. These funds will be used to repay part of a $3.3-million Section 108 loan available from federal sources through the enterprise community designation. A $3.3-million Economic Development Initiative grant is matching the Section 108 loan. The loan and grant can be used for predevelopment costs, site improvements, and construction costs. Enterprise community businesses located in the commercial corridor adjacent to the BART station can also benefit from special employer tax credits. State enterprise zone status will provide additional tax credits to businesses that locate in the transit village. The transit village may also qualify for redevelopment agency housing set-aside funds for its planned housing improvements.
- BART was instrumental in garnering a $2.3-million Federal Transit Administration grant under the Livable Communities Initiative for construction of the child development center. This initiative reflects the federal agency's interest in assisting communities with user-friendly transit linked to related development. BART will own the center, and the Unity Council's De Colores Child Care Program will operate the facility and pay ground rent and common area maintenance fees to BART. An additional $218,000 grant from the U.S. Department of Health and Human Services is enabling the location of a Head Start program within the center.
- Seven separate entities, including private banks, a city development agency, the Unity Council, a federal housing program, and the city have collaborated to support the senior housing complex with grants, loans, land, and equity capital. Another eight entities,

Components and Financing Sources of the Fruitvale BART Transit Village
(as of January 1998)

Source	Use	Type	Approved Amount	Pending	Total*
Child Care					
DOT and FTA	Child Care Facility	Grant	$ 0	$2,300,000	
HHS	Head Start Facility	Grant	218,000		
		Total	*218,000*	*2,300,000*	
East 14th Street					
Oakland	Street Lights	In-kind	200,000		
City CDBG	Façade Improvements	Grant	195,000		
Oakland	Area Revitalization	Grant	50,000		
LISC	Main Street Program	Grant	100,000		
OHA	Façade Improvements	In-kind	240,000		
		Total	*785,000*		
Intermodal					
DOT and FHWA	Intermodal Transfer Facility	Grant	2,675,000		
		Total	*2,675,000*		
La Clinica					
Donations	Site Improvements	Cash	840,000		
City CDBG	Site Improvements	Grant	200,000	100,000	
HHS	Debt Service Reserve	Grant	0	1,250,000	
Cal Mortgage	Facility Construction	Loan		10,000,000	
La Clinica	Facility Construction	Cash	100,000		
La Clinica	Feasibility Study Predevelopment	Equity	274,000		
		Total	*1,414,000*	*11,350,000*	
Pedestrian Plaza					
DOT and FHWA	Pedestrian Plaza	Grant	780,000		
		Total	*780,000*		
Predevelopment					
DOT and MTC	Feasibility Studies, Design, Legal, and Traffic Impact	Grant	380,000		
BART	Preliminary Financial Feasibility	Grant	30,000		
City CDBG	Financial Feasibility and Design	Grant	63,334		
EPA	Phase II Toxic Study	Grant	0	100,000	
Unity Council	Community Resource Center	Equity	102,818		
		Total	*576,152*	*100,000*	
Senior Center					
Oakland	Senior Center Construction	Grant	2,600,000		
		Total	*2,600,000*		

continued on next page

Components and Financing Sources of the Fruitvale BART Transit Village (continued)
(as of January 1998)

Source	Use	Type	Approved Amount	Pending	Total*
Senior Housing					
Bank of America	Land Assembly	Grant	25,000		
Citibank	Land Assembly	Grant	20,000		
City CDBG	Land Assembly	Grant	135,000		
HUD 202	Land Assembly	Grant	236,000		
HUD 202	Construction	Grant	5,200,000		
Oakland	Construction	Loan	803,000		
AHP	Construction	Loan	245,000		
Unity Council	Land Assembly	Land	145,000		
Unity Council	Land Assembly	Equity	100,000		
		Total	*6,909,000*		
Site Development					
EEC-108	FBTV Unrestricted	Loan**	3,300,000		
EEC-EDI	FBTV Unrestricted	Grant	3,300,000		
MTC	East 12th Street Realignment	Grant	1,150,000		
		Total	*7,750,000*		
Staff and Operations					
City CDBG	FBTV Staff	Grant	51,735		
DOT and MTC	FBTV Staff	Grant	100,000		
Foundation/LISC	Unity Council Exec. Staff	Grant	640,000		
Foundations	FBTV Staff	Grant	315,000		
OHA	Business Assistance Staff	Grant	217,333		
		Total	*1,324,068*		
Total			**$25,031,220**	**$13,750,000**	**$38,781,220**

Notes:
*Includes funds already expended.
**Oakland redevelopment bonds will repay the Section 108 loan.

Acronyms:
AHP—Affordable Home Program
BART—San Francisco Bay Area Rapid Transit District
CDBG—Community Development Block Grant
DOT/FTA—U.S. Department of Transportation/Federal Transit Administration
EEC-108—Enhanced Enterprise Community-Section 108 Loan Guarantees (HUD program)
EEC-EDI—Enhanced Enterprise Community-Economic Development Initiative (HUD program)
FBTV—Fruitvale BART Transit Village
FHWA—Federal Highway Administration
HHS—U.S. Department of Health and Human Services
HUD 202—U.S. Department of Housing and Urban Development Section 202 Supportive Housing for the Elderly program
LISC—Local Initiatives Support Corporation
MTC—Metropolitan Transportation Commission
OHA—Oakland Housing Authority

Definitions:
AHP: A public-private partnership in which private banks receive federal credits for making affordable home loans.
CDBG: Entitlement funds from the federal government are distributed by formula to local jurisdictions and states. The funds generally are used to assist low- to moderate-income families and help develop or redevelop blighted areas.
EEC-108: Section 108 program funds are loaned to local jurisdictions by the federal government for specific inner-city redevelopment projects.
EEC-EDI: Economic Development Initiative funds are granted to Section 108 loan recipients. They may be used on a one-to-one matching basis with the loan funds.
HUD 202: The federal government provides capital advances and project rental assistance to private nonprofit organizations to develop housing for the elderly.
LISC Neighborhood Main Street Program: The Local Initiatives Support Corporation's Neighborhood Main Street Program is a pilot program assisting community development corporations in six cities to revitalize main commercial corridors through funding and technical assistance.

including four private foundations, LISC, and the city's housing authority, have provided grants to support staff and operation startup costs.

Once the project is financially stable, the transit village project is expected to generate an operating cash flow of $200,000 annually. Both BART and the development team expect a return on investment of about 10 percent. By 2010, the project partners expect to have paid off the debt and to begin to share profits.

Job Creation and Relevant Welfare Links

The project partners estimate that the Fruitvale BART Transit Village will create up to 700 new office and retail jobs, many of which will be available to Fruitvale residents who now work outside the neighborhood or are unemployed. For several years, new jobs will include those in the building and construction trades as the project components are built or rehabilitated. An additional 7,500 to 10,000 new patient visits per year are expected for La Clinica de la Raza, which is likely to need additional staff. The new senior center, child development center, and other public service facilities also are expected to generate full- and part-time jobs.

In addition, the U.S. Department of Housing and Urban Development (HUD), the Oakland Housing Authority (OHA), Hope VI, and LISC provided funds to hire low-income neighborhood youth and offer current and budding entrepreneurs technical assistance to support their business plans. Low-income youth from the East Bay Conservation Corp were hired for painting and construction jobs to improve the façades of buildings in the Fruitvale main business corridor. A second component of the Neighborhood Main Street Program enabled the Unity Council to implement a Business Assistance Program that provides general technical business assistance to existing and new businesses and searches for funding sources for improvements and expansions. This program not only will support those holding jobs in existing businesses, but will also increase the likelihood that new businesses will open, be successful, and provide additional employment opportunities. This program has resulted in more than sixty-seven new jobs being created in the Fruitvale Main Street area. The vacancy rate is extremely low for commercial properties, and new businesses are immediately moving in as space becomes available.

The Unity Council also is implementing a welfare-to-work job-readiness and employment program that will prepare participants for the job market and link Fruitvale residents to existing job training and placement opportunities in the community. Essentially, the Unity Council's program provides flexibility in establishing individual goals. It acknowledges that the path to economic self-sufficiency may be long and that individuals will need assistance along the way, especially after entering the workforce. The entire program is provided in both Spanish and English, and it includes all aspects of job-preparation and job-readiness activities. In addition, college-credit classes in workplace literacy and computer training are provided onsite in English, and family day care training will be available to participants in Spanish and English. In the near future, the employment training program staff will be pursuing additional collaborations with other training organizations so Fruitvale residents will be trained and competitive for the employment opportunities created during the construction of the Fruitvale BART Transit Village.

Lessons Learned and Public Policy Issues

This complex community initiative reveals important lessons about persistence and taking advantage of the seeds of economic opportunity. Community and neighborhood groups are often successful in opposing a government-proposed project. However, few take the next, often difficult, steps to develop alternatives that not only meet community needs, but also meet the needs of the government agency. In the midst of opposition to BART's parking plan, the Spanish Speaking Unity Council and community leaders were able to envision the potential of BART's desire

to improve the Fruitvale transit station. They joined together to rally the community to create an alternative proposal that was attractive to BART and also met the needs of the Fruitvale neighborhood.

Also critical to the success of the transit village was the willingness of local and state government entities, such as the Metropolitan Transportation Commission and the city of Oakland, to expend significant time and public capital to cheerlead the efforts, educate the community, and negotiate with other government and private funders on behalf of the project. These public agencies also were willing to become full partners with the community and support the Unity Council as the lead development partner. Other important lessons include the following.

- **Community projects need a credibility boost.** Developing a partnership with an established entity with a proven track record that is known and respected often makes it easier to sell a project to a private lending institution or community organization. Credibility can also be built by spending time and effort to gain one or two significant grants or funding commitments that can be used to leverage additional money.
- **It is important to focus early on planning basics.** Complex details, such as site plan development and environmental assessment and mitigation, should be addressed early because these activities can pose problems or require a great deal of staff and community effort. Often work on these activities is set aside in favor of undertaking much-needed fundraising or community-organizing activities. Further, many organizations lack staff with experience or knowledge in these areas. However, these activities are vital to development and should not be delayed, especially in large-scale projects.
- **Federal and state program requirements need to be flexible and coordinated.** For many community projects, federal, regional, and state program requirements can be overwhelmingly complex, and different programs with similar goals can have structures and regulations that make it difficult to use them in tandem.
- **Inner-city communities need significant subsidies.** Inner-city neighborhoods often have few resources to serve as a foundation for long-term support. Consequently, they must rely on operating subsidies for longer periods to build the necessary infrastructure to maintain programs. Strict government subsidy guidelines that are unable to take into account the specific needs of different communities render them much less useful to community and economic development efforts.

