

# New Growth Innovation Network

POWERING INCLUSIVE ECONOMIES

**Inclusive Community and Economic  
Development in Small and Midsize Cities**

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# Executive Summary

Small and midsize cities (SMCs) – defined as population 50,000 to 500,000 – face multiple challenges including uneven economic growth, growing income inequality, and growing poverty. The COVID-19 pandemic introduced new challenges by constraining investment resources and capacity, and highlighting entrenched and systemic inequality. Their pathways for economic recovery from the COVID-19 pandemic are unclear.

To address these overlapping challenges, Robert Wood Johnson Foundation (RWJF) – the nation’s largest foundation focused on health and healthcare – collaborated with New Growth Innovation Network (NGIN) – a network of economic development professionals focused on building more inclusive economies – to examine inclusive community and economic development approaches in SMCs. NGIN built a practitioner-led exploration of why community development and economic development practices struggle to collaborate and whether pulling together these two practices in SMCs might elevate community voice, uplift racial equity, and improve outcomes for Black, Indigenous and People of Color (BIPOC) and low- and middle-income (LMI) populations.

Community development and economic development are typically siloed, driven partly by differences in audience, funding mechanisms, approaches and strategies, and mission and vision. Community development practice focuses on neighborhoods and residents but struggles to appropriately connect to the broader economic

opportunities in the region. Economic development practice focuses on regional economic competitiveness but oftentimes underinvests in BIPOC and LMI residents and neighborhoods. Historically, this unspoken tension between community development and economic development has inhibited the ability of these groups to work together to achieve meaningful impact in [underinvested neighborhoods](#).

Neither field of practice is equipped to address the complex, multi-dimensional forces that determine socioeconomic outcomes in a place by itself. **Uniting community development principles and economic development practice, with a focus on elevating community voice and racial equity, is central to addressing equity issues at the neighborhood level and changing the trajectory for longer term outcomes for BIPOC and LMI population groups.**

Inclusive economic growth is a promising way forward. It is based on the premise that long term regional prosperity can only come from equitably engaging all individuals and assets in the community, and that persistent inequality, racial income gaps and racial wealth gaps hamper a region’s economic growth. Without leveraging historically excluded populations as latent human capital that can drive innovation and productivity, SMCs cannot truly advance. National experts believe that the renewed focus on racial equity brought on by the COVID-19 pandemic and the racial reckoning in the U.S. in 2020 is a unique opportunity to bring community and economic development practices closer together for the long-term.

## Project Overview, Methodology and Scope

Through the generous support of RWJF, NGIN led a project to identify innovative practices, sustainable models and enabling policies for inclusive community and economic development in SMCs. This report is the culmination of one year of project-related desk research; interviews and roundtable discussions with over 65 national experts in community development, economic development, and allied fields; and an advisory panel of nine national experts. NGIN supplemented its desk research and expert insights with deep dives in six SMCs: Akron, OH; Bakersfield, CA; Chattanooga, TN; Little Rock, AR; Rochester, NY; and Tulsa, OK. For detailed selection methodology, please refer to the [appendices](#).

Note: The report often refers to LMI and BIPOC communities, but the terms are not used interchangeably.

## Key Insights from NGIN Research

When considering the question of how to advance more inclusive models, the discussion is often posed as a choice between targeting resources at the neighborhood level or addressing broader regional economic systems and policies that perpetuate inequities. Many experts argue that in fact both are needed and must be coordinated for maximum impact.

NGIN's research also found a dichotomy between the programmatic areas (e.g., workforce development, housing, small business support, access to capital, etc.) where action happens and the broader civic infrastructure and ecosystem (political will, civic capacity, enabling and disabling policies, data, and metrics, etc.) that drives those actions.

Irrespective of the programmatic areas that a community focuses on, the civic infrastructure often determines the pace and rate of progress on the ground.

Overall, the most salient finding from our work is that there is a strong desire for actionable insights, tools, best practices, models, and investments in SMCs to implement an inclusive agenda. NGIN's research also indicates that there are three essential pillars to advance racial equity and economic inclusion in SMCs - commitment, capacity, and capital. It is essential for all three components to come together in a community in order to push through bold actions.

**Commitment** in this context is defined as a cross-sector dedication to advance economic inclusion principles in a place. It stems from a recognition of the disparities and needs of LMI and BIPOC residents and workers, and grows through support and capacity building. The catalyst driving commitment in a place can be an historic event, new data and insights, a program, or simply a desire among residents and businesses to do something about racial disparities. Precipitating events vary across places, depending on regional context and local factors, but it must translate into investments and projects with demonstrable results.

**Capacity** is described as the ability of leaders and civic institutions to identify needs, develop programs and policies, and implement projects over the short and long term, working through inevitable changes at the local and regional levels such as changes in elected leadership or administration priorities, economic downturns and boomtimes, natural or man-made disasters, etc. It has emerged as one of the most important factors enabling or disabling inclusive approaches to community and economic development. It is multi-

faceted and highly dependent on local conditions, capacity of individual leaders, existing assets, needs, budgets, and historical narratives.

**Capital** includes both grants and investments in projects and programs aimed at inclusive economic outcomes.

The key insights are:

- Commitment and capacity are key to driving inclusive actions on the ground
  - Capital flows from commitment and capacity
  - Community voice and community power are critical to grow commitment and capacity
  - Cross sector collaboration is needed to realize a shared vision
  - Distrust hinders commitment and progress cannot be taken for granted
  - Community-led wealth creation models are gaining popularity, but scalability questions remain
  - Lack of data and measurement tools pose significant hurdles for SMCs
  - Existing policy frameworks, including processes for new policy formation, can pose hurdles to inclusive growth agendas'
- Demand and supply side challenges hinder capital flows in SMCs
  - Capital investments in SMCs need to be diversified beyond small business support and housing
  - Investments in entrepreneurship ecosystem building and patient capital products will help diverse entrepreneurs
  - Workforce investment should catalyze solutions that prioritize local needs
  - Boosting worker power, particularly for low-wage workers, is essential to improve equitable outcomes
  - Support for BIPOC leadership can bolster community voice in economic inclusion
  - City typologies for SMCs need to be improved
  - Practical insights and actionable tools are important to advance shared understanding and support SMC leaders deliver more inclusive outcomes

NGIN synthesized its findings into a model (see [Implementing NGIN Insights in SMCs](#)) that builds on the three pillars - commitment, capacity, and capital - and can be utilized in SMCs to drive economic inclusion strategies that benefit LMI residents, especially BIPOC.

## Recommendations for Practitioners

The following set of recommendations are aimed at community and economic development practitioners and SMC leaders for driving inclusive actions locally.

- **Nurture sustained commitment** - Commitment to more inclusive outcomes cannot be taken for granted. It is fragile, may not be linear and may falter. SMC leaders and community and economic development practitioners will have to continue to invest in their journey to sustained commitment through constant engagement and support of community stakeholders and those directly impacted in underinvested neighborhoods.
- **Assess existing and upcoming policies from an equity lens** - Conducting equity assessments of existing local policies can highlight disabling policies at the city level that should be reformed or dismantled. SMC practitioners should engage community-based leaders, especially BIPOC and LMI, that have been directly impacted by inequitable local policies to design reforms for better outcomes. Requiring equity assessments for new policies, much like environmental impact assessments, can help prevent to perpetuate inequities in the future. The [Racial Equity Impact Assessment tool](#) by PolicyLink is a first step but leaders need to go further by designing programs and policies that center equity from the beginning.
- **Bolster local capacity** - Efforts to drive inclusive economic growth often cut across traditional functional domains and lack a clear organizational “home.” SMCs need a “super-structure” with capacity and bandwidth to lead the cross-sectoral

collaboration, which can be a new organization or reside with an existing organization that has the reach and relationships to serve in this capacity. Building local capacity for inclusive growth is paramount.

- **Encourage engagement of BIPOC leaders in decision making** - Economic leaders should engage community leaders, especially BIPOC, in regional economic and wealth building decisions. Start with identifying these leaders, invest in building their knowledge and understanding of the economic decision-making processes and frameworks, and continue to nurture them so they are a part of the decisions made.
- **Develop metrics for accountability and share results** - Ultimately, it is less about the specific metrics adopted and more about regularly monitoring progress against whatever metrics are chosen. Sharing the results publicly to demonstrate progress is an excellent way to keep leaders and organizations accountable in the short- and long-term.
- **Expand understanding of innovative models** - Both economic development and community development practitioners need to expand their knowledge about innovations happening in the other sector. Economic leaders should consider and gain more understanding of innovative community wealth building structures (e.g., steward-ownership, community-ownership, etc.) to better support such efforts locally. Community leaders should continue to build economic development fluency (e.g., incentives, community benefits agreements, etc.) to strengthen their voice and power as regional economic decisions are being taken.

