

THE ORANGE DOT PROJECT



A Declaration of Independence:

Family Self-Sufficiency in Charlottesville, Virginia

Presented to: Greater Charlottesville Area Development Corporation

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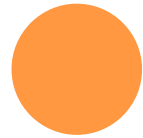
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Project Purpose

To create jobs so families can become self-sufficient. Too many families in Charlottesville are struggling to achieve financial independence. To become independent, people need to be able to find work and they need to be prepared for that work. Job creation occurs on the community level and should be geared toward harnessing the regional economic power that surrounds us. Job readiness occurs on the family level and helps parents find, keep and thrive in those newly created jobs. Combining these strands can help families pull themselves out of poverty.

This is a working document subject to revisions as more knowledge is gained. The authors welcome suggestions for improvement.



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Part I: Defining the Issue

ISSUE

The gravitational pull of poverty is real, and it is powerful.

Nearly half the children born into poverty stay in poverty the rest of their lives.¹ As a result, many children in poverty become parents in poverty.

To escape this cycle, children need education beyond high school.² If their parents are struggling, however, these children face enormous obstacles in completing their education and breaking the bonds of poverty.³

Ending the cycle of poverty, therefore, must include providing a pathway to self-sufficiency for parents.

Constructing such a pathway requires effort greater than those forces that keep people in poverty. The effort needs to be grounded in the community, focused on the goal and supported over time.

But a community cannot solve a problem without understanding it first. Part I of this report quantifies the size and scope of the grave financial conditions facing a surprising number of families in Charlottesville. This report includes newly developed methods for gauging the extent of family poverty in the city.

Among us are too many families struggling in poverty. Around us are the opportunities to end those struggles. We need to harness those opportunities so families can seize them.

If it cannot be done here, it cannot be done anywhere.

¹ According to the Pew Charitable Trusts Economic Mobility Project, 42 percent of children born into the bottom fifth of family income will be there for life. Sharkey, Patrick. *Neighborhoods and the Black-White Mobility Gap*. Rep. Pew Charitable Trusts, 2009.

² Chances of escaping poverty are 30 percent higher for those with more than a high school diploma compared to those who never graduated. Acs, Gregory and Zimmerman, Seth. *U.S. Intragenerational Economic Mobility From 1984 to 2004: Trends and Implications*, Rep. (Pew Charitable Trusts, 2008), Figure 5.

³ “Double Jeopardy: How Third Grade Reading Skills and Poverty Influence High School Graduation,” Hernandez, Donald J. (Annie E. Casey Foundation: April 2011)

Too Many Struggling Families

There are 7,099 families living in Charlottesville.⁴

Of these, 1,388 (19.6%/one out of every five) do not make enough money to survive on their own. They are not independent. They rely on others (the government or non-profits) to survive. Survival means having the funds to pay for food, clothing, shelter and utilities. Here are the financial challenges families face in Charlottesville:

Survival Expenses Charlottesville Family Self-Sufficiency Costs (in dollars) ⁵						
Expenses	Single Householder + 2 kids (1 toddler) ⁶			Single Householder + 3 kids (1 toddler)		
	Annual	Monthly	Weekly	Annual	Monthly	Weekly
Food	6,005 ⁷	500	125	6,911	576	144
Clothing	965			1,110		
Shelter	11,172 ⁸	931		14,484 ⁹	1,207	
Utilities	3,007	250		3,461	288	
Necessary Costs	4,230	353		5,193	433	
Total Survival Income	25,379¹⁰			31,259		

⁴ U.S. Census Bureau, 2005-2009. American Community Survey 5-Year Estimates.

⁵ The foundation for this chart is a 1995 report from the National Academy of Sciences, finding that “the official U.S. poverty thresholds should comprise a budget for the three basic categories of food, clothing, shelter (including utilities), and a small additional amount to allow for other needs (e.g., household supplies, personal care, non-work-related transportation).” Measuring Poverty: A New Approach (Citro and Michael 1995).

⁶ Using a formula from the U.S. Bureau of Labor Statistics, the costs for a single adult are computed and then an equivalence scale is used to develop cost estimates for different family compositions. This is the formula for a single parent with children: $scale = (adults + 0.8*firstchild + 0.5*otherchildren)^{0.7}$.