KANSAS CITY, MISSOURI: Mount Cleveland Initiative

The Swope Parkway Health Center is at the core of a ten-year inner-city revitalization initiative. This initiative focuses on delivering high-quality health and social services, building affordable housing, and luring retail business development to Kansas City's Mount Cleveland neighborhood. Swope and its community partners convinced federal, state, and local policymakers, as well as bankers, foundation directors, and other private business leaders, that coupling health care with other economic development activities is advantageous and possible for a declining and impoverished community.

Impetus for Change

The Mount Cleveland community, a predominantly African-American neighborhood, was besieged with increased crime, an incessant drug trade, deteriorating housing, illegal dumping of waste and materials by building contractors, and an exodus of residents. In 1986 the residents of the Mount Cleveland and Sheraton Estates neighborhoods began organizing to address some of these problems.

Around this time, officials of the Swope Parkway Health Center were searching for a community that would approve the zoning they needed to build a residential drug rehabilitation facility. The Mount Cleveland Neighborhood Association viewed this facility as an opportunity to bring renewed commitment and resources to the neighborhood. It agreed to let Swope build the facility in exchange for a commitment that the health center would help revitalize the neighborhood. The outcome of Swope's commitment to the community is the Mount Cleveland Initiative, a ten-year community redevelopment plan.

In 1993 Swope and neighborhood groups established a not-for-profit community development corporation (CDC) to implement the goals of the redevelopment plan. Community Builders of Kansas City is a direct affiliate of the health center and is the only CDC in the nation linked to a community health center.

A Catalytic Event

With the establishment of Community Builders, the next step was to convince federal, state, and local government entities and Kansas City-area corporate and philanthropic communities to buy into the Mount Cleveland Redevelopment Plan and provide support to build a new and expanded health center. The initial requests for funding from foundations, corporations, and the federal government were denied because of skepticism that the plan was feasible in such an impoverished community and doubts that the gaps among the health, housing, and retail development arenas could be bridged.

Steadfast about the potential for redevelopment in Mount Cleveland, Swope employees committed $300,000 over three years to begin the process of building a new and expanded Swope Parkway Health Center. Swope's board of directors matched the $300,000 employee contribution, bringing the startup funds to $600,000. The financial commitment of the health center staff and board of directors persuaded the Kansas City-area corporate and philanthropic communities to embrace the redevelopment plan and grant $7.4 million to help build the new health center.

Key Players' Incentives to Participate

Convincing key players of the need for change is an important component of any community and economic development project. However,

inducing policymakers, foundations, and banks to make a long-term commitment to a community, especially a disadvantaged and disenfranchised community, is an even greater challenge. The incentives that trigger involvement can vary tremendously and are not always obvious. Several of the key players and their incentives for participation in the Mount Cleveland Initiative are outlined below.

Swope Parkway Health Center

Swope is a community health center that had been providing health care to residents of Kansas City-area neighborhoods for years. The center defined its mission to improve the health status of community residents very broadly to encompass their physical, mental, and economic needs. Consequently, Swope saw the challenge to work with the community to revitalize the Mount Cleveland neighborhood as a natural extension of its mission.

City Council Members

Ken Bacchus worked for the Missouri Housing Development Commission before he became a city councilman, bringing expertise in affordable housing and housing financing mechanisms to his position on the city council. After taking office, his staff conducted a study to determine the rates of homelessness, morbidity, mortality, and infant mortality in his district. He discovered that the Mount Cleveland neighborhood in his district had the highest infant mortality rate in the entire state—between 101 and 103 deaths per 1,000 births—and was determined to reduce that rate. Bacchus saw the Mount Cleveland Redevelopment Plan proposed by Swope and the community as an opportunity to tackle infant mortality and other social and economic problems in this blighted neighborhood. He believed that the health center could act as an anchor, tying community health, housing, social, and economic services to the community around it.

Ewing Marion Kauffman Foundation

The Mount Cleveland Initiative challenged how the foundation thought about and approached grantmaking. Historically, the Kauffman Foundation had not supported health projects. In addition, the foundation's bylaws prohibited support for capital development projects. The foundation engaged in extensive internal deliberations to determine whether it could support a disadvantaged African-American community through a mix of operating and grantmaking support. It needed to accept that the Mount Cleveland community and Swope had their own vision of how to tackle their problems, rather than using already established community program approaches. In the end, the stalwart commitment of an anchor institution in the community—the Swope Parkway Health Center—and long-time community residents convinced the foundation to support this initiative.

Banks

As a result of the enactment of the Community Reinvestment Act in 1977, banks have increasingly supported community and economic development projects and provided assistance to underserved communities. Several of the banks participating in the Mount Cleveland Initiative became involved because Swope and the community had already raised a significant part of the financing. In addition, the health center approached a group of local banks and proposed that the project risk be shared among them, thereby increasing the comfort level of all the banks. The local banks financed the construction and end loans of the drug treatment facility, new health center, and affordable housing projects.

Implementation and Financing

The Mount Cleveland Initiative includes three major components.

- A health and family services campus, including the Imani House, a residential drug rehabilitation facility; the Swope Parkway Health Center, a new and expanded community health center; the Thomas-Roque Child and Family Center, a day care center; and a family resource center.
- Affordable housing, including single-family and multifamily housing units.

- A neighborhood commercial center, including a grocery store, a bank, a restaurant, shops, and a medical office complex.

To implement the redevelopment plan, Swope established five separate corporations to take responsibility for different aspects of the initiative:

- Swope Parkway Health Center, which includes dental and optometry clinics;
- Swope Parkway Health Center Foundation, a fundraising entity for the health center;
- Community Builders, a community development corporation;
- Applied Urban Research Institute, the research and planning arm of the umbrella corporation; and
- FirstGuard, a for-profit health maintenance organization (HMO) that is owned by Swope.

Model Cities Health Corporation is the umbrella organization overseeing these five entities. It is now a $31-million company that obtains 60 percent of its budget from grants and contracts. The profits of the HMO will help the health center meet the needs of community residents over time.

Three key principles have moved the implementation of the Mount Cleveland Initiative forward: shared vision, partner diversification, and layered financing. The importance of a shared vision among the community residents, the health center, Community Builders, local and state policymakers and agency officials, foundations, and corporate and private sector contributors cannot be overstated. Establishing supportive relationships and partnerships is a time-consuming but critical task of any community and economic development project.

The initiating entity of a project combining health, housing, and other economic development efforts cannot be an expert in all of the disciplines required to carry out a multifaceted project. For example, the health center did not intend to become an expert in providing day care, senior services, and affordable housing. Instead, it partnered with entities with expertise in these fields. Partner diversification leveraged the resources needed to make the Mount Cleveland Initiative successful.

Diverse financing to support a community and economic development project is vital. It is often easier to raise financing for a project when there is more than one funder; having multiple funders reduces the risk to and increases the confidence of foundations, corporations, and banks. Once Swope's employees and board of directors committed $600,000 to the project, the local foundations and corporations were much more willing to contribute the $7.4 million in startup grants. Swope could then further diversify the financing by obtaining financial commitments from banks and federal, state, county, and city agencies for particular components of the project. Over time, as more people, policymakers, and businesses became aware of the successes of the Mount Cleveland Initiative, such as building Imani House and eliminating the crack houses in the neighborhood, they were more open to making a commitment to the effort.

Another step to ensure that this initiative will retain the local commitment and vision needed for its completion is the city council's codification of the ten-year Mount Cleveland Redevelopment Plan into law. The revitalization plan is now approved public policy. It identifies the facilities that will be built, the sites where they will be built, and the purposes for which they will be built. The ordinance is a unique and strong statement of support by the city council to the Mount Cleveland community and all its public and private partners.

Health and Family Services Campus Development

The health and family services campus includes four institutions: the Swope Parkway Health Center, a new and expanded community health center; the Thomas-Roque Child and Family Center, a new model day care facility built and managed by KCMC, Inc.; the Imani House, a residential drug treatment facility; and a family resource center. The first three facilities have been built and are open

for business; development of the family resource center has been approved by the state and city, but it has not yet been completed.

To ensure the long-term financial sustainability of the health center, in 1996 Swope, with its thirteen-year history of providing Medicaid managed care services, established a for-profit health maintenance organization called FirstGuard to serve community and regional residents. In 1997 the HMO enrolled approximately 21,000 clients and was one of four HMOs that won the state contract to provide Medicaid managed care services in seven counties in the Kansas City area. Although the health center owns FirstGuard, it is only one of 800 providers that contract for work with FirstGuard and serves 8,000 FirstGuard clients. FirstGuard plans to expand its products to serve Medicare clients and a larger proportion of private-pay clients.

Financing. The total cost of building Swope's expanded medical facility was approximately $21 million, including facility construction, land acquisition, attorneys' fees, and all other supplemental costs. The Swope Parkway Health Center Foundation launched a capital campaign to raise funds for building the facility. At the time, recognition grew among philanthropic and business and community leaders that the provision of health care to indigent populations needed to be a priority for Kansas City. A Kansas City corporate leader co-chaired the campaign committee with an African-American religious community leader, lending important visibility and credibility to the fundraising effort. The capital campaign committee also found that it was crucial to have a fundraising specialist on the committee. Funds from the federal government, state government, and private sector supported construction of the new and expanded health center (see table).

Once the funds had been raised and construction began on the new Swope Parkway Health Center, the private sector was even more confident about the feasibility of building the day care center and other components of the redevelopment plan. Swope partnered with KCMC, Inc., to provide the day care component of the Mount Cleveland Initiative. KCMC is a family and child development agency that runs full- and part-time day care centers targeted to low and moderate-income families. The new Thomas-Roque Child and Family Center in Mount Cleveland provides services mostly to children eligible for Head Start. Eligible families include Mount Cleveland residents and parents working in the Swope Parkway area. Swope provides the health services component that is a requirement of all Head Start programs. In addition to $1 million in Section 108 program funds from the city council to support building the facility, KCMC's capital campaign raised $2 million from foundations, corporations, and individual donors. Revenues to support the facility will be generated from Head Start funds, state child care funds, foundation support, and copayments from participating families.