# Introduction

Small and midsize cities (SMCs) - defined as population 50,000 to 500,000 - face [multiple challenges](#) including uneven economic growth, growing income inequality, and growing poverty. The COVID-19 pandemic introduced new challenges by constraining investment resources and capacity, and highlighting entrenched and systemic inequality. Although many large cities face similar challenges, SMCs lack the resources - i.e., a smaller population which translates to smaller market capture for companies, smaller pools of talented workers to drive productivity, and smaller public budgets for strategic investments - and the attention in comparison. Their pathways for economic recovery from the COVID-19 pandemic are unclear.

Robert Wood Johnson Foundation (RWJF - the nation's largest foundation focused on health and healthcare) collaborated with New Growth Innovation Network (NGIN - a network of economic development professionals focused on building more inclusive economies) to build a practitioner-led exploration of why community development and economic development practices struggle to collaborate and whether pulling together these two practices in SMCs might elevate community voice, uplift racial equity, and improve outcomes for Black, Indigenous and People of Color (BIPOC) and low- and middle-income (LMI) populations.

Community development focuses on the wellbeing of residents and workers at the sub-local neighborhood level, and engages in projects

such as affordable housing, access to capital for small businesses and entrepreneurs, worker training, etc. Community engagement is a primary tenet of their work, but they have consistently not been able to connect LMI neighborhood residents with regional economic efforts which could build economic opportunity and wealth. Many BIPOC and LMI neighborhoods, therefore, exist as islands unable to shift their long-term income and growth prospects. However, past efforts to enhance opportunities for economic prosperity, which target only the neighborhood level, have seen [mixed results](#).

The economic development practice, on the other hand, tends to have a regional approach and works to advance macroeconomic interests primarily through business growth in target industry sectors, support for employers, economic incentives, industrial strategies, marketing the region, etc. But it may fail to recognize the value and assets in BIPOC and LMI communities. This approach hampers the competitiveness of regional economies, does not encourage strategic investments in BIPOC and LMI communities, and creates an antagonistic relationship between community development and economic development interests. The perception that the community development practice focuses on individuals without recognition or consideration of business interests or market needs persists. In the same vein, economic development professionals are seen as having little regard for local

residents or community needs. Historically, this unspoken tension has inhibited the ability of these groups to work together.

As community development and economic development continue to operate in silos – driven further apart by differences in funding mechanisms, metrics for success, audience and accountability structures, and tools and strategies to achieve their mission – they struggle to achieve meaningful impact in [underinvested neighborhoods](#).

Neither field of practice is equipped to address the complex, multi-dimensional forces that determine socioeconomic outcomes in a place by itself. **Uniting community development principles and economic development practice, with a focus on elevating community voice and racial equity, is central to addressing equity issues at the neighborhood level and changing the trajectory for longer term outcomes for BIPOC and LMI population groups.**

Inclusive economic growth is a promising way forward. It is based on the premise that long term regional prosperity can only come from equitably engaging all individuals and assets in the community, and that persistent inequality, racial income gaps and racial wealth gaps hamper a region's economic growth. Without leveraging historically excluded populations as latent human capital that can drive innovation and productivity, SMCs cannot truly advance.

In the wake of the COVID-19 pandemic, and with the racial reckoning in the U.S. in 2020, centering racial equity and inclusion is a priority for both community development and economic development practices. In 2020, practitioners created new avenues and pathways for working together, connected with new stakeholders, found new models of

collaboration, engaged in honest conversations about racial equity, etc. National experts believe that this focus on racial equity has the opportunity to bring community and economic development practices closer together for the long-term in SMCs. Equity is also a stated focus for the Biden-Harris administration as evidenced by the investment priorities, such as the federal resources made available for investing in an equitable economic recovery through the American Rescue Plan Act of 2021 (ARPA). Given the right support and resources, most SMCs can leverage their small size, connections to the community, innovative spirit, and less encumbered bureaucracies to push for economic recovery in a more equitable fashion.

## Project Overview, Methodology and Scope

The Healthy Communities theme of RWJF seeks to create the conditions that enable all residents in small and midsize cities (SMCs) to reach their best possible health and well-being. The theme has a history of working to align community development and health to revitalize communities with the most significant health inequities and recently began focusing these efforts on SMCs after recognizing the alarming trends in health and socio-economic factors in smaller geographies.

Given the right support and resources, SMCs can leverage their small size, connections to the community, innovation spirit, and less encumbered bureaucracies to push for economic recovery in a more equitable fashion.



RWJF initiatives such as [Invest Health](#) and the [Working Cities Challenge](#) elevate the central importance of economic vitality to the success of SMCs and point to the opportunity for supporting more integrated approaches to advancing equitable development and growth. This project focuses on highlighting ways in which community development and economic development can be better integrated to address racial disparities in socioeconomic outcomes.

NGIN assisted RWJF in identifying innovative practices, sustainable models and enabling policies for inclusive community and economic development in SMCs. This report is the culmination of one year of: project-related research; desk research; interviews and roundtable discussions with over 65 national experts in community development, economic development, and allied fields such as racial equity, inclusive financing, affordable housing, and community engagement, among others; and an advisory panel of nine national experts to refine a theory of change and recommendations for RWJF program investments.

NGIN supplemented its desk research and expert insights with deep dives into six SMCs: Akron, OH; Bakersfield, CA; Chattanooga, TN; Little Rock, AR; Rochester, NY; and Tulsa, OK. These cities were drawn from the “Regional Hubs” and “Working Towns” categories of the City Health Dashboard’s [“City Types for Improving Health and Equity”](#) because of their relative economic independence from larger cities and their geographic diversity. The six chosen SMCs are diverse in terms of economic conditions, geography, demographics, mayoral political affiliations, and industrial bases (Table 1). Importantly, all six demonstrated some experience linking community and economic development with a focus on racial equity. For detailed selection methodology, please refer to the [appendices](#).

Note: The report often refers to LMI and BIPOC communities, but the terms are not used interchangeably.

Table 1: SMC Characteristics

City	City Health Dashboard Category	Pop - City (2019)	Med. HH Income, 2019	% Non-Hispanic White	Top sectors by employment % (MSA, 2019)
Akron, Ohio	Regional Hubs	197,597	\$38,739	57.9	Health care and social services; Manufacturing; Retail trade
Bakersfield, California	Working Towns	384,145	\$63,139	32.5	Agriculture, forestry, fishing, and hunting; Health care and social services; Educational services
Chattanooga, Tennessee	Regional Hubs	182,799	\$45,527	57.3	Manufacturing; Health care and social services; Retail Trade
Little Rock, Arkansas	Regional Hubs	197,312	\$51,485	45.1	Health care and social services; Retail trade; Accommodation and food services
Rochester, New York	Regional Hubs	205,695	\$35,590	36.7	Health care and social services; Manufacturing; Retail trade
Tulsa, Oklahoma	Working Towns	401,190	\$47,650	54.0	Health care and social services; Manufacturing; Retail trade

## Introduction to the SMCs

The six cities studied for this project have been on different journeys to inclusive community and economic development and are currently at varying stages of that journey.

**Akron, OH (pop. 197,597):** One of northeast Ohio’s manufacturing centers, Akron has long been a hub of innovation in the rubber, plastics, and polymer industries and the economic opportunity associated with those industries. But declines in the manufacturing sector have stalled population growth and median household income

\$24,000 below that of the United States. The region has embraced inclusion as a guiding principle to address these challenges in the community and economic development sectors. The Office of Integrated Development combines historically siloed economic and community development functions, uplifting equity and community voice as principles. [Elevate Greater Akron](#), the region’s economic development strategy, makes racial equity a core tenet of its plan with the Opportunity Akron agenda, aiming to ensure the Black population fully engages in and benefits from economic growth.

**Bakersfield, CA (pop. 384,145):** Natural resource-intensive industries, such as oil and gas and agriculture, have propelled Bakersfield and the surrounding region's economy to job growth and high output levels, but climate change and regulatory actions to address it pose threats to the region's long-term trajectory. Further, significant equity gaps exist across racial groups and geographic areas within Kern County. Recognizing the need for a new path forward, regional leaders launched the [B3K Prosperity Initiative](#) (A Better Bakersfield & Boundless Kern County). Under the B3K Prosperity umbrella, a diverse array of regional stakeholders has convened to assess the regional economy and previous economic plans, identify high-potential opportunities, and promote a more equitable region.