⁷ Garner, Thesia I. Supplemental Poverty Measure Thresholds: Laying the Foundation. Paper. Washington DC: Bureau of Labor Statistics, 2010.

⁸ Cost of a 2-bedroom in Charlottesville according to a recent fair market rents survey. FY 2011 Final Fair Market Rents for Existing Housing. Raw data. U.S. Department of Housing and Urban Development, Washington DC. 20 Sept. 2010

If the family incurs additional expenses in order to work and not just survive, then their financial challenge is even more daunting. In Charlottesville, 2,069 families (29.1%/one out of every three) do not make enough money to pay for both the bare essentials and the added costs associated with working--childcare and transportation.

Working Family Expenses Charlottesville Family Self-Sufficiency Costs (in dollars)						
Expenses	Single Householder + 2 kids (1 toddler)			Single Householder + 3 kids (1 toddler)		
	Annual	Monthly	Weekly	Annual	Monthly	Weekly
Survival Income	25,279			31,259		
Transportation	240 ¹¹	20		240	20	
Childcare	9,384 ¹²	782	196	9,384	782	196
Total Working Income	35,003	2,917		40,783	3,399	

In order for a family to live independently in Charlottesville, a single parent with two children would need to earn \$35,000 a year. The single parent with three children would need to earn at least \$40,000 a year.

Working Family Self-Sufficiency Income (in dollars)				
	Annually	Monthly	Weekly	Hourly
Single Householder + 2 kids (1 toddler)	35,003	2,917	729	17.50 per hour
Single Householder + 3 kids (1 toddler)	40,783	3,399	850	20.00 per hour

⁹ Cost of a 3-bedroom in Charlottesville according to the HUD fair market rents survey.

¹⁰ Total based on the following formula: $Household\ Total = [FCSU_{single\ adult}] * 1.2 * [(adults + 0.8 * firstchild + 0.5 * otherchildren)^{0.7}]$

¹¹ Monthly cost of a bus pass on Charlottesville Area Transit

¹² Market cost of child care at KinderCare in Charlottesville

As noted above, the U.S. Census Bureau estimates that 29% of the families in Charlottesville (2,069) do not earn a wage that allows them to be self-sufficient.

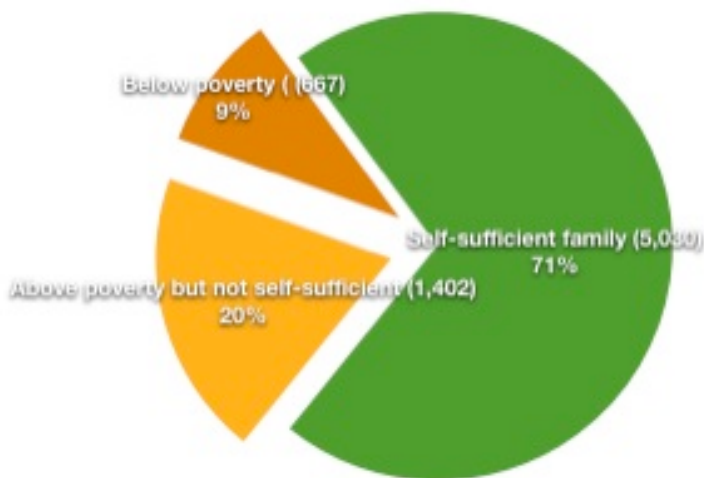
The following table elaborates on the incomes earned by Charlottesville families.

Annual Family Income and Benefits (in 2009 Inflation-Adjusted Dollars)	Number of Charlottesville Families
Less than \$10,000	423
\$10,000 to \$14,999	170
\$15,000 to \$24,999	795
\$25,000 to \$34,999	681

Local Income Deficit

This report is the first in the nation to quantify a community’s local income deficit. The annual local income deficit is the total amount of income to fill the gap between what families currently receive as income and what they need to earn to be self-sufficient. In