Affordable Housing and Commercial Center Development

Community Builders is the primary developer for both the affordable housing and commercial and retail center components of the Mount Cleveland Initiative. Its work is supported by foundation grants; federal, state, county, and city funds; and user fees. Construction of the affordable housing units is underway, while development of the commercial and retail center is still in the planning and land acquisition phases.

Affordable Housing. Community Builders is developing ninety units of multifamily housing at an estimated cost of $7 million and fifty-five units of single-family housing at an estimated cost of $4.9 million.

The application process for single-family homeownership in the Mount Cleveland affordable housing community is intentionally very competitive. These homes are new or will have been fully renovated, and they will immediately increase area property values. Most of the units had already been sold to single, African-American women with families before the

Components and Financing Sources of the Mount Cleveland Initiative

Project	Funding Source	Amount
Swope Parkway Health Center	Capital Campaign	$ 8,000,000
Total Project Cost: $21,100,000	U.S. Department of Housing and Urban Development Special Purpose Grant	3,000,000
	Section 108 Program Funds[1]	4,000,000
	City of Kansas City Capitol Improvement Funds[2]	2,100,000
	Conventional Loan Funds	4,000,000
Thomas-Roque Child and Family Center	Capital Campaign	2,000,000
Total Project Cost: $5,400,000	Section 108 Program Funds	1,000,000
	U.S. Department of Health and Human Services/Office of Community Services Program	300,000
	Conventional Loan Funds	2,100,000
Imani House Drug Treatment Facility	Conventional Loan Funds	1,500,000
Total Project Cost: $1,500,000		
Mount Cleveland Cooperative Homes	Conventional Loan Funds	1,700,000
Total Planned Cost: $6,785,000[4]	Equity/Section 42 Tax Credit[3]	3,600,000
	Equity/State Tax Credits	280,000
	Missouri Housing Development Commission Loan	1,000,000
	Developer Loan	205,000
Mount Cleveland Affordable Homes	Conventional Loan Funds	3,465,000
Total Project Cost: $4,950,000[4]	HOME[5]/CDBG[6] Federal Funds	1,485,000
FirstGuard Office Building	Conventional Loan Funds	2,000,000
Total Planned Project Cost: $5,450,000	Equity Funds	1,800,000
	City of Kansas City Capital Improvement Funds	550,000
	Section 108 Program Funds	1,100,000
Total		**$45,185,000**

Notes:

1. Section 108 program funds are loaned to local jurisdictions, such as the city council, by the federal government for specific inner-city redevelopment projects.
2. Capital Improvement Funds are generated by a one-half cent sales tax and generally are used for infrastructure improvements in Kansas City.
3. Section 42 low-income housing tax credits are awarded competitively by state housing agencies. These credits are syndicated to raise equity to support the construction of rental housing for families and individuals with incomes at or below 60 percent of the area's median income.
4. Does not include the cost of land assembly, relocation, or demolition funded by Community Development Block Grant (CDBG) funds.
5. Home Investment Partnerships funds are entitlement funds from the federal government used to help low- to moderate-income families become homeowners.
6. CDBG funds are entitlement funds from the federal government that are distributed by formula to local jurisdictions and states. These funds generally are used to assist low- and moderate-income families and help redevelop blighted areas.

construction was completed. Community Builders has contracted with the Kansas City Neighborhood Alliance to provide these new homeowners with training on the responsibilities of homeownership. All homeowners in the new single-family housing community are required to participate in this course. In addition, a home maintenance reserve program is offered to all homeowners for a nominal fee of $10 per month. This program covers all annual home maintenance costs, such as roof repair, house painting, and plumbing.

Commercial Center. The commercial and retail center will include a medical office complex, a grocery store, a bank, a restaurant, and numerous retail shops. This final component of the Mount Cleveland Initiative is an important, costly, and time-consuming undertaking intended to ensure the long-term revitalization of the Mount Cleveland community. It will take approximately five years to complete this component. Approvals have been granted to build a new landfilled road that will link commuter traffic with the new commercial center. In September 1997, ground was broken to build the new road and the new medical office complex, and all property has been acquired or condemned and all tenants relocated in preparation for building the remaining establishments of the shopping center.

The following financing mechanisms and incentives are being used to develop and build the commercial center, which is estimated to cost $23 million.

- **Community Development Block Grant and Section 108:** these programs are potential sources of funds.
- **Planned Industrial Expansion Authority:** this entity has the power of eminent domain and may grant tax abatements.
- **Real Estate Tax Abatement Credits:** tax abatement credit purchasers are exempt from paying taxes up to the credit amount for ten years and then provided another fifteen years at half the tax rate.
- **Economic Development Tax Credits:** these credits can be sold to private companies or utilities to encourage other private partners to participate in retail development.
- **U.S. Department of Housing and Urban Development Special Purpose Grant:** this grant was used to acquire the property; relocate the families, individuals, and businesses; and demolish blighted property.
- **Conventional bank financing:** these loans will be used to finance the project's completion.

Job Creation

It is anticipated that the Mount Cleveland Initiative will generate approximately 867 additional permanent jobs. Although the planning, development, and completion phases can take years to finish, the revitalized local community as well as Kansas City businesses, residents, and commuting workers will benefit from these new employment opportunities. These employment positions are allocated and projected for the completed and planned entities as follows:

- day care and family development center—60 jobs, of which about 40 are being filled by community residents;
- residential drug and alcohol abuse treatment facility—10 jobs;
- grocery store—125 jobs;
- bank—10 jobs;
- restaurant—96 jobs;
- post office—45 jobs;
- retail shops—41 jobs; and
- office park—480 jobs.

The Swope Parkway Health Center employs 300; twenty of these positions were added when the new facility was completed. FirstGuard, the private managed-care entity owned by Swope, hired twenty-five new employees.

The Welfare Link

Complementing Swope's work is the Missouri Local Investment Commission (LINC), a state initiative affiliated with the Missouri

Department of Social Services that tackles social service and welfare-to-work issues. Swope has hired twelve welfare-to-work graduates from LINC's 21st Century Wage Supplement Project to work at FirstGuard, its health maintenance organization. Although these employment transitions can require substantial time and staff to ensure success, Swope is committed to helping community residents make the transition from welfare to work. LINC's welfare-to-work initiatives and the Mount Cleveland Initiative are important complementary projects in the Kansas City area that will improve the long-term prospects for individual and family self-sufficiency and community viability.

LINC of Greater Kansas City was established in 1992 as a citizen-driven board of corporate, charitable, labor union, and neighborhood leaders who agreed to assume responsibility for improving the provision of social services in Kansas City. The twenty-member commission makes decisions about how best to spend the approximately $273 million in state and federal funds coming to Kansas City each year from the Temporary Assistance to Needy Families (TANF), Medicaid, foster care, and food stamp programs. LINC's mission is defined broadly to include better coordinating human services systems at the neighborhood level, promoting economic development, revitalizing neighborhoods, improving access to health care, and ensuring neighborhood safety. LINC and Swope share several board members and committee members, and LINC plans to outsource several state employees to work at the new family resource center established under the Mount Cleveland Initiative.

LINC's 21st Century Wage Supplement Project helps welfare recipients make the transition from welfare to work. Through a waiver from the federal government, LINC converts federal welfare and food stamp payments into wage supplements to induce employers to create jobs and provide full-time employment opportunities. The wage supplement provides $533 per month for up to forty-eight months, and employers are expected to pay the difference to meet the minimum wage of $6.00 per hour for wage-supplemented jobs. Program participants continue to be eligible for Medicaid and child care benefits for up to forty-eight months and may accumulate up to $10,000 in assets.

Project enrollees are required to participate in an orientation, a job assessment, and job-readiness classes in preparation for employment opportunities. To date, LINC has placed almost 2,000 welfare recipients in jobs. Of the 1,035 currently working, about 264 are in subsidized jobs.

Lessons Learned and Public Policy Issues

Several important lessons can be learned from this complex community development initiative. A community-based coalition was essential to launch the project and sustain the commitment to it throughout the development and implementation phases. Another key was the city council's codification of the Mount Cleveland Redevelopment Plan. This ordinance sent a strong message to local businesses, banks, and foundations that the city had confidence in the project's viability and that it viewed the revitalization effort as a high public policy priority.

It is also critical to have an institutional catalyst in the community, such as Swope, to spearhead the initiative, promote the project vision, and partner with other entities to ensure the necessary expertise. Many participants emphasized the importance of identifying victories early in the development process. These early wins can include producing a draft redevelopment plan in a short period and raising startup capital. Finally, individuals from the public and private sectors acknowledged the importance of support from public figures, such as the Governor, chief executive officers from the business sector, and community religious leaders. Other valuable lessons include the following.

- **Create a realistic partnership.** Health care and day care institutions function very differently from entities that promote community and economic development. Service organizations and businesses often have

different principles and missions. Not surprisingly, these differences can create tensions when trying to forge a working relationship. All of the participating entities need to be aware of the unique strengths and capabilities that each partner brings to the project. Instead of becoming experts in new areas, these entities can partner with those that have needed expertise and community credibility and experience.

- **Comply with accepted business practices.** Community and economic development projects need to show an acceptable rate of return on investments to induce the financial and business communities to support these efforts. Obtaining project staff and partners with financial savvy is a requirement for project success.

In addition, several policy issues were identified that could further facilitate the implementation of these types of community and economic development efforts.

- **Minimize bureaucratic red tape by encouraging agency collaboration at all levels of government.** State executive branch officials can help reduce bureaucratic barriers by directing state agencies and encouraging county and city agencies to coordinate their processing of requests for approvals, resources, and services.

- **Raise awareness about community and economic development opportunities.** Many government entities at the city, county, state, and federal levels have financial incentive programs and other financing mechanisms to promote community and economic development efforts (see Appendix C). Communities need to be aware of these programs and mechanisms. In addition, state policymakers can encourage city and county governments and businesses to be receptive to supporting comprehensive community and economic development initiatives.

WRAY, COLORADO: Wray Rehabilitation and Activities Center

Isolated rural residents in Colorado are benefiting from health services and community activities blended in a thriving multipurpose center. The residents of Wray, Colorado, and their neighbors experienced a high incidence of farming and ranching injuries and related ailments, such as arthritis, but they lacked access to appropriate rehabilitative services. They also desired expanded recreational activities. The Wray Rehabilitation and Activities Center (WRAC) combines therapeutic rehabilitation services, recreational and fitness activities, and community education and skill-building activities in a centralized facility used by rural residents in northeast Colorado, northwest Kansas, and southwest Nebraska.