**Chattanooga, TN (pop. 182,799):** Decades ago, Chattanooga faced environmental and demographic crises, as famed newscaster Walter Cronkite declared the city the dirtiest in America and population losses threatened the city's long-term viability. Business and civic leaders worked together to address these challenges, cleaning up and redeveloping the Tennessee River and turning Chattanooga into "gig city" with the nation's first citywide gigabit network, developing civic capacity in the process. While the city's revitalization has resulted in population and income growth, economic exclusion along racial and geographic lines remains a major challenge. Today, Chattanooga is leveraging its capacity with initiatives such as [Chattanooga 2.0](#), working to ensure that all children can reach their full potential from cradle to career.

**Little Rock, AR (pop. 197,312):** The capital of Arkansas, Little Rock's economy is stabilized by the presence of state government and utilities, but the city faces significant equity challenges. Little Rock ranks 223<sup>rd</sup>

on economic inclusion and 226<sup>th</sup> on racial inclusion (out of 274 cities) on [Urban Institute's inclusion score](#), which considers indicators such as employment, poverty, housing costs, and segregation. Mayor Frank Scott, the city's first elected Black mayor, identified diversity, equity, and inclusion as a key element of his [economic transition plan](#), focusing on a new inclusive growth hub and equitable workforce initiatives. Further, emerging leaders such as [Common Future's Bridge Fellows](#) aim to create a more equitable small business and entrepreneurial ecosystem in the city and region.

**Rochester, NY (pop. 205,695):** Rochester's pioneering hometown companies such as Kodak and Xerox made it an early hub of innovation, science, and technology, but deindustrialization has led to steady population losses since the 1960s. Moreover, regional racial disparities in health, education, and economic outcomes [exceed state and national averages on several key measures](#). The city is taking new, community-driven approaches to address these challenges with entities like the [Rochester Economic Development Corporation](#), which has revamped its mission to focus on entrepreneurship and community-based economic development, and the city's [Office of Community Wealth Building](#) facilitating small business development and financial inclusion initiatives.

**Tulsa, OK (pop. 401,190):** The largest city and most prosperous metro among the six studied (as measured by metropolitan area per capita income rank), Tulsa fares well on a range of economic metrics. Underlying those top-level indicators, however, are significant disparities across neighborhoods and racial groups. Among thematic areas studied by the [Tulsa Equality Indicators](#) project, Economic Opportunity ranks the lowest, driven in part by significant racial gaps in



senior executive representation and the high preponderance of payday lenders. Several entrepreneurial approaches have emerged to tackle these disparities as the city marks the 100<sup>th</sup> anniversary of the Tulsa Race Massacre. Community development organizations such as [Growing Together Tulsa](#) and the [Met Cares Foundation](#) aim to address neighborhood-level challenges in the Kendall-Whittier and North Tulsa communities, respectively, with a range of education, workforce development, and neighborhood prosperity projects. Further, the newly-reorganized [Tulsa Authority for Economic Opportunity](#) aims to combine community and economic development functions with a mandate to leverage the city's full asset base to foster racial equity and shared prosperity.

# Key Insights from NGIN Research

There are strong and entrenched silos between the practice of community development and the practice of economic development. When considering the question of how to advance more inclusive models, the discussion is often posed as a choice between targeting resources at the neighborhood level or addressing broader regional economic systems and policies that perpetuate inequities. Many experts argue that in fact both are needed, and ideally are coordinated as well.

NGIN's research also found a dichotomy between the programmatic areas (e.g., workforce development, housing, small business support, access to capital, etc.) where action happens and the broader civic infrastructure and ecosystem (political will, civic capacity, enabling and disabling policies, data, and metrics, etc.) that drives those actions. Irrespective of the programmatic areas that a community focuses on, the civic infrastructure often determines the pace and rate of progress on the ground. Evaluating and fostering civic infrastructure and civic capacity in a community has, therefore, emerged as a key tenet.

Overall, the most salient finding from our work is that there is a strong desire for actionable insights, tools, best practices, models, and investments in SMCs to implement an inclusive agenda. National experts, regional organizations and local leaders alike indicated that communities, especially SMCs, are struggling to determine which inclusive actions should be prioritized, how they can start and sustain

the process in their own communities, how to build shared commitment to inclusive economies, and how to measure successful inclusive outcomes.

This section combines insights from NGIN's project-based research with existing literature on the topic. These findings served as the basis for the development of a theory of change and programming recommendations for RWJF.

## Civic Infrastructure & Ecosystem Insights

Civic infrastructure and ecosystem encompass political will; capacity of civic institutions that are primarily responsible for delivery of community and economic services; enabling and disabling policies; and data, metrics and models that support a community's capability to understand gaps and deliver services efficiently. It includes institutions as well as individuals associated with those institutions.

The most salient finding from our work is that there is a strong desire for actionable insights, tools, best practices, models, and investments in SMCs to implement an inclusive agenda.

## Commitment and capacity are key to driving inclusive actions on the ground

NGIN research indicates that there are three essential pillars to advance racial equity and economic inclusion in SMCs – commitment, capacity, and capital. It is essential for all three components to come together in a community in order to push through bold actions.

**Commitment** in this context is defined as a cross-sector dedication to advance economic inclusion principles in a place. It stems from a recognition of the disparities and needs of LMI and BIPOC residents and workers and grows through support and capacity building. The catalyst for a set of committed individuals and organizations coming together to address racial disparities can be a historic event, new data and insights, a program or simply a desire among residents and businesses to “do something” about racial disparities. Precipitating events vary across places, depending on regional context and local factors: environment and education (e.g., Chattanooga); public policy and industrial mix (Bakersfield); historical events (Tulsa); political

In **Bakersfield**, historical reliance on natural resource-based economic sectors posed significant risk to the region’s long-term viability. While macro-level challenges were apparent, persistent engagement with the private sector was required to highlight the connection between economic inclusivity, regional resilience, and firm-level risk and to foster *commitment* to a more inclusive regional plan. Efforts to develop a more inclusive economy brought together unusual partners under the [B3K Prosperity Initiative](#).

developments (Akron); industrial legacy (Rochester). It must translate into investments and projects with demonstrable results.

**Capacity** is described as the ability of leaders and civic institutions to identify needs, develop programs and policies, and implement projects over the short- and long-term, working through inevitable changes at the local and regional levels such as changes in elected leadership or administration priorities, economic downturns and boomtimes, natural or human-caused disasters, etc. It has emerged as one of the most important factors enabling or disabling inclusive approaches to community and economic development. It is multi-faceted and highly dependent on local conditions, capacity of individual leaders, existing assets, needs, budgets, and historical narratives. Examples from SMCs include:

- **Community capacity:** Chattanoogaans in Action for Love, Equality, and Benevolence (CALEB) aims to expand the capacity of a coalition of community groups to organize and exercise power in economic development decisions and develop the individual capacity of organizations’ leaders through training.
- **Business sector and economic development capacity:** The Chattanooga Area Chamber has fostered the business community’s capacity to address regional needs through partnership since responding to environmental and demographic crises of the 1980s.
- **Cross-sector capacity:** In Tulsa, a new five-year initiative aims to fill gaps in the existing ecosystem of economic and community development, focused on coordination and making connections among existing organizations.

- **Government capacity:** In Rochester, the Office of Community Wealth Building aims to unite several functions related to community development, small business support, and financial inclusion to build capacity for collaboration and vision-setting.

Commitment and capacity are closely linked. Neither can grow without the other. Where commitment exists, individuals and organizations can work together to build civic capacity. Existing civic capacity affects a region's ability to make strong commitments and deliver programs on the ground. In many ways, they are mutually reinforcing.

### Capital flows from commitment and capacity

Where commitment and capacity exist, communities can attract capital – whether grants or investments in projects and programs or both – through a combination of local, state, and national resources to advance an inclusive community and economic development agenda. Although capital is essential for designing and implementing inclusive programs and projects, building commitment and capacity also takes capital, which is generally in the form of grants to build organizational infrastructure. Operational capital for capacity building is scarce. Our research indicates that local philanthropic organizations such as community foundations and local corporate philanthropies can be instrumental in supporting early-stage commitment and capacity building efforts through grants.

Investment capital for project and program implementation in SMCs is often insufficient as well as too narrowly focused on small business support and housing so that it fails to deliver broader economic prosperity for BIPOC and LMI communities and meet the myriad needs in SMCs. These are discussed in detail in the [programmatic insights](#).