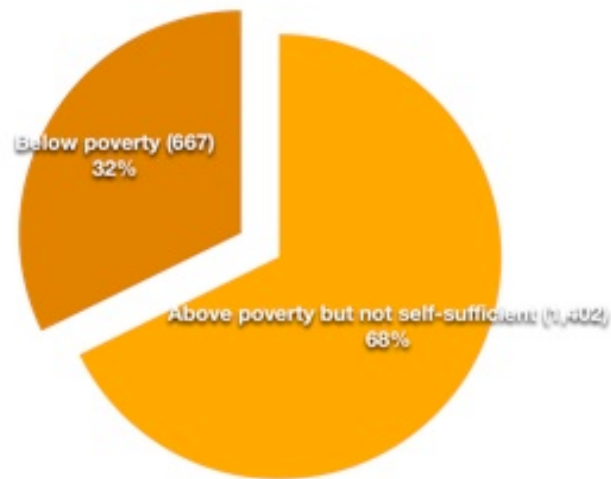
Charlottesville, there are 2,069 families that do not earn enough to sustain themselves financially. To grasp what would be needed to lift these families to self-sufficiency, it is crucial to know the extent of the annual local income deficit. The annual local income deficit for Charlottesville is between \$20 and \$30 million annually.



To create a pathway from dependency to self-sufficiency, the community needs to implement an economic development strategy that will generate \$20-\$30 million in additional total annual income for these families.

Charlottesville's Population

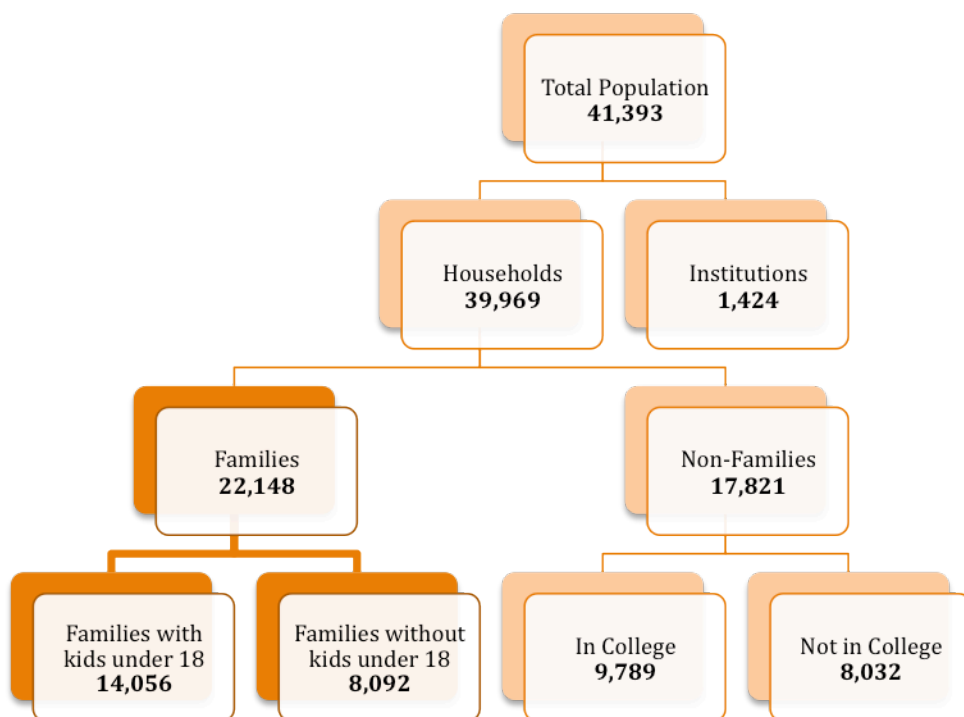
This report focuses on families in Charlottesville, but of course Charlottesville is comprised of more than just families. The reason for this focus is three-fold: by definition, the cycle of poverty involves parents and children, so breaking the cycle of poverty necessarily requires a focus on families; it is families with children that appear to be struggling the hardest in Charlottesville; and by focusing on the families, we filter out the statistical effects that university students have on data about Charlottesville.



According to the Census Bureau's American Community Survey (2005-2009), there were 41,393 people living in Charlottesville. Of that number, an estimated 11,213 were enrolled in college. Of the remainder, 22,148 were in families and 8,032 were either living alone or with unrelated roommates.

Census data about Charlottesville generally is compiled as either household data or as family data. Household data, however, includes the 9,789 people who were enrolled in college but not living in a dorm. Thus, looking at household income or household poverty rates would include the typically meager income of college students, thereby skewing the true picture of the issues facing Charlottesville.