Impetus for Change

In 1986 nine long-time Wray residents, including a teacher, a crop consultant, an attorney, and the director of the county economic development agency, discovered that they shared a dream to improve their community's ability to meet emerging rural health needs and promote wellness among its residents. The founders of WRAC were brought together by their desire to provide the health care, recreation, and higher education facilities needed to keep local residents, especially young people, committed to remaining in the community and to attract new residents to the region. They recognized that rural communities have an opportunity, as well as a challenge, to market the traditional benefits of community living while providing convenient access to the amenities desired by those accustomed to urban living.

Wray is located at the intersection of two state highways in northeast Colorado, more than 170 miles from the major medical facilities of Denver and Greeley. With a population of 2,018, it serves as a regional center for the nearly 10,000 residents of Yuma County and for rural residents in Kansas and Nebraska living within a fifty-mile radius. Nearly 30 percent of the population in the county is fifty-five or older, based on 1994 data. Recognizing the county's aging population and knowing the injuries related to the occupations of farming and ranching, WRAC founders believed that effective rehabilitative care and fitness programs were Wray's highest health care priorities. A community survey confirmed this belief.

As the momentum to finance and build WRAC increased, the region's local hospital began to evaluate its ability to serve the community. It decided that a streamlined community hospital, providing fewer beds but offering a more relevant complement of services, would be welcomed by regional residents already attuned to the need to improve their health care facilities. As a result of this reevaluation and discussions with WRAC staff, the hospital agreed to discontinue the delivery of most therapeutic services so WRAC could provide all the rehabilitative services for the area. This synergistic relationship between the hospital and WRAC enabled both entities to meet their goals and better serve the needs of community residents.

Key Players' Incentives to Participate

The commitment of local leadership and the involvement of the community in WRAC development were major factors contributing to its initial success; these factors also help explain its continuing success. A cornerstone of the founders' activities was the commitment to avoid reliance on state or federal funds to cover the majority of construction or operating costs. They planned to ensure

that WRAC remained relatively free from the regulations and restrictions that generally are tied to public dollars. Only one government grant was solicited, and contact with government officials was limited to those who lived and worked in the community and region. Several of the key players and their incentives for participation in the WRAC project are outlined below.

Community Leaders

An important incentive for the founders, which was quickly embraced by the community, was the desire to meet a local need through local action. They were motivated to involve the community in local decisionmaking and creative thinking to maintain residents' self-reliance and independent spirit. The founders of WRAC were committed not only to sharing their vision with the community, but also to assuming legal responsibility for their idea by serving as board members for the nonprofit corporation. Perhaps of equal importance were their commitment of time and significant personal donations to the project.

Kitzmiller-Bales Trust

The Kitzmiller-Bales Trust, a local foundation managed by long-time community members, was interested in helping fund a project in the region that would focus on health, education, and recreation. It provided an initial grant for architectural and engineering costs and then committed to match dollar for dollar the donations to build WRAC. This commitment to match contributions was an important marketing tool for community fundraising.

Implementation and Financing

Local government leaders, including those with the school board, city council, and Wray Recreation Department, also recognized the benefits of developing a new multipurpose facility on a main downtown corridor. The city of Wray agreed to house its recreation department at WRAC and allow its director to develop recreation programs at the facility. Once the community, local officials, and the Kitzmiller-Bales Trust were behind the establishment of WRAC, several key implementation and financing issues needed to be addressed, including acquiring the land for building the facility and raising the local matching funds to support the project.

Implementation

Early in the process, the WRAC development committee identified the vacant Wray Elementary School as a possible site for the center and approached school district officials about purchasing and renovating the building. An engineering study and consultations with architects indicated that it would be more costly to renovate the elementary school than to demolish the building and build a new facility. Although school district officials were willing to offer the land and building to WRAC for one dollar, some in the community argued that the elementary school was a historic landmark that should not be torn down. Development committee members surveyed residents by telephone on the proposed demolition of Wray Elementary. The telephone survey found that the majority of residents were willing to have the elementary school razed if it led to construction of a comprehensive community center.

WRAC has three components: a comprehensive therapy center, a fitness and recreation facility, and a community meeting and education center. Construction began in April 1990 and ended in spring 1992.

- **Therapy center.** WRAC contracts with the McDonald Physical Therapy and Sports Medicine Clinic to provide onsite therapeutic rehabilitation services, including intensive therapy for victims of stroke, arthritis, and sports- or job-related injuries and those recuperating from surgery. WRAC houses the only warm-water therapy pool within a 180-mile radius of Wray. Patients are referred for therapy and rehabilitation from Wray Community District Hospital and the Wray Clinic, a private physician partnership. Patients also travel to the center from nearby rural areas in Colorado and border areas in Nebraska and Kansas. In 1996 the physical therapy center received 2,180 visits; 50 percent of these visits were paid for by

Medicare, 30 percent by workers' compensation, and 20 percent by private insurance.

- **Fitness and recreation center.** The fitness component of WRAC includes an indoor walking and running track, a basketball court, racquetball courts, an exercise gym equipped with Nautilus circuit training as well as other cardiovascular equipment, a free-weight room, and a full spa area. There are regular aerobics, kinder gym, and tae kwon do programs. The Wray Recreation Department is housed at the center and offers fitness, sports, and recreational activities for young people and the elderly. Currently, board members are developing timeframes and fundraising goals to add an indoor pool.
- **Community meeting and education center.** WRAC has a craft room and three meeting rooms that open into a full kitchen to accommodate community and civic club meetings, luncheons, receptions, and family gatherings. College-credit courses are taught at WRAC under agreements with Northeastern Junior College and Morgan Community College, both about ninety miles from Wray.

Financing

The 23,000-square-foot building was constructed using $2.4 million in community donations, foundation grants, and corporate grants, as well as a single state-federal grant of $240,000 from the state Energy Impact Assistance Fund. The Kitzmiller-Bales Trust paid approximately half of the total construction cost with a dollar-for-dollar match commitment. More than seventy-five fundraising events were held. Both the county and city provided some in-kind assistance.

WRAC's fundraising committee recruited well-known and well-respected local physicians to head the fundraising effort. With pledge cards in hand, they made presentations to individuals and attended civic meetings to discuss how the proposed facility would enrich the community and how it would help them provide a better health care environment. The committee was savvy enough not to abandon more humble marketing and fundraising methods, such as aluminum drives and bake sales, for large, expensive campaigns and the highly competitive chase for public grants. Other fundraising efforts included door-to-door visits to community residents to disseminate information on the proposed project and ask for contributions. An overview of WRAC building costs and funding sources is presented in the table.

The facility's operating costs are paid for by more than 500 annual family and individual memberships augmented by additional rental and activity fees and nonmember usage fees. However, these revenues do not yet fully cover annual operating costs. Until revenues meet or exceed expenses, the Kitzmiller-Bales Trust has committed to a yearly assisted operations grant. In addition, the facility provides offices at no cost to the Wray Recreation Department, and the city pays the recreation director's salary.

In 1995 WRAC's board of directors created an endowment fund with a goal of $1 million. Earnings from the fund are earmarked to cover shortfalls in operating revenues and assist in leveraging donations and grants for building programs. WRAC's bylaws were written to ensure that no expenditures can be made from the endowment fund until it has gathered $1 million in principal. After the $1 million goal has been reached, the principal will be preserved and earnings will be used to ensure WRAC's self-sufficiency.

A valuable fundraising tool for facility donations and endowment contributions was WRAC's designation in 1991 as a qualified project in the Colorado Enterprise Zone Program. Board members were able to demonstrate to local donors that the tax credit was a way to target their state income tax payments to benefit their community. Under the program, any taxpayer who made a monetary contribution to WRAC was eligible to claim a state income tax credit of 50 percent of the value of the contribution, up to a maximum credit of $100,000. After June 30, 1997, WRAC was no longer eligible for these contributions.

Construction Costs and Financing Sources of the Wray Rehabilitation and Activities Center

Construction Costs:	$2.36 million
Financing Sources:	
Individual Pledges	$ 494,488
Kitzmiller-Bales Trust	1,149,500
Fundraisers	80,949
Foundation and Other Trust Grants	160,000
Energy Impact Assistance Grant*	240,000
Business and Corporate Contributions	94,000
WRAC Board Pledges	138,500
Total:	**$2,357,437**

Note: *Colorado uses a portion of federal mineral production royalties returned to the state for this grant program to support public facilities and public services. Local jurisdictions can apply for funds on behalf of nonprofit corporations providing public services.

Job Creation and Relevant Welfare Links

WRAC has added four full-time and eighteen part-time jobs to the community. The new Wray hospital has added seven employees; it now employs approximately sixty people with a payroll of about $1.4 million. In addition to direct employment, WRAC has provided an opportunity for residents to obtain job retraining and skill upgrading services through its collaboration with Northeastern Junior College and Morgan Community College. Courses, such as economics, statistics, anatomy, and computer science, have been developed at the request of students searching for continuing education and skill improvement opportunities. WRAC also enables rehabilitation patients who have been deterred from resuming employment because of their injuries to avoid public assistance by learning new skills or acquiring credits toward a new degree.

Lessons Learned and Public Policy Issues

A key factor in the success of this initiative was the involvement and commitment of community and local opinion leaders in the day-to-day marketing of the WRAC proposal. Accompanying their direction and promotion of the project's vision was a sensitivity to the importance of community input in all phases of the project, as illustrated by written and telephone surveys, dozens of community meetings, and door-to-door information dissemination.

The leaders also promoted community pride in and increased commitment to the project by successfully applying for national and regional recognition awards. For example, a midwestern foundation honored the project with a Winning Community Award that provided leadership training for board members and ten other community representatives in 1990. WRAC was recognized by the National Civic League with its All-America City Award in 1993, an Excellence in Health Care Award given by Colorado's El Pomar Foundation in 1994, and a nomination for the Peter F. Drucker Award for Innovation in Nonprofit Management in 1995. These awards and acknowledgements showed community residents that their efforts were worthwhile and that they were supporting an effort that could serve as a prototype nationwide. Other important lessons and policy issues that may relate to smaller projects, especially those in rural areas, include the following.