Community-based organizations that are rooted and trusted in the community – especially those led by BIPOC leaders – find it challenging to attract capital, both for core operations as well as program and project implementation. SMC interviews highlighted the importance of such organizations in engaging community stakeholders, but also uncovered limited capacity to scale-up for designing and delivering programs on the ground and limited understanding of non-traditional capital tools.

Recognizing the importance of courageous leaders who can work across sectors, **Chattanooga's** Benwood Foundation has sent a cohort of ten leaders a year from the private, public, and nonprofit sectors to attend [Harvard Business School's Young American Leadership Program \(YALP\)](#). The program is designed to advance cross-sector solutions to civic issues. Having sent emerging leaders to the program since its inception in 2015, Chattanooga is now home to a cadre of leaders equipped to address the city's most pressing issues. They are, in fact, coming together to identify needs, design solutions and raise funds to implement their ideas. For example, during the COVID-19 pandemic, many alumni from the YALP program banded together to provide internet connections to LMI families for children to continue online learning. They raised funds from local government and several foundations for this initiative.

## Community voice and community power are critical to grow commitment and capacity

The Equity Research Institute at the University of Southern California defines [community power](#) as “the ability of communities most impacted by structural inequity to develop, sustain, and grow an organized base of people who act together through democratic structures to set agendas, shift public discourse, influence who makes decisions, and cultivate ongoing relationships of mutual accountability with decision makers that change systems...”. It is both a process and an outcome, treats people as the agents of change, and has the ability to transform the places and people involved.

However, residents and workers experiencing inequities are often [disconnected](#), both spatially and socially, from those that have the institutionalized power to alleviate the inequities. Community engagement in municipal or regional efforts to promote inclusive growth is often perceived as token engagement. Stakeholders describe convening tables which engage community leaders, but only as contributors and not as part of decision making, thereby limiting community power.

National and local experts suggest that civic institutions that are engaged with economic decision making, such as economic development agencies, small business support functions, lending and financial institutions, etc. need to more effectively engage residents and workers to not only better understand their needs and concerns, but also to design solutions with them as partners. At the same time, they should provide training opportunities for residents and community leaders to learn about processes and avenues for engagement. Increased fluency in economic development

Building community voice and community power is both a process and an outcome, treats people as the agents of change, and has the ability to transform both places and the people involved.

terminology, tools and strategies, and policy approaches is especially highlighted as an area for development. This will encourage full agency, representation and improved participation in municipal and regional decision making, and uplift community voice and community power.

## Cross-sector collaboration is needed to realize a shared vision

SMC stakeholders elevate a clear need to work across sectors (private sector, economic development, community development, civic entities, workforce development), but often lack the models and capacity to do so. Efforts to drive inclusive economic growth in a SMC often cut across traditional functional domains and lack a clear organizational “home.” Practitioners further question how to align across domains and perspectives on a single community vision, avoid overlap, and mitigate risks of inter-organizational conflict. Intermediating organizations that translate community needs to the business/economic development community and vice versa may help address this challenge. These can be CDFIs, CDCs, community-based organizations, community colleges and other post-secondary institutions, and myriad others depending on who the active stakeholders in the SMC are and their capacity and relationships between the BIPOC and LMI communities on the one hand and the community and economic development systems on the



other. Identifying mutual areas of interest that support both community interests and business needs can be a starting point and a win-win for everyone.

### **Distrust hinders commitment and progress cannot be taken for granted**

Effective models of cooperation between economic development and community development in SMCs are either poorly documented or highly bespoke to the local context, making it harder for practitioners to identify and adapt best practices. Research in SMCs highlighted chasms of distrust across sectors, raising questions about the veracity of commitments to equitable and inclusive development. Community development is often distrustful of business and economic development; nonprofits are distrustful of local philanthropy and government, etc. Efforts to bridge gaps across geographies, levels of

Leaders in **Tulsa** recognize the need to rethink economic development and planning in the region to achieve more equitable outcomes, but the lack of organizational infrastructure for regional cooperation has hindered its ability to develop a shared vision for the future. The newly restructured [Tulsa Authority for Economic Opportunity \(TAEO\)](#), which brings together functions and assets of the city's community development and economic development entities, aims to provide a clear "home" coordinating entity for efforts to foster inclusive growth. Practitioners are hopeful that the existence of an institutional facilitator like TAEO will galvanize cross-sector collaboration.

authority, and disciplines are most successful when implemented via partnerships with trusted intermediaries (Urban League, neighborhood associations, etc.), supported with proper investments, and allowed to emerge patiently over time.

Unfortunately, commitment can also be fragile. Especially when first starting out, organizations and stakeholders engaged with local and regional initiatives need to constantly demonstrate progress to keep everyone committed and encourage additional participation. Pilot projects with clear and timely objectives can help gain useful insights and quick wins, show proof of concept, and begin to build trust among stakeholders. Sometimes it can be the difference between continued commitment or fizzled efforts.

### **Community-led wealth creation models are gaining popularity, but scalability questions remain**

Experts and research highlight legal structures which can deliver more inclusive outcomes. BIPOC wealth creation models include [steward-ownership models for businesses](#), [community land trusts](#), cooperatives and land banks. Community-powered efforts to stop wealth extraction from BIPOC also have gained traction through [Community Benefit Agreements](#) for large-scale government-backed developments, joint ownership models to maintain community ownership of physical assets during private development, and increased voice and power in municipal decision making e.g., [participatory budgeting](#), community grassroots organizing, accountability for use of tax incentives, etc.

These models present emerging ways to address racial wealth gap and deliver more inclusive outcomes but are not widely deployed, making them somewhat difficult to study in terms of potential for scalability and

ability to attract investment. Deployment of any of these models should be based on the SMC context and the issues being addressed as there is likelihood of high variability of outcomes. Additionally, economic development professionals are typically not well versed in such models, which represents an opportunity for them to build knowledge and capacity.

### **Lack of data and measurement tools pose significant hurdles for SMCs**

Multiple challenges exist around data and metrics in SMCs. Existing data sets don't provide enough granularity for decision making in real-time or longer-term planning for local leaders, especially in SMCs because of issues with disaggregating data, i.e., some data points are "hidden" in order to protect the identity of individuals when data sets are too small; only aggregated data is available in those cases. Data sets are only able to provide insights into specific dimensions of community development or economic development, but never a harmonized holistic picture. There is also a need for metrics to demonstrate interim progress on efforts to sustain partner engagement (i.e., before longer-term changes in income, poverty, and employment rates become visible). Finally, SMCs often lack the capacity and the funding to make data available more widely for use in myriad initiatives and outcomes, thereby restricting equitable outcomes. Local and Regional Government Alliance on Race and Equity ([GARE](#)) calls for "measurable outcomes tracked over time with disaggregated data, reported on, and tied to performance [as] an effective accountability

strategy for improving government function to achieve equitable outcomes."

As a result of CARES Act funding disbursed to small businesses, some SMCs proactively collected vast amounts of data about small businesses in their community and can leverage it to address specific gaps as well as design policies and products that support BIPOC business owners and uplift racial equity. Such mechanisms provide an effective interim solution.

Data and measurement issues also make it difficult to assess and compare commitment and capacity of places to guide investment decisions. A new [Racial Equity Index](#), launched in July 2020 by the National Equity Atlas, is a tool designed to measure the state of equity in a place with the aim to advance equity solutions. Designers of this tool also acknowledge issues with data disaggregation; the tool provides data for only larger cities and metros, and at the state level.

### **City typologies for SMCs need to be improved**

Current categorizations and typology insights for SMCs are inadequate to advance more inclusive outcomes. They are either extremely broad, capturing a range of economic structures, population needs and civic capacity, very narrow focusing on just one component of inclusive development such as health inequities, or historic and backward looking e.g., historical view of economic growth and progress in SMCs. A 'forward looking' typology which better captures civic capacity, capital availability and future post-COVID economic possibilities would be valuable to advance inclusive work in SMCs.

## Existing policy frameworks, including processes for new policy formulation, can pose hurdles to inclusive growth agendas

Existing policies can many times be part of a system perpetuating racial inequities, irrespective of community size and level of government. For example, the [racial wealth gap](#) between White families and Black or Latino families is the result of [policies and institutional practices](#) which have limited wealth creation for BIPOC on one side and extracted wealth on the other side. Specifically considering the racial wealth gap for Black families, wealth limiting practices include so-called “Black Codes”, which historically prohibited Black people from opening lucrative businesses, redlining by banks that blocked investment in Black neighborhoods, and racially restrictive covenants which prevented Black families from buying houses in middle and high-income neighborhoods. Examples of direct wealth extraction include Black neighborhoods displaced or destroyed by urban renewal without compensation and violent attacks on Black communities which destroyed individual and community assets. Examples of indirect wealth extraction include underinvestment and restricted access to education and racially targeted policing and inequitable legal systems, among others.