- **Invest in planning and consensus building.** Taking the time to develop comprehensive plans and achieve consensus on those plans helps ensure that important components are incorporated into the project and helps avoid last-minute delays and charges that segments of the community were shut out of the decisionmaking process.
- **Keep the project manageable and geared to the community's needs.** WRAC founders made decisions to limit the size of the facility and the cost of the project to what they believed would be reasonable given the socioeconomic characteristics of the community. They also pledged to avoid activities or services that would compete with existing programs.

- **Reduce reli[redacted]outside entities.** WRAC chose not to rely on federal or state dollars because it did not want to compromise its goals or vision to fit the requirements associated with such funding. A regulation or law developed for urban areas might not take into account the needs of rural areas with lower population densities and limited administrative and financial resources.

- **Leverage state program opportunities.** The state enterprise zone allowed local taxpayers contributing to WRAC to qualify for a state income tax credit of up to 50 percent of the value of their donation, up to $100,000. This type of program is easy for citizens to understand and use and imposes few restrictions on a project. It also empowers local residents to direct how their tax dollars are spent.

SOUTHERN ILLINOIS: River to River Project

Southern Illinois is a very rural area with a growing elderly population that has distinct health care needs. The Shawnee Health Service and Development Corporation, a non-profit community health and local development agency, has been working with the Illinois Department on Aging to identify and establish more affordable health care alternatives for the frail elderly. The goal is to enable the elderly who do not require institutionalized care to continue to live in their rural communities as independently as possible.

Impetus for Change

Illinois has 2 million seniors, 90 percent of whom want to live at home. Local entities, such as the Shawnee Health Service and Development Corporation, are trying to prepare to meet the health services and housing challenges that accompany this growing elderly population. The state also is interested in exploring innovative community-based care options that meet the health care needs of seniors while containing health care costs. The state recognizes that long-term care options, such as assisted living facilities, are cost-effective alternatives to costly institutional placements. As a result, the Illinois Department on Aging has been testing options for private sector delivery of community-based elderly health services.

The strong relationship that has developed over the years between Shawnee and the Illinois Department on Aging has its roots in the Community Care program. Under this demonstration project, the department contracts with Shawnee to provide elder care coordination services for elderly clients in a thirteen-county area in southern Illinois.

Because of its experience with these elder care programs and clear understanding of the needs of the state's elderly residents, Shawnee seized the opportunity to develop low-income assisted living facilities in southern Illinois. These facilities would link health, social, personal care, and housing services for rural elderly to provide a functional alternative to institutional care. This effort is called the River to River project, which initially was supported by the Robert Wood Johnson Foundation in collaboration with the National Cooperative Bank Development Corporation.

Shawnee and local business and banking leaders saw the River to River project not only as an opportunity to enable local seniors to continue to live independently in the community, but also as a way to attract other seniors to retire in their rural community. By building more affordable housing and health care service options in the community and enhancing recreational and educational programs, community leaders could begin promoting the region as an attractive retirement destination for senior citizens and their families and bring solid financial investments to southern Illinois.

Key Players' Incentives to Participate

The contractual relationship between the Illinois Department on Aging and Shawnee laid the foundation for some creative community and economic development projects. Several of the key players and their incentives for participation in the River to River project are outlined below.

Shawnee Health Service and Development Corporation

Shawnee was established in 1972 to develop and manage health care and social services in rural southern Illinois; lend technical assistance and support to organizations, hospitals, and physicians interested in developing programs to meet community needs; and explore new ways

to address local problems through short-term demonstration projects. In 1978 it established six community health centers. By building affordable assisted living facilities through the River to River project, with onsite access to necessary health-related services, Shawnee is better able to meet the health care needs of local elderly residents and prevent their unnecessary placement in costly nursing homes.

Illinois Department on Aging

The broad mission of the department on aging is to improve the quality of life for all older adults in the state. Because an increasing number of elderly residents want to live at home whenever possible, the agency is expanding its funding of community-based services to help maintain seniors in community settings. The state needs to ensure that both rural and urban communities have the resources and services to help the elderly continue to live independently in their communities. The state's relationship with Shawnee has provided additional avenues for developing some innovative community and economic development strategies for serving Illinois seniors. In addition, through a waiver of the Illinois Nursing Home Care Act, the department has established three demonstration sites across the state to develop and study different models of assisted living. One of the River to River project sites received this waiver, though the Ullin project site discussed in this case study did not.

Robert Wood Johnson Foundation and the National Cooperative Bank Development Corporation

These two private entities are working collaboratively on the Coming Home program to help rural communities develop the capacity to meet the needs of residents who are elderly or chronically ill. The program provides financial assistance through grants and loans, as well as technical assistance, to design and build systems of care that coordinate housing with health care, social, and personal care services. The foundation and corporation were interested in establishing River to River project sites in southern Illinois as part of the Coming Home program for three primary reasons: there was an established working relationship between the state and Shawnee, the projects would meet the health care- and housing-related needs of low-income elderly residents, and the financial feasibility study results were promising for this rural area.

Implementation and Financing

Through a public-private partnership, the state and Shawnee were able to test new ways of collaborating, iron out problems in the new delivery system approach, and build trust and confidence in each partner's methods of doing business. In 1983 the state department on aging began its exploration of alternative care options by implementing a nursing home preadmission screening demonstration program for Medicaid clients. The department contracted with Shawnee's Alliance for Seniors program to develop and implement a thirteen-county case coordination unit to offer community-based services to maintain frail elderly residents in their homes, preventing premature institutionalization. These assessments were conducted in clients' homes. This screening program showed that local providers could meet the needs of community residents in a more cost-effective manner.

The success of this program led the state legislature in 1996 to pass the Choices for Care program that provides universal screening of all elderly adults targeted for nursing home placement prior to their discharge from a hospital. Case managers assess adults ages sixty and older in the hospital to determine whether their health care needs could be better met by alternative community-based services. If nursing home placement is unnecessary, Shawnee case managers are responsible for identifying alternative community-based services and living situations to meet the client's needs. These care coordination programs accommodate regional differences in client needs across the state by giving state contractors flexibility in how services are provided.

Shawnee has nineteen full-time case managers who monitor and track the care of more than 12,000 clients using a sophisticated computerized system developed by the Shawnee Alliance for Seniors program. This computerized system is now used statewide for all elderly care coordination programs.

Implementation

This public-private partnership also provided the credibility and the right environment for considering the development of low-income assisted living facilities (ALFs) through the River to River project. Financing and numerous and complex state and local approvals are required to make low-income rural ALF development feasible.

Community leaders and Shawnee convened focus groups and local meetings, as well as conducted a feasibility study, to determine the need and support for building assisted living facilities to serve low-income elderly residents. As a result, the River to River project is developing three low-income assisted living facilities in the rural communities of Ullin, Murphysboro, and Herrin. This case study focuses on the facility being developed in Ullin, the Cache Valley Apartments.

The Ullin project will serve four counties with a total senior population of 7,431; 2,628 of these seniors live alone. The apartments will be next to an old renovated school gymnasium, now the Ullin Community Center. The Ullin project will provide forty units targeted to seniors with incomes of 60 percent or less of the state median income and twenty units targeted to seniors with incomes of 50 percent or less of the state median income. ALF services will include an emergency response system, adult day care, personal care services, house cleaning and linen services, medication reminders, congregate and private meals, case management, twenty-four-hour staff availability, and transportation and escort services. A volunteer-based money management program and health and wellness activities will also be offered.

In addition to numerous day-to-day operational implementation issues, the Ullin project had to overcome three primary implementation barriers to develop an ALF in the community. The first issue involved contradictory rules and regulations governing nursing homes and ALFs in Illinois. The Illinois Nursing Home Care Act regulates all development of ALFs that provide personal care services. If the provision of housing is coupled with the delivery of personal care services to three or more residents, then the nursing home regulations automatically go into effect. As a result, the number and type of services that can be provided in an ALF setting are limited. Because many seniors need access to a range of services in their residential setting to continue to live independently, the Illinois Nursing Home Care Act limits the development of affordable alternative community-based settings, such as AFLs.

The River to River project has received a waiver from these restrictions for the site in Murphysboro. Without the waiver, state policy precludes the owner-entity from owning, operating, and providing a service package to ALF residents. Because these restrictions have not been waived for the Ullin site, the River to River project will contract out the residential service component under a preferred provider agreement, while the Shawnee Alliance for Seniors program will provide the case management and monitoring functions.

The second primary implementation problem was that the Ullin site lacked the necessary water pressure to meet fire safety regulations. River to River staff convinced the mayor to compete for state funds to pay for upgrading the town's water supply system to meet the site building requirements and better serve the community. However, the competition for these funds was contingent on job creation criteria based on standards that were inappropriate for a sparsely populated rural area. (These standards often place rural communities at a disadvantage when competing for state funds.) Nonetheless, Ullin was successful in winning the state funds to upgrade the water supply system. This issue took six months

Costs and Financing Sources of the River to River Project, 1997

Costs	
Predevelopment Costs	$ 192,500
Construction	2,462,271
Construction Contingency (5 percent)	123,114
Architectural Fees	131,543
Land Preparation	14,000
Attorney and Consultant Fees	116,500
Financing Fees and Interest	179,987
Carrying Charges	27,520
Acquisition Costs	29,275
Furniture, Fixtures, and Equipment	209,000
Developer Fee	270,425
Total Costs	**$3,756,135**
Financing	
Predevelopment: Robert Wood Johnson Foundation and National Cooperative Bank Development Corporation	$ 192,500
Conventional Loan	680,000
Illinois Trust Fund Loan	500,000
Other Robert Wood Johnson Foundation Funds	80,000
Deferred Development Fee	81,335
Banks Limited Partner Equity	2,200,000
General Partner Equity	22,300
Total Financing*	**$3,756,135**

Note: *The Southern Illinois Health Care Network provided the River to River project with a $500,000 guarantee for the banks to ensure a sufficient cash flow if something were to go wrong with the project. This amount is not reflected in the table.

to resolve and was one of the first hurdles the project had to overcome.

The third implementation challenge was ensuring that the ALFs would be affordable to low-income elderly residents. The Ullin project is creating service-enriched housing, but the cost per apartment must be affordable. In rural areas, offering such housing at an affordable price can be difficult. Even if the rent includes all utilities, meals, and services at no additional cost to the tenant, many seniors who live solely on Supplemental Security Income lack sufficient funds after paying their rent. In particular, they need funds to cover their personal expenses, Medicare copayments and deductibles, and the cost of prescription drugs. River to River staff worked hard to keep the monthly rental rates low and to negotiate a capitated care plan rate schedule that was acceptable to the Illinois Department on Aging.

Financing

The predevelopment and development costs for building the ALF in Ullin total $3.7 million. The Robert Wood Johnson Foundation provided the predevelopment funds in 1990, and the National Cooperative Bank Development Corporation hired Shawnee to conduct an extensive study to determine the demand for and feasibility of building the facility. Project costs and funding sources are presented in the table. A large proportion of the project was financed with state tax credits of $2.2 million that River to River sold to two banks that then became limited equity partners in the project. The First National Bank in Carbondale acquired $1 million in tax credits, while the Mercantile Bank bought the remaining $1.2 million in credits. In exchange for the tax credits, each bank receives an annual $100,000 write-off, assuming a 10 percent return, for every $1 million in investment for up to ten years.

Funding from the banks for housing construction and development could not be used for the 3,000 square feet of common space—commercial kitchen, common living areas, dining room, and activity area—not directly linked to the individual apartment living space. As a result, the Southern Illinois Health Care Hospital Network provided the River to River project with a $500,000 guarantee for the banks to ensure a sufficient cash flow if something were to go wrong with the project.

The housing and personal care services at the Ullin site will be paid for separately by the ALF resident and the state department on aging, respectively. The rent for a Cache Valley apartment will range from $315 per month for a studio to $486 per month for a two-bedroom unit. The site has received applications for apartments from seniors with

incomes as low as $440 per month. Unlike subsidized public housing that adjusts rents based on income, the apartment rental rates will be fixed and increase slightly on an annual basis. They are determined by the costs of development, construction, financing, and operation.

The Illinois Department on Aging also has agreed to pay a capitated rate for care plan services provided to qualified frail elderly residents living in one of the River to River ALF sites. The care plan rate will range from $236 per month, for a senior with a minimum of functional support needs in two activities of daily living areas, up to $1,598 per month, for the most frail elderly person. There are six different "determination of need" scores that fit into this care plan price range. Shawnee case managers will assess ALF residents to establish their score for assigning the appropriate service benefits package rate based on the extent and frequency of care required.

Job Creation and Relevant Welfare Links

The new ALF in Ullin built under the River to River project will create eighteen to twenty new jobs as well as construction jobs for local residents. Most of the jobs at the new facility will be entry-level positions, providing employment opportunities for community residents trying to make the transition from welfare to work. Shawnee Community College has agreed to provide the job skills training and placement assistance necessary to support this component of the River to River project. The college recruits, screens, and refers applicants wanting to work at River to River project facilities. One of its goals is to help local residents prepare for work and move them off the welfare rolls so they can succeed in the workforce. Economic development is a high priority for the college, and college officials also are interested in securing student intern placements.

Lessons Learned and Public Policy Issues

The challenge for any community trying to establish a community and economic development project is to bring together the right group of people with the credibility and diverse expertise to ensure that the best financing and service delivery knowledge and ability are available. In southern Illinois, the state department on aging and Shawnee were pivotal in bringing together the appropriate partners to launch the River to River project. It also was important to have local community buy-in on the project and a strong local institution guiding the implementation of these initiatives. The development of a coordinated care system and ALFs for the elderly living in remote and low-income areas demonstrates how community coalitions can enhance investment and development to strengthen rural areas to benefit all community residents. Relevant policy issues identified during the implementation of these projects include the following.

- **Use demonstration programs to test innovative strategies.** Pilot testing a new strategy or program is a good first step before establishing a program statewide. This phase can establish appropriate systems and protocols and identify and resolve implementation problems. The Illinois Department on Aging had extensive experience with Shawnee's care coordination program to determine whether the program was feasible, cost-effective, and met the needs of the state and its aging residents.
- **Provide waivers and other mechanisms so that state laws do not limit program innovations.** The development of ALFs in Illinois is governed by Illinois Nursing Home Care Act regulations. As a result, low-income ALF development has been stymied. Such regulations are not always applicable or necessary for this type of community-based facility.
- **Align government program regulations and use criteria that recognize the inherent differences between rural and urban communities.** If government agencies are encouraged to coordinate their program requirements, community and economic development projects could be expedited. Moreover, because rural and urban communities often

are forced to compete for limited state and federal resources based on the same statewide criteria, rural areas can be at a disadvantage in meeting program requirements. In applying for state support to change the local water supply system, the rural community of Ullin was required to meet job creation criteria based on standards for urban settings.

- **Encourage public-private partnerships.** Partnerships between state agencies and community-based private entities can be very beneficial in testing and implementing innovative programs. Private entities often are more willing than state government to take some risk and experiment with a new approach to service delivery. To foster less-expensive alternatives of care for state residents, some states are experimenting with different types of privatization policies, such as in Illinois where the state contracted with Shawnee to provide coordinated care services to the elderly on its behalf. These policies also give the community the flexibility to create solutions, within defined parameters, to address their particular needs.

Appendix C

Resources and Incentives for Community and Economic Development

Federal and Private Sector Initiatives

Many states use government, foundation, corporate, and financial institution programs and funding sources to support community and economic development activities. Some states are using these same funding sources to foster innovative initiatives that link health care with community and economic development. Well-known federal aid programs are being combined with private and foundation programs both to leverage additional dollars and take advantage of private sector, cutting-edge technology.

Often the government-sponsored aid programs build on and institutionalize innovations forged by foundations and private institutions that are more able to assume the risks of testing creative and groundbreaking ideas. Moreover, these states are adopting market-based solutions identified by the private sector to meet local needs while supporting self-sufficiency, encouraging good management, and enhancing profitability (e.g., managed care, health care utilization review, and quality-of-care performance guidelines).

The following programs reflect available funding sources and mechanisms that are being used successfully in community and economic development activities. Initially most of these programs were not envisioned to be linked with health services or to have health-related activities at their core. However, innovative states, local governments, and private entities are combining the best-fitting features of these funding opportunities to meet the unique needs of their communities.

Federal Initiatives

In 1994 105 communities or regions were selected to participate in the ten-year Empowerment Zone/Enterprise Community (EZ/EC) initiative, an effort to support self-revitalization and growth in distressed urban and rural areas throughout the nation. These zones and communities receive federal assistance through $1 billion in flexible Social Services Block Grant funds from the U.S. Department of Health and Human Services (HHS), almost $2.5 billion in federal tax incentives, up to $600 million from the U.S. Department of Agriculture, and special consideration when applying for the competitive domestic grant programs of most other federal agencies. A key component of the EZ/EC initiative is participation and financial commitment from private, nonprofit, and nonfederal government entities to enhance the strategic plans for comprehensive community, economic, and human development service improvements. In addition, rural and urban enterprise communities in Arizona, Delaware, Maryland, Massachusetts,

Mississippi, Missouri, South Carolina, and Texas are working with HHS to create collaborative projects within the EZ/EC initiative that link improvements to health care and human services delivery with economic development activities.

States and localities are eligible for Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD) that can be used for infrastructure investment, housing rehabilitation, economic development projects, and public services. About 70 percent of the total appropriation, minus earmarked funds, is directed to entitlement communities—large cities and urban counties—while the remainder is allocated among states to benefit smaller communities. HUD also administers the Home Investment Partnerships (HOME) and Revitalization of Severely Distressed Public Housing (HOPE VI) programs to improve housing for low-income families. HOME funds are provided as matching formula grants to state and local governments to provide tenant-based rental assistance and acquire, rehabilitate, or construct affordable housing. The HOPE program provides grants to demolish, revitalize, or replace public housing; provide tenant-based rental assistance for displaced residents; and support resident self-sufficiency programs.

The U.S. Department of Commerce's Economic Development Administration (EDA) provides grants, loans, and technical assistance to assist local governments, nonprofit development organizations, and businesses in 2,800 EDA-designated areas nationwide meeting federal standards for unemployment and poverty. Another department program, the Rural Business-Cooperative Service, provides federal loan guarantees, seed money for revolving loan funds, and direct grants to states and other entities to help shift venture capital from urban markets to rural markets. The Small Business Administration targets businesses disadvantaged by size to receive various types of financial and technical assistance.

To expand financial services for community investment and aid to distressed areas, the U.S. Department of the Treasury oversees the Community Reinvestment Act (CRA) and administers the Community Development Financial Institutions Fund (CDFI). Enacted in 1977, CRA encourages regulated banks and savings institutions to meet the credit needs of homebuyers, small-business owners, and others in local communities, including those from low- and moderate-income neighborhoods. Established in 1994, CDFI makes it easier for nontraditional lenders to meet the financing needs of economically distressed, underserved communities. Nontraditional lenders include community development corporations; community development loan funds, banks, and credit unions; and venture development funds. CDFI provides these lenders with funds, which they match or use to leverage other dollars, to be used for credit, investment capital, and other financial services.

Models That Work, a program of the HHS Bureau of Primary Health Care, is a public-private partnership that conducts a national search for innovative best-practice models of community-driven, collaborative, coordinated health care, social service, and economic development activities. The program serves as a mechanism to disseminate and foster replication and adaptation of effective models and provides targeted workshops, implementation guides, and limited technical assistance. The bureau also has two new loan guarantee programs to foster reinvestment strategies for federally funded health centers by helping them gain access to low-cost capital. The Loan Guarantee Program for Health Care Facility Projects guarantees up to 80 percent of the loan principal amount for construction, renovation, and modernization of medical facilities owned and operated by health centers funded under the Health Centers Consolidation Act of 1996. The Loan Guarantee Program for Health Center Managed Care Networks and Plans guarantees up to 90 percent of the loan principal amount for health centers to develop, operate, and own managed care networks. It also guarantees up to

85 percent of the loan principal amount for health centers to develop, operate, and own health plans.