The mechanisms to create wealth continue to have structurally entrenched racism, which hampers economic opportunity and wealth creation for BIPOC:

- Labor – Black workers experience [higher rates of unemployment and lower wages](#) across all education levels and earn lower wages across occupations.

- Business ownership and investment – Business owners of color have less access to capital such as friends and family start-up capital, debt capital and equity capital, and they operate with fewer supporting structures and networks. Business owners of color were hardest hit during the height of the pandemic, suffering [nearly double](#) the rate of closures.
- Home ownership – The home ownership gap is [severe](#), with more than 70% of White families owning homes compared with 44% of Black families. Additionally, families of color face capital inequities i.e., targeted for subprime mortgages when they qualify for prime loans.

Although policy reform at the federal level would have far-reaching impact, more research is needed to decouple which local policies would uplift racial equity and which areas require federal legislation. Examples of local and state policy reforms that can be helpful in addressing racial inequality in SMCs include zoning laws, minimum wage requirements, etc.

**Chattanooga** has seen significant revitalization since environmental and demographic crises in the 1980s, but benefits of revitalization have not been shared equitably across the city and region. The Chattanooga Area Chamber deployed data showing significant racial and geographic disparities in the region to galvanize support from the private sector for an inclusive economy agenda. Sustained partnerships among employers have allowed the region to develop a vision and strategy for equitable economic development, but it remains to be seen if those strategies will be inclusive of community voice and expand community power.

[Racial Equity Impact Assessments](#) (REIAs) are a useful tool to assess the impacts of policies and programs on different racial and ethnic groups. Ideally, they are undertaken *before* new policies are implemented to prevent institutional racism but should also be performed on existing policies to uncover longstanding inequities. Policies exacerbating inequities should then be reformed to further improve the impact of new policies.

### Practical insights and actionable tools are important to advance shared understanding

SMC successes to advance more inclusive development often come within programmatic areas i.e., workforce, small business support, etc. Practical insights and how-to's which are relevant for SMCs' context are important to advance a shared understanding of inclusive models within SMCs. Supporting infrastructure which delivers insights, best practices, and peer-to-peer exchange, and built to SMC leaders' needs, would be very helpful to practitioners and researchers alike.

### Programmatic Insights

These are insights pertaining to program areas such as finance, workforce, small business, etc. In most cases, these are the visible programs and projects that can come about from strong civic infrastructure discussed earlier.

### Demand and supply side challenges hinder capital flows in SMCs

Research by [Urban Institute](#) shows that there are multiple challenges that SMCs face when trying to attract community development finance

investment. Our research in SMCs corroborates these findings and adds some additional detail.

On the supply side, stakeholders note that debt and equity capital for inclusive development in SMCs is insufficient against demand, inadequately innovative in its product offering, undervalues community voice, and restricted by mandates and rules that do not uplift racial equity. There is also limited subsidy for transactions and pre-transaction pipeline development. Experts contend that much of the capital available is limited to traditional debt offerings designed to meet Community Reinvestment Act (CRA) compliance requirements or maximize return on investment for banks rather than deliver on the needs of the community. With respect to philanthropic capital, grants play a critical enabling role in developing communities' organizational and civic infrastructure, shared priorities, and pipelines of investable opportunities to attract additional debt and equity. SMC community development and nonprofit groups, especially emerging organizations, voiced frustrations about the challenges they face receiving such support from [community foundations](#) and local philanthropy, noting their power to set the terms and timelines of community efforts and their preference for few favored, long-standing entities. Finally, with respect to public resources, SMCs often struggle to creatively use economic development incentives or public budgets to drive equitable outcomes. SMC municipal budgets may also have long-standing patterns of disinvestment in specific neighborhoods.

Demand-side issues point to "investability gaps" that occur when communities struggle to set a clear vision and develop the goals, structures, and strategies to realize that vision. Research indicates that increasing the supply of capital alone is insufficient without "a more

coordinated, strategic approach to organizing demand for capital and ensuring it is deployed to achieve ..... priorities". The Center for Community Investment calls this the "[capital absorption capacity of places](#)". This lack of capital and capacity to create the community-driven organizational infrastructure which makes communities investment-ready is a key driver of investment gaps in SMCs.

Experts encouraged philanthropic organizations to not only provide grants but other types of patient capital and concessionary investments for community and economic development projects. Additionally, influencing donors to invest larger portions of their endowments in place-based community investments would also be beneficial for more equitable outcomes in SMCs.

### **Capital investments in SMCs need to be diversified beyond small business support and housing**

Debt capital focused on housing and small business lending continues to be the primarily available capital products in SMCs. There is a general lack of capital and investments beyond small business and housing to support infrastructure, assets, and services which can support more inclusive outcomes, e.g., childcare, digital inclusion, inclusive transportation solutions, community centers, human capital investments, incubators, etc. Investments in each of these programmatic areas will help move the inclusive economic growth agenda forward. Tapping into CDFI networks can be an effective approach to understand needs and position additional capital where needed, though other investors outside community development finance may also be required.

### **Investments in entrepreneurship ecosystem building and patient capital products will help diverse entrepreneurs**

Small businesses, especially Black and Brown small business owners, have suffered disproportionate damage during the pandemic, suffering nearly [double the rate of closures](#), [half the rate of approval for Paycheck Protection Plan \(PPP\) loans](#), and much slower recovery. Supporting diverse entrepreneurs has become a top priority across both community development and economic development.

Boosting small business capital access, especially access to well-suited sources of capital (i.e., equity capital, loans with lower interest rates and longer payback times, etc.), would help minority-owned businesses that have been severely impacted. Boosting contracting opportunities with local corporate and government entities can be helpful, especially for Black- and Brown-owned small businesses. Additionally, SMCs can review their small business ecosystem and supporting infrastructure to ensure equitable support is provided to all business owners.

Beyond direct support to small businesses, it is also important to connect small businesses into the regional economic development strategy and sectoral supports. This ensures they have greater opportunity for wealth creation in high growth sectors within the regional economy.

### **Workforce investments should catalyze solutions that prioritize local needs**

Even before the pandemic, workforce development systems needed reforms. SMC stakeholders and national experts highlighted insufficient

and inflexible federal funding to address local needs related to workforce development, limited knowledge about local and regional alternatives to federal programs and missing “connective tissue” at the local level to connect LMI and BIPOC talent with high-growth economic opportunities available in the region. Therefore, workforce solutions must prioritize local needs and address local barriers in order to tackle racial inequities.

Talent cultivation and workforce development is an area of overlap between community development and economic development. Some local models have proven successful in supporting workers while also addressing business needs i.e., [neighborhood employment hubs](#), [employer resource networks](#) and [regional funding collaboratives](#), but scalability is untested. Technology can also be extensively utilized to support workforce training programs to scale up and expand beyond physical centers through remote learning options. This would help workers tap into regional labor market opportunities more effectively too.

Local businesses can be allies and conduits to worker well-being and growth. [Research](#) has shown that business owners rooted in their communities are more concerned about the economic survival and wellbeing of their workers, suggesting that communities with more locally owned businesses can better leverage local business owners to drive change for workers.

Additional insights related to workforce development include improving access to real-time labor market data to promote smarter workforce planning at a local level, improved and expanded wrap-around services such as childcare and transportation, and access to coaching to support talent in better navigating career pathways.

## **Boosting worker power, particularly for low-wage workers, is essential to improve equitable outcomes**

The pandemic had a seismic impact on labor markets, especially in industries like hospitality, tourism, and health care, and mostly concentrated in the [lowest-paying jobs](#). Many experts believe that the workforce system has been slow, inadequate, and underfunded to respond effectively to the job loss and sectoral shifts happening as a result of the pandemic. Even as restrictions brought on by the pandemic are rolled back, resulting in a boost in demand in these industries, unemployment continues to be [higher](#) than the pre-pandemic historic lows, especially for BIPOC and LMI workers. Most of these national trends are also true for SMCs and may require different strategies than larger or rural communities for an inclusive recovery.

National experts also expressed frustration that workers have not been able to increase leverage during the pandemic. Although there is now some anecdotal evidence that workers are securing higher wages, overall research continues to show low wages, poor working conditions, absence of pathways to long term career success, lack of affordable childcare along with increased family care responsibilities, among others, as ongoing significant [barriers](#) for American workers and hindering their return to the workplace. [Increased worker power and worker voice](#) would allow workers to demand higher wages and better working conditions. This is especially important for low-wage workers that have been badly affected by the pandemic.