Foundation and Other Private Sector Initiatives

The Local Initiatives Support Corporation (LISC) raises funds mainly from private sources to provide grants, loans, equity for development, and technical assistance to community development corporations (CDCs). This support enables CDCs to access additional local funds and build affordable housing, create jobs in low-income areas, and stimulate commercial investment. CDCs were created in the 1960s as community-managed private corporations designed to encourage business activity in blighted inner-city areas and focused most of their early activity on housing improvements. Through projects such as the Social Community Development Initiative, LISC is increasing CDCs' ability to foster economic development and community enhancement. This initiative focuses on rebuilding communities through child care, health care, and community facilities development. LISC also has worked with the National Main Street Center (NMSC) on a four-year pilot program, the Neighborhood Main Street Initiative, to help CDCs in six cities revitalize main commercial corridors using a combination of funding and technical assistance. Currently, the program is conducted in neighborhood business districts in Oakland, Tacoma, Lansing, Providence, Philadelphia, and Richmond, and the LISC-NMSC partners are considering expanding the program to other geographic areas.

BankAmerica has established a foundation to promote community-based economic development. The foundation's Community Economic Development Initiative provides awards to nonprofit community groups involved in economic development and job creation in low-income communities to foster sustainable development in the markets that BankAmerica serves.

More than 120 organizations representing public and private entities and health care providers have formed the Coalition for Healthier Cities and Communities to link resources and ideas for community-based health and quality-of-life improvement initiatives. Supported by the American Hospital Association's Hospital Research and Educational Trust (HRET) and the Healthcare Forum, the coalition has seven action teams studying various community health-related concerns. It has planned national issue forums, and it will create a web site of case studies, best-practices information, and educational materials. HRET also is leading a partnership between several private foundations and trusts to fund twenty-five coalitions of local organizations dedicated to improving their community's health. The Community Care Networks (CCN) project is supported by a grant from the W.K. Kellogg Foundation to HRET, which is collaborating with the Catholic Health Association of the United States, VHA, Inc., and the Duke Endowment. This project promotes partnerships among health and human service providers to focus on improving community health, providing seamless continuums of care, increasing the efficiency of care delivery, and ensuring accountability to the community.

The National Civic League's Healthy Communities Initiative helps communities create a common vision, gather assessment data, set benchmarks for progress, and implement action plans. Its Healthy Communities Action Project is an annual training program to develop local leadership for healthy community efforts; the training can be tailored to specific states or regions.

State Financial Incentives

States offer businesses and industries financial incentives that reduce the costs of development and growth to stimulate local employment, enhance the local tax base, and improve the local economy.

Tax Credits, Exemptions, and Abatements

Tax credits, exemptions, and abatements reduce the tax burden on businesses and industries to create development and jobs.

Tax Credits

- Many states allow businesses to reduce their state income taxes through credits for creating jobs or investment, contributing to a nonprofit corporation or small-business incubator, developing in certain areas, or investing in research.
- States usually require a minimum level of activity to qualify for the credits, mandate a percentage of the state business income tax that can be reduced yearly by the credits, and set a time limit on the number of years the credits can be taken.

Tax Exemptions and Abatements

- Exemptions remove a tax liability. Abatements are a deduction from the full amount of a tax. Exemptions and abatements can be authorized for property, sales and use, and inventory taxes. Although exemptions for sales and use and inventory taxes usually are complete exclusions, such as a state declining to assess sales tax on the purchase of manufacturing machinery, property tax exemptions often are time-limited. Abatements usually are granted for a specific period and for a specific project or site in a blighted or economically distressed area.
- These incentives typically apply to real property or improvements to real property. Personal property or other goods or services may qualify for exemptions or abatements, such as the cost of labor and construction materials or the cost of utilities consumed in the manufacturing process.
- These incentives are used to encourage investment in new construction or improvements to existing facilities in areas where taxes discourage or reduce investment.

State Enterprise Zones

Many states create enterprise zones—separate from those under the federal Empowerment Zone/Enterprise Community initiative—to facilitate development, investment, and job creation in economically distressed or deteriorating communities.

- States differ in what they offer in their package of incentives, the timeframe under which the credits can be used, the amount of new jobs and investment required to qualify for the credits, and the types of businesses and industries eligible to receive the zone credits.
- Common incentives include tax credits for job creation and new investment; reductions or abatements on various taxes; loans, loan guarantees, or other types of capital assistance; and technical assistance.

Loan Programs

Nearly all states have loan programs to expand the amount of capital available to new or nontraditional businesses or encourage existing businesses to increase investment or job creation. State loan programs include the following.

Economic Development Loans

- These loans are made to spur economic development in an area, especially blighted

urban areas. They usually are administered through state-authorized development agencies, authorities, or corporations.

- Loan authorities offer financing at below the prime rate, loan guarantees, or other financing mechanisms to encourage development.

Revolving Loan Funds

- A pool of funds, usually created from several funding sources, provides businesses with direct loans or other financial assistance. As loans are repaid, the money returns to the revolving fund to be loaned to new borrowers.
- These loan funds often are targeted to specific projects, borrowers, or locations.

Loan Guarantees

- Loan guarantees increase the availability of capital to borrowers and reduce the risks that make traditional financial institutions reluctant to lend to small businesses or startup companies.
- The state pledges to cover most or all of the current balance of a loan from a private lender in case of default by the borrower.

Seed and Venture Capital Loans

- These loans often are targeted to assist small businesses, minority- or women-owned business ventures, or companies with new products or high-technology development.
- These loans include microloans to assist small and startup companies that cannot typically qualify for traditional loans. They also provide early seed capital, equity investment to aid creation and expansion, and grants for research and development.

Eminent Domain

States have the right to acquire private property for public use, known as the power of eminent domain. State legislatures can delegate this right to local governments and government-related agencies.

- Municipalities and development authorities, boards, agencies, commissions, and corporations may be given the power of eminent domain to develop project sites or industrial parks for urban renewal or economic development activities. Eminent domain enables the acquisition of land at fair-market price, which usually is lower than the speculative price.
- Governments or related agencies must declare that the acquisition of private property is in the public interest and necessary for public use. The state or authorized agency must make "just compensation" for any property acquired by eminent domain.
- Eminent domain authority and limitations differ by state and usually are set forth in state constitutions or developed by legal rulings.

Tax Increment Financing

Underlying this state program is the concept that new development creates growth in property tax revenues, enabling new tax revenues to finance the cost of development. Common characteristics of tax increment financing programs include the following.

- Most states authorize an urban renewal agency or redevelopment authority to offer tax increment financing and require a redevelopment district and redevelopment plan.
- Bonds, loans, or other forms of indebtedness are issued to raise the capital needed for redevelopment, and new tax revenues generated by the project improvements are abated into a special fund used to retire the debt.
- The redevelopment district often is designated as a distressed or blighted area.
- Tax increment financing agencies may be given the power of eminent domain to acquire and improve sites.
- Tax increment financing is used to acquire land, make infrastructure improvements, renovate buildings, and acquire machinery and equipment.

Industrial Revenue Bonds

Industrial revenue bonds (IRBs) provide businesses and industries with low-cost, long-term financing. Bond proceeds are used to finance the cost of fixed assets, such as land, buildings, machinery, and equipment. Features of IRBs include the following.

- States commonly authorize municipalities, special business districts, finance boards, and development authorities to issue IRBs.
- Tax-exempt IRBs generally are issued only to finance projects of manufacturing businesses. The interest received by tax-exempt IRB holders is exempt from federal and state income taxes.
- Taxable IRBs are issued to provide financing for any type of business or industry.
- Some states provide full or partial property tax abatement on the real or personal property financed by IRBs.
- Certain authorities may issue bonds to establish and finance venture capital funds.

Federal Financial Incentives

Numerous federal financing mechanisms are available to states and communities for community and economic development. These include direct grants, loans, loan guarantees, equity financing, and tax reductions. States, alone or in collaboration with local governments, nonprofit organizations, or for-profit entities, can use these mechanisms separately or together and match them to support community and economic development activities.

U.S. Department of Housing and Urban Development (HUD)

Community Development Block Grant (CDBG)

Activities funded under this grant seek to benefit low- and moderate-income people, prevent or eliminate slums and blight, or meet another urgent community need when no other resources are available.

Entitlement Communities Program

- This program receives about 70 percent of the basic CDBG appropriation.
- Grants are awarded annually to local municipal governments and urban communities with 50,000 or more residents, other jurisdictions designated as central cities of metropolitan statistical areas (MSAs), and counties with populations of more than 200,000, excluding the population of entitlement cities within county boundaries.
- Funds are used for housing land acquisition and clearance; public facilities and improvements; public services for families, youth, and senior citizens; and crime and drug reduction and prevention activities.

State and Small Cities Program

- This program receives about 30 percent of the CDBG appropriation.
- States develop funding priorities and selection criteria and then award grants to units of general local government that conduct community development activities.
- Eligible communities include municipalities with fewer than 50,000 residents, except designated central cities of MSAs; and counties not considered urban, generally with populations of 200,000 or fewer, excluding entitlement cities within the county.
- Funds are used for public facilities activities, housing, economic development activities, planning activities, and public services activities.

Economic Development Loan Fund (Section 108 Loan Guarantees)

- This fund provides communities with financing for economic development, housing rehabilitation, public facilities, and physical development projects that are too costly to pay for with a single year of CDBG funds.
- Participating states and communities issue debentures to cover project costs and must pledge their current and future CDBG funds as security for the guarantee. The guaranteed amount may not exceed five times the entity's most recent CDBG allocation. The maximum loan term is twenty years, and other security beyond the CDBG pledge usually is required.
- HUD provides a guarantee of payment to private investors who purchase these debt obligations, which effectively lowers the interest rate.
- The funds can be used for CDBG-eligible activities that generate enough cash flow to support the loan payments, though the CDBG allocation can be used to pay off the obligations.

Empowerment Zones and Enterprise Communities

In December 1994, six urban and three rural empowerment zones (EZs) and sixty-five urban and thirty rural enterprise communities (ECs) were designated. These entities have access to the following funding.

Supplemental Social Services Block Grant

- Each urban EZ received $100 million, each rural EZ received $40 million, and each EC received $3 million from the U.S. Department of Health and Human Services.

Tax-Exempt Facility Private Activity Bonds

- Enterprise zone bonds provide up to $3 million per business to finance the construction of new facilities, expansion of existing facilities, and acquisition of machinery and equipment.
- The bonds offer interest rates that are lower than conventional financing and access to nontraditional lenders, such as insurance companies, various funds, and individual investors. An enterprise zone facility bond must use 95 percent or more of the net proceeds to finance an EZ facility and can be used only during the ten-year EZ/EC authorization.

Tax Credit for Wages (EZ only)

- A 20 percent credit against income tax liability through 2001 is available to all employers for the first $15,000 of qualified wages paid to each employee who lives and works in the zone.