But most headquarters of large businesses are not located in SMCs which limits the ability of workers in SMC locations to engage business leaders successfully to address their concerns. Reduced unionization

across the country, including in SMCs, further hampers workers' ability to collectively bargain and advocate for their needs.

### Support BIPOC leadership to bolster community voice in economic inclusion

Community-based organizations and leaders of color with *earned* community trust are important allies for both advancing an inclusive agenda and to the process of economic inclusion more broadly. However, BIPOC leaders and communities of color are not monoliths, and it cannot be assumed that all BIPOC leaders and community-based organizations are trusted by the larger community. Therefore, identifying individuals and organizations that have earned some community trust and want to represent their community interests is crucial.

Investments in leadership skills development and [capacity building of such BIPOC leaders](#) and organizations through leadership training, organizational support such as community-based staff and resources, and resources for building coalitions and support infrastructure are recommended. But it's not just BIPOC representation in leadership of

Chattanoogans in Action for Love, Equality, and Benevolence (CALEB) aims to expand the capacity of a coalition of community groups to organize and exercise power in economic development decisions and develop the individual capacity of organizations' leaders through training.

community-based institutions. Greater representation of BIPOC leaders – and greater investment in their capacity building – is also needed in established institutions that have historically held power as well as in the local business community in order to further strengthen the cross-sectoral collaboration.

### Implementing NGIN Insights in SMCs

NGIN synthesized its findings into a model that can be utilized in SMCs to drive economic inclusion strategies that benefit LMI residents, especially BIPOC. The causal logic in this model is that a combination of three inputs – commitment, capital, and capacity – are necessary to drive change. Communities must, therefore, work on two interlinked areas of intervention:

1. Improving inclusive economic opportunities available to BIPOC through systems change. This means equity and inclusion are a part of SMC economic strategies and SMC leaders are held accountable for delivering programs and policies that deliver equitable outcomes. This includes utilizing economic structures that create and sustain wealth for LMI residents, especially BIPOC, as well as targeting investments to projects and programs that address racial wealth gaps.
2. Deploying programs aimed at building a thriving BIPOC community in SMCs where BIPOC residents have quality jobs, successful businesses, healthy homes, and vibrant community assets. It includes engaging community members that would be impacted most by the new programs and policies in a way that respects community voice and embedding racial equity in

the economic planning, transactions, and growth of the community. In parallel, utilize community power to break patterns of community disinvestment and wealth extraction.

Actions or inputs are therefore designed in three distinct but mutually-reinforcing categories – commitment, capacity, and capital.

### Commitment

As mentioned earlier, commitment is defined as a cross-sector dedication to advance equitable outcomes in a place. It involves professionals and representatives from community and economic development, housing, finance, workforce development, small business support, transportation, health care and other sectors as well as local elected leadership, businesses, philanthropic organizations, and community-based organizations.

Commitment to economic inclusion could change over time – increase or decrease – and can be highly variable in different parts of the community. The focus is on *building upon* bold ambitions and momentum towards economic inclusion through equitable processes and outcomes. Below are some examples of specific actions at the local and regional level in SMCs that can help promote economic inclusion strategies.

1. Engage untapped potential leaders, especially LMI and BIPOC, to advance a vision for equitable growth. Historically excluded populations may not see themselves as leaders. Experts call this [powerlessness](#). Supporting the development of BIPOC leaders through trainings, peer-to-peer exchanges, best practice resources, etc. can help to drive change directly in the communities most impacted.

2. Convene cross-sector leaders and develop measurable economic and racial equity targets. Ensure that the design process engages BIPOC leaders from across the public, private and non-profit sectors, and the metrics and progress are shared with the broader community to improve accountability.

### Capacity

Our research shows that this is the area of biggest need in SMCs. Capacity building for inclusive actions requires cross-sector commitment and coordination. Lack of capacity can thwart success at any stage. As such, there is much that can be done locally. At a systems level, NGIN identified capacity building at two levels:

1. The capacity of individual civic organizations to implement economic inclusion strategies. This may include training, data collection and analyses, design, and implementation of strategies, etc. in ways that promote economic inclusion for historically excluded population groups; and
2. The capacity of a coordinating organization or “super structure” to align cross-sector organizations around a shared vision for equitable development. The coordinating organization in many ways serves as the leader focused on the broader vision, engages multiple community stakeholders to build consensus, and holds them accountable for promises made.

Examples of supporting capacity building efforts in SMCs include:



1. Ideation, training, and knowledge sharing. Community-based organizations in SMCs are eager to learn from peers about emerging ideas, models and strategies on inclusive community and economic development strategies. Training and peer-to-peer learning exchanges would allow SMCs to innovate and improve existing practices. Engaging LMI and BIPOC leaders in these efforts, and investing in their development, is paramount.
2. Data and metrics. Lack of disaggregated data at the local and sub-local levels that can assist in designing strategies and decision-making in real time is a significant hurdle. Experts highlight that in many cases data that would help communities better understand impacts on BIPOC populations isn't collected because metrics on economic inclusion aren't widely available or understood. Communities can both advocate for better data and metrics as well as design alternatives at the local level to serve their needs in the interim.

**KC Rising** is a regional economic development initiative for the greater Kansas City region to grow an inclusive economy by engaging business, education, government, and human services sectors. KC Rising, which is supported by The Civic Council of Greater Kansas City, KC Chamber, KC Area Development Council, and the Mid-America Regional Council, serves as a coordinating agency to achieve a regional vision of prosperity for all by aligning and accelerating community efforts.

3. Enabling and disabling policies. Ultimately, civic organizations that want to drive inclusive outcomes need to evaluate community-wide enabling and disabling policies and their impacts. New tools, such as racial equity assessments, are emerging to assess existing and upcoming local and state policies from an inclusion perspective. Widespread use of such tools in SMCs would help move the economic inclusion agenda forward.

### Capital

Capital includes grants and investments from philanthropic, public, and private sources with the aim to drive economic inclusion in SMCs. Current capital stacks skew heavily towards philanthropic grants for incremental program implementation and not sufficiently varied and substantial in scope for planning and design, large-scale programs implementation, or expanding existing initiatives, especially beyond small business support and housing.

SMCs can better address demand-side issues through capacity building of organizations that are trusted and rooted in the community, especially those led by BIPOC. Helping such organizations attract catalytic investments can help them build capacity and fluency to advance economic inclusion and strengthen the civic infrastructure of the community. Further research is underway to deepen the recommendations in this area.

## Additional considerations

The model has additional considerations:

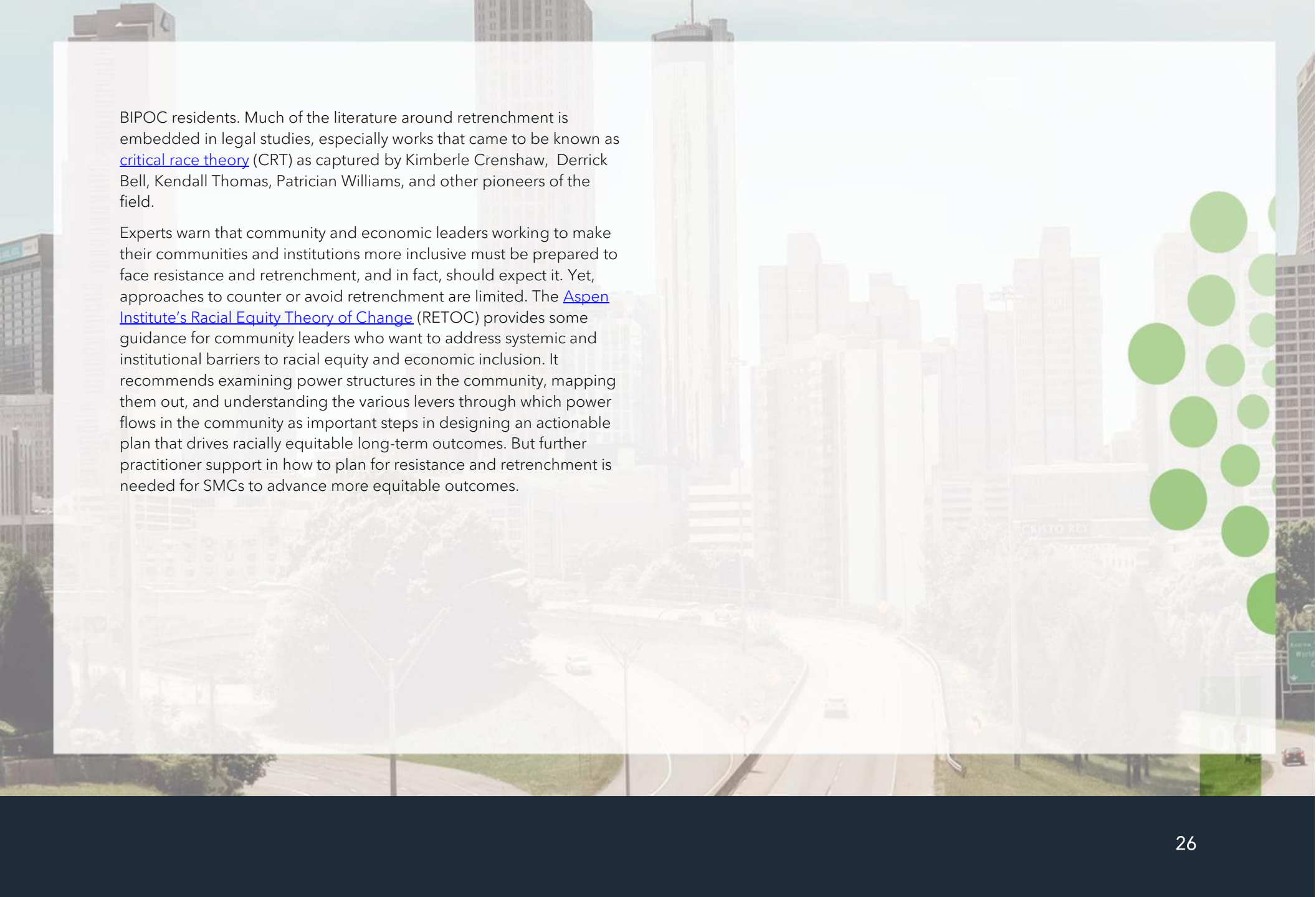
- **Timeframe** - Systemic change to advance more equitable models of community and economic development in SMCs will require a long time horizon: at least 10 years, likely more. It might be helpful to think in terms of generational change rather than expecting immediate outcomes. Tracking progress and impact throughout the longer timeframe will be crucial.
- **Accountability** - The model does not assign specific parts of the framework to specific SMC stakeholders. It will require joint commitment from community leaders, businesses, residents, community-based organizations, and philanthropic investors to advance the vision of economic inclusion locally. It can get difficult to assess who is accountable for driving change and who is holding them accountable, especially through multiple political cycles and over a very long timeframe as recommended here. Publicly sharing commitments and progress and milestones can help safeguard to some extent.
- **Unit of Change** - The tension between the needs and resources at the neighborhood level vs. economic strategies at the regional level are undeniable realities on the ground. The argument for targeting policies and programs at the neighborhood level, especially those that are suffering from historic disinvestment, is as strong as reforming “systems” underpinning inequalities even though they aren’t focused on neighborhoods i.e., zoning laws, labor markets, etc. Therefore, *connecting* neighborhoods to the regional economic

framework is paramount. Examples include local and regional transit systems to connect BIPOC residents to job opportunities, training and education programs that focus on upskilling and reskilling local talent for high-growth sector jobs, and other such programs that include historically excluded populations and geographies during design and analysis. Such programs and policies are the “connective tissue” that bridge the gap between community development and economic development.

## Note on Resistance and Retrenchment

Many expert stakeholders shared that the journey to economic inclusion and greater racial equity is never linear in small and midsize cities. It often seems to compete for resources and attention with other priorities. It is also likely to make some people and organizations who would like to maintain the status quo feel uncomfortable, especially if programs and policies are designed in ways that may change existing power structures, whether real or perceived. Such individuals or organizations may try to stop, distract from, or delay progress through different means, even when such progress would also benefit them in the longer run. In this context, it is known as resistance.

[Retrenchment](#), goes a step further and refers to the “phenomenon in which justice or equity gains are followed by losses; this is a form of organizational, institutional or structural resistance to changing the status quo”. Losses can be within the same policy areas or structures where progress was made or adjacent ones. For example, federal housing laws outlawed discrimination based on race, but local zoning laws prevent construction of affordable housing, which could benefit



BIPOC residents. Much of the literature around retrenchment is embedded in legal studies, especially works that came to be known as [critical race theory](#) (CRT) as captured by Kimberle Crenshaw, Derrick Bell, Kendall Thomas, Patrician Williams, and other pioneers of the field.

Experts warn that community and economic leaders working to make their communities and institutions more inclusive must be prepared to face resistance and retrenchment, and in fact, should expect it. Yet, approaches to counter or avoid retrenchment are limited. The [Aspen Institute's Racial Equity Theory of Change](#) (RETOC) provides some guidance for community leaders who want to address systemic and institutional barriers to racial equity and economic inclusion. It recommends examining power structures in the community, mapping them out, and understanding the various levers through which power flows in the community as important steps in designing an actionable plan that drives racially equitable long-term outcomes. But further practitioner support in how to plan for resistance and retrenchment is needed for SMCs to advance more equitable outcomes.

# Healthier and more resilient SMCs through economic inclusion strategies that benefit LMI residents, especially BIPOC

## Inclusive Economic Opportunity

- SMC economic strategy and SMC leadership aligned to and accountable for inclusion
- Economic structures which create and sustain wealth for LMI residents, especially BIPOC, including community ownership models
- Increased SMC investments targeting the racial wealth gap



## Thriving BIPOC in SMCs

- Thriving BIPOC with quality jobs, successful businesses, healthy homes and vibrant community assets
- Community voice to embed racial equity in economic planning, transactions and growth
- Community power to break patterns of community disinvestment and wealth extraction

### Commitment

- Support SMCs build upon bold ambition for racial equity and economic opportunity in process and outcomes
- Engage untapped potential leaders, especially LMI & BIPOC, to advance a vision for equitable growth
- Convene cross-sector leaders and support development of measurable economic and racial equity targets

### Capacity (including data & policy)

- Invest in training & sharing knowledge among community organizations on inclusive community and economic development strategies
- Support design of new strategies, models and practices that improve equitable outcomes in SMCs
- Support leadership development, especially for emerging LMI & BIPOC leaders
- Advocate for actionable metrics and real-time data to plan, track and improve strategies for inclusive outcomes as well as design alternatives locally
- Spotlight local disabling economic policies, especially those exacerbating racial income & wealth gaps
- Institutionalize enabling policies that improve equitable outcomes

### Capital

- Help build capacity of organizations trusted and rooted in the community to attract impact investments that advance racially equitable economic opportunities for LMI and BIPOC in SMCs

Definitions:

- Commitment is defined as a cross-sector dedication to advance equitable community and economic development outcomes in a specific place. Commitment stems from a “recognition” of the needs of LMI & BIPOC residents and grows through support and capacity building.
- Capacity is defined as both (1) the capacity of civic organizations to implement racially equitable development strategies, and (2) the capacity of a coordinating organization/super structure to align cross-sector organizations for a shared vision for equitable development.
- Capital in this context refers to both grants and investments from philanthropic, public and private sources to advance racially equitable economic opportunity and more resilient SMCs.

# Recommendations for Practitioners

The following set of recommendations are aimed at community and economic development practitioners and SMC leaders for driving inclusive actions locally.

## Nurture Sustained Commitment

Commitment to more inclusive outcomes cannot be taken for granted. It is fragile, may not be linear and may falter. SMC leaders and community and economic development practitioners will have to continue to invest in their journey to sustained commitment through constant engagement and support of community stakeholders and those directly impacted in underinvested neighborhoods. For example, invite and engage community-based organizations that have earned trust in the community for input and feedback on policy and program design, support their capacity building through grants and training opportunities, and nurture their growth through local and regional procurement practices that prioritize community-based organizations. [Baltimore Together](#) is an example of how this can be put into practice.

## Assess Existing and Upcoming Policies from an Equity Lens

Conducting equity assessments of existing policies can highlight disabling policies that should be reformed or dismantled. Engage

community-based leaders, especially BIPOC and LMI populations, that have been directly impacted by inequitable local policies to design reforms for better outcomes.

Put in place systems to require equity assessments for new policies, much like environmental impact assessments, to prevent perpetuating inequities in the future. The Racial Equity Impact Assessment tool by PolicyLink, mentioned earlier, is a first step but leaders need to go further by designing programs and policies that center equity from the beginning.