Additional Expensing (EZ only)

- Expensing allowed for certain depreciable business property provided under Section 179 of the Internal Revenue Code of 1986 is increased by $20,000, allowing companies to take greater depreciation deductions for equipment in the year it is acquired.

Home Investment Partnerships (HOME) Program

This program provides formula funds directly to state and local governments to address affordable housing needs. It encourages public-private partnerships by providing incentives to for-profit and nonprofit developers to produce housing for low- and very low-income households.

- State or local governments must provide matching funds, depending on the amount of HOME funds they receive.
- Funds can be used for the acquisition of existing housing, the reconstruction and rehabilitation of substandard housing, the construction of new housing, demolition and site improvements, tenant-based rental assistance and security deposits, down-payments, closing costs, other financial assistance to new low-income homebuyers, and financial assistance to existing low-income homeowners for rehabilitation.
- Funds can be used to provide grants, loans and advances, deferred payment loans, equity investments, interest subsidies, and other types of investment.
- The income of all HOME-assisted homebuyers and existing homeowners must be below 80 percent of the area's median income. Income for rental households receiving assistance must be below 60 percent of the area's median income.
- State and local governments are required to set aside at least 15 percent of HOME funds to create housing that is sponsored, developed, or owned by community housing development organizations. These are nonprofit organizations that have governing boards and structures that are reflective of and accountable to low-income communities.

Section 8 Housing Assistance Payments

This program provides rent subsidies to owners of existing housing units to enable low-income families to afford livable rental housing. These subsidies provide some assurance to builders of low-cost housing that enough people will be able to pay rent.

- In most cases, public housing authorities receive the funds and pass them on to rental housing owners on behalf of low-income tenants eligible for the Section 8 program.

In some cases, housing owners receive payments directly from HUD.

- Housing assistance payments are limited to very low-income people with incomes at or below 50 percent of the area's median income, or to certain low-income people with incomes between 50 percent and 80 percent of the area's median income and who meet other requirements.
- Section 8 certificates or vouchers are attached to the tenant, not the housing unit. The tenant pays a portion of the rent, and the certificate or voucher makes up the difference in the actual cost of renting a housing unit.
- People with certificates and vouchers pay a tenant rent share that is no more than the highest of the following: 30 percent of the family's monthly adjusted income, 10 percent of the family's gross income, or any welfare payments designated for housing.

Federal Housing Administration (FHA)

Through the Federal Housing Administration, HUD provides insurance for mortgages and loans for private lenders on manufactured homes, single-family and multifamily properties, and certain health care and related facilities. This program encourages lenders to make mortgage credit available to certain areas and to borrowers who may otherwise not qualify for conventional loans on affordable terms, such as first-time homebuyers.

- HUD serves as a *de facto* insurance company.
- Downpayment requirements vary across programs but usually are less rigorous than those required by conventional lenders.
- Borrowers pay interest on the loan at a rate negotiated with the lender.
- All borrowers must pay a mortgage insurance premium to offset the insurance risk involved. One-time premiums for most single-family mortgages cannot exceed 2 percent for fiscal 1997; periodic premiums are up to 1 percent of the outstanding balance of the loan during amortization.
- If a loan goes into default, HUD will provide insurance benefits to the lender consistent with the contract of insurance.

Section 202 Supportive Housing for the Elderly

Through this program, HUD funds projects to create support housing for the elderly that meets their special physical needs and includes the provision of support services, such as health care services, homemaking services, meal and nutritional services, and some transportation services.

- Private nonprofit organizations and consumer cooperatives are eligible to receive capital advances and operating subsidies for housing and support services for low-income elderly people.
- Program funds can be used to finance site acquisition and improvement; construct, reconstruct, or rehabilitate structures; and buy structures from the Resolution Trust Corporation.
- Capital advances bear no interest and do not have to be paid back if the housing remains available for very low-income elderly residents for at least forty years.
- Through rental assistance subsidies, HUD makes monthly payments to cover the difference between the project income and the cost of operating units occupied by very low-income elderly people. Project rental assistance was set at 75 percent of the estimated project's total operating expenses in 1997.
- HUD defines an elderly household as a household containing a person sixty-two or older at the time of initial occupancy of the housing unit.
- Very low-income people can pay rent up to the highest of the following amounts: 30 percent of adjusted monthly income, 10 percent of gross monthly income, or any welfare assistance payments designated for housing.

U.S. Department of Commerce

Small Business Administration (SBA)

Through various programs, SBA provides financial assistance to help small enterprises bridge credit-market gaps. Programs include assistance to obtain guaranteed and direct loans, federal government contracts and real property, lines of credit, and support from local small business investment companies. Examples include:

- small business loans [(Section 7(a) loan guarantees)];
- special SBA loan programs;
- the CapLines Loan Guarantee Program;
- the Microloan Demonstration Program; and
- surety bond guarantees.

Rural Business-Cooperative Service

This program provides federal loan guarantees, seed money for revolving loan funds, and direct grants to states and other entities to promote the movement of venture capital from urban markets to rural markets. SBA targets businesses disadvantaged by size to receive various types of financial and technical assistance. Examples include:

- business and industrial loan guarantees;
- rural business enterprise grants;
- rural cooperative development grants;
- rural economic development loans and grants; and
- rural business opportunity grants.

Economic Development Administration (EDA)

EDA provides grants, loans, and technical assistance to aid local governments, nonprofit development organizations, and businesses in 2,800 EDA-designated areas nationwide meeting federal standards for unemployment and poverty. Examples include:

- public works grants;
- EDA technical assistance grants;
- economic development planning grants;
- long-term economic deterioration grants; and
- EDA research and evaluation assistance.

U.S. Department of the Treasury

To expand financial services for community investment and aid to distressed areas, the Department of the Treasury administers several programs and oversees compliance with federal laws.

Community Reinvestment Act (CRA) of 1977

CRA encourages regulated banks and savings institutions to help meet the credit needs of homebuyers, small-business owners, and others in their local communities, including those from low- and moderate-income neighborhoods.

Community Development Financial Institutions Fund (CDFI)

Established in 1994, CDFI makes it easier for nontraditional lenders to meet the financing needs of economically distressed, underserved communities. Nontraditional lenders include community development corporations; community development loan funds, banks, and credit unions; and venture development funds. CDFI provides these lenders with funds, which they match or use to leverage other dollars, for credit, investment capital, and other financial services.

Low-Income Housing Tax Credit

The Tax Reform Act of 1986 authorized this tax credit for residential rental property that qualifies as low-income housing. The ten-year credit is offered to investors in low-income housing based on the cost of acquisition, rehabilitation, or construction for eligible low-income housing projects. Based on its population, each state has a limited amount of credit available for allocation to investors. States authorize a housing finance agency to allocate the tax credit within the state.

- Investors use the tax credit to reduce taxes due on income from other sources.
- The tax credit is applied directly to tax liability; $1.00 of tax credit retires $1.00 of taxes owed.
- The program encourages investment in low-income housing and provides lower rents for housing tenants.
- Credits can be sold to individual or institutional investors. This raises equity that can be used to reduce the amount of debt financing required for the project, enabling lower rents.
- To qualify for the credits, either at least 20 percent of the residential units must be reserved for residents with incomes at or below 50 percent of the area's median income, or 40 percent of the units must be reserved for residents with incomes below 60 percent of the area's median income.
- The gross rent charged to tenants of the low-income units cannot exceed 30 percent of the area's median gross income for that family size.
- The projects must meet the requirements for fifteen years. Some states have extended this period to up to thirty years.
- Currently the credit is 4 percent of the "qualified basis" for acquired properties and about 9 percent of the qualified basis for rehabilitation and new construction. The qualified basis is the portion of the costs of acquisition, construction, and rehabilitation that is connected with the low-income units.

U.S. Department of Health and Human Services

Bureau of Primary Health Care

The bureau has two new loan guarantee programs to foster reinvestment strategies for federally funded health centers by helping them gain access to low-cost capital.

Loan Guarantee Program for Health Care Facility Projects

- The program guarantees up to 80 percent of the loan principal amount to construct, renovate, and modernize medical facilities owned and operated by community health centers funded under the Health Centers Consolidation Act of 1996.

Loan Guarantee Program for Health Center Managed Care Networks and Plans

- The program guarantees up to 90 percent of the loan principal amount for health centers to develop, operate, and own managed care networks. It also guarantees up to 85 percent of the loan principal amount for health centers to develop, operate, and own health plans.

Administration for Children and Families, Office of Community Services

The office has several grant programs that support states, communities, and other agencies to provide human and community development services and activities that ameliorate the causes and characteristics of poverty and otherwise assist persons in need.

Community Services Block Grants (CSBG)

- The CSBG program provides state and Indian tribes with funds to lessen poverty in communities. Grantees receiving funds are required to provide services and activities addressing the following: employment, education, better use of available income, housing, nutrition, emergency services, and health.

Urban and Rural Community Economic Development Program

- The emphasis of this program is on self-help and mobilization of the community at-large. Projects provide employment and ownership opportunities for low-income people through business, physical, or commercial development in economically depressed areas. Eligible organizations are private, locally initiated, nonprofit community development corporations.

Social Services Block Grant (SSBG)

- This grant provides funding to states for a broad array of services. SSBG is based on two fundamental principles: state and local governments and communities are best able to determine the needs of the individuals to help them achieve self-sufficiency, and social and economic needs are interrelated and must be met simultaneously. Funds are used to prevent, reduce, or eliminate dependency; prevent neglect, abuse, or exploitation of children and adults; prevent or reduce inappropriate institutional care; and provide admission or referral for institutional care when other forms of care are inappropriate. Grants are determined by a statutory formula based on each state's population. States are fully responsible for determining the use of their funds.
- Up to 10 percent of SSBG funds may be transferred to other block grant programs for support of health services, health promotion and disease prevention activities, and low-income home energy assistance.
- Federal funds are available without a matching requirement. State and/or local Title XX agencies (i.e., county, city, and regional offices) may provide these services directly or purchase them from qualified agencies and individuals.

U.S. Department of Agriculture

Farmers' Home Administration

The Farmers' Home Administration (FmHA) provides development loans and rental assistance for congregate housing and group homes for people sixty-two and older and people with disabilities. Loans generally are made in towns with populations of fewer than 10,000.