## Bolster Local Capacity

Efforts to drive inclusive economic growth often cut across traditional functional domains and lack a clear organizational "home." SMCs need a "super-structure" with capacity and bandwidth to lead the cross-sectoral collaboration, which can be a new organization (such as Tulsa's new Tulsa Authority for Economic Opportunity) or reside with an existing organization that has the reach and relationships to serve in this capacity. Building local capacity for inclusive growth is paramount. KC Rising in Kansas City, MO is trying to achieve this and has been very successful so far.

## Encourage Engagement of BIPOC Leaders in Decision Making

Economic leaders should engage community leaders, especially BIPOC, in regional economic and wealth building decisions. Start with identifying these leaders, invest in building their knowledge and understanding of the economic decision-making processes and frameworks, and continue to nurture them so they are a part of the decisions made. As mentioned earlier, Chattanooga has seen the benefits of nurturing local leaders and investing in their knowledge development.

## Develop Metrics for Accountability and Share Results

There is much debate and literature available on how inclusive growth should be measured. Ultimately, it is less about the specific metrics adopted by the community and more about regularly monitoring progress against whatever metrics are chosen. Sharing the results

publicly to demonstrate progress, for example through annual reports, is an excellent way to keep leaders and organizations accountable in the short- and long-term.

## Expand Understanding of Innovative Models

Both economic development and community development practitioners need to expand their knowledge about innovations happening in the other sector. Economic leaders should consider and gain more understanding of innovative community wealth building structures (e.g., steward-ownership, community-ownership, etc.) to better support such efforts locally. Community leaders should continue to build economic development fluency (e.g., incentives, community benefits agreements, etc.) to strengthen their voice and power as regional economic decisions are made. This can range from formal training programs and certificates to jointly attending professional conferences, or simply facilitating relationship building and exchange of knowledge at the local level through informal conversations.

# Appendices

## SMC Selection Methodology

New Growth Innovation Network (NGIN) selected six small and midsize cities for stakeholder engagement: Akron, OH; Bakersfield, CA; Chattanooga, TN; Little Rock, AR; Rochester, NY; and Tulsa, OK. The six SMCs in focus are diverse in terms of economic conditions, geography, demographics, mayoral political affiliations, and industrial bases. Importantly, all six demonstrated some experience linking community and economic development with a focus on racial equity.

To identify the cities, NGIN started with the City Health Dashboard's city typologies identified in "[City Types for Improving Health and Equity](#)", focusing on the 188 "Working Towns" and "Regional Hubs". These two city types were prioritized because of their relative economic independence and their geographic and racial/ethnic diversity. In

addition to those cities, NGIN also included for consideration eight cities that were mentioned in stakeholder discussions and expert interviews.

NGIN then compiled economic and demographic data on each of the cities on this preliminary list to refine it further. The metrics included population, 5-year population growth, per capita and household income, racial and ethnic composition, and the economic base of the metro, as represented by the top three industrial sectors by overall employment and by relative share of employment (location quotient).

With this data, NGIN narrowed the list to 31 cities comprising four sub-typologies based on size, growth, and economic bases. Finally, NGIN did high-level scans of the civic landscape scans for these 31 cities, to identify those cities that demonstrate some progress linking community and economic development with a specific focus on racial equity.

# Advisory Panel Members

NGIN would like to thank the advisory panel experts for their time, dedication and insights that helped us refine our understanding. The advisory panel met three times to review and provide feedback to NGIN staff.



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Racial Equity Asset Lab  
(The REAL)



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Community Investment



**Rodney Foxworth**  
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**Rodrick T. Miller**  
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**Jason Purnell**  
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**Robert Simpson**  
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**Karen Leone de Nie**  
Vice President and  
Community Affairs Officer, Federal  
Reserve Bank of Atlanta



## List of Interviewees

NGIN would like to acknowledge the contributions of the following national experts and SMC stakeholders who were interviewed for the project. Their time and insights were greatly appreciated.

### National Experts

Name	Organization
Amy Minzner	Community Science
Andrea Ponsor	Stewards of Affordable Housing for the Future (SAHF)
Beth Siegel	Mt. Auburn Associates
Betsy Biemann	Coastal Enterprises, Inc.
Bill Taft	Local Initiatives Support Corporation (LISC)
Brett Theodos	Urban Institute
Camille Busette	The Brookings Institution
Charisse Conanan Johnson	Next Street
Chris Walker	Formerly at LISC
David Merriman	University of Illinois Chicago
Deborah Frieze	Boston Impact Initiative Fund
Doug O'Brien	National Cooperative Business Association CLUSA International (NCBA CLUSA)
Dr. Akilah Watkins	Center for Community Progress
Erika Seth Davies	The Racial Equity Asset Lab (The REAL)

Name	Organization
Ernst Valery	SAA   EVI
Fay Horwitt	Forward Cities
James Crowder	PolicyLink
James Hardy	City of Akron, Mayor's Office, OH
Jason Purnell	BJC HealthCare
Karen Leone de Nie	Federal Reserve Bank of Atlanta
Lauren Jacobs	The Partnership for Working Families
Manuel Pastor	University of Southern California
Maria Flynn	Jobs for the Future (JFF)
Patricia Smith	The Funders Network (TFN)
Paul Brophy	NGIN Board Member
Rob Simpson	CenterState CEO
Robert Weissbourd	RW Ventures
Robin Hacke	Center for Community Investments
Rodney Foxworth	Common Future (formerly BALLE)
Sandra M. Moore	Advantage Capital
Shekeria Brown	JPMorgan Chase



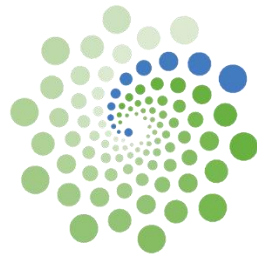
Name	Organization
Sheri Gonzales	KC Rising
Tamar Kotelchuk	Federal Reserve Bank of Boston
Tawanna Black	Center for Economic Inclusion
Tim Bartik	W.E. Upjohn Institute for Employment Research
Tim Ferguson	TILT Investment Management
Tony Pickett	Grounded Solutions Network

Name	Organization
Will Lambe	Enterprise Community Investment, Inc.
Kimberlee Cornett	Robert Wood Johnson Foundation
Don Schwarz	Robert Wood Johnson Foundation
Camille Watson	NYU Furman Center
Ingrid Gould Ellen	NYU Furman Center
Matt Sigelman	Burning Glass Technologies

## SMC Stakeholders

Name	Organization	City
Amy Thelen & Natasha Felkins	Bitwise Industries	Bakersfield
Arleana Waller	MLK CommUNITY Initiative	Bakersfield
Baye Muhammad	Rochester Economic Development Corporation	Rochester
Brian Paschal	Lobeck Taylor Family Foundation	Tulsa
Charles Wood	Chattanooga Area Chamber of Commerce	Chattanooga
Cheryl Stephens	East Akron Neighborhood Development Corporation (EANDC)	Akron
Grant Tennille	City of Little Rock, Office of Economic Development	Little Rock
Greg Robinson	Standpipe Hill Strategies (formerly Met Cares Foundation)	Tulsa
James Reddish	Little Rock Regional Chamber	Little Rock
Kian Kamas	Tulsa Authority for Economic Opportunity	Tulsa
Kirk Wester	Growing Together Tulsa	Tulsa
Kristen Beall Watson	Kern Community Foundation	Bakersfield
Kuma Roberts	Arrowhead Consulting (formerly at Tulsa Regional Chamber)	Tulsa

Name	Organization	City
Dr. Lomax Cambell	City of Rochester, Office of Community Wealth Building	Rochester
Martina Guilfoil	Chattanooga Neighborhood Enterprise	Chattanooga
Michael Gilliland	Chattanoogans in Action for Love, Equality, and Benevolence (CALEB)	Chattanooga
Nick Doctor	Independent	Tulsa
Nick Ortiz	Greater Bakersfield Chamber	Bakersfield
Rachel Bridenstine	Akron Development Finance Authority	Akron
Robert DeJournett	Greater Akron Chamber of Commerce	Akron
Rose Washington	Tulsa Economic Development Corporation	Tulsa
Sarah Morgan	Benwood Foundation	Chattanooga
Dr. Seanelle Hawkins & Chantz Miles	Urban League of Greater Rochester	Rochester
Simeon Bannister	Rochester Area Community Foundation	Rochester
Zac Kohl	The Well Community Development Corporation	Akron



# New Growth Innovation Network

POWERING INCLUSIVE ECONOMIES

New Growth Innovation Network focuses on inclusive economic growth and closing structural opportunity gaps, to ensure that people of color, women and neglected geographies are a core part of regional economic growth and prosperity.

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[www.newgrowth.org](http://www.newgrowth.org)