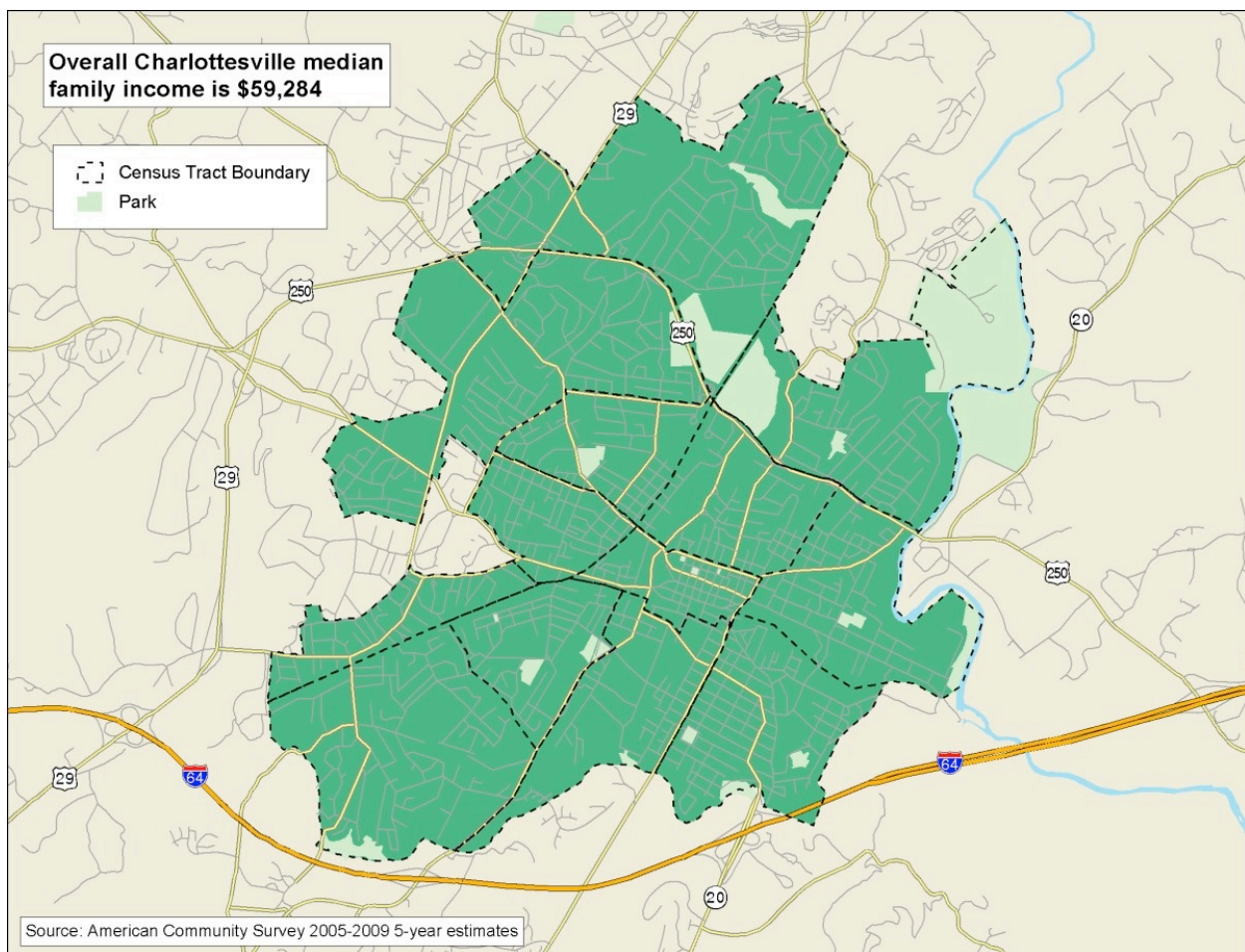
Families, however, are defined by the census as related people living together in a household. Since families are the ones struggling, and the majority of individuals in Charlottesville live in families, it is appropriate to focus on them.



Families in Charlottesville

On the face of it, Charlottesville's families appear to be doing fairly well. The median family income in Charlottesville is \$59,284. That's comfortably above the income necessary for a family to be independent. And it certainly explains why many people, especially from beyond the city's borders, would not even consider Charlottesville when identifying places where people are suffering financial distress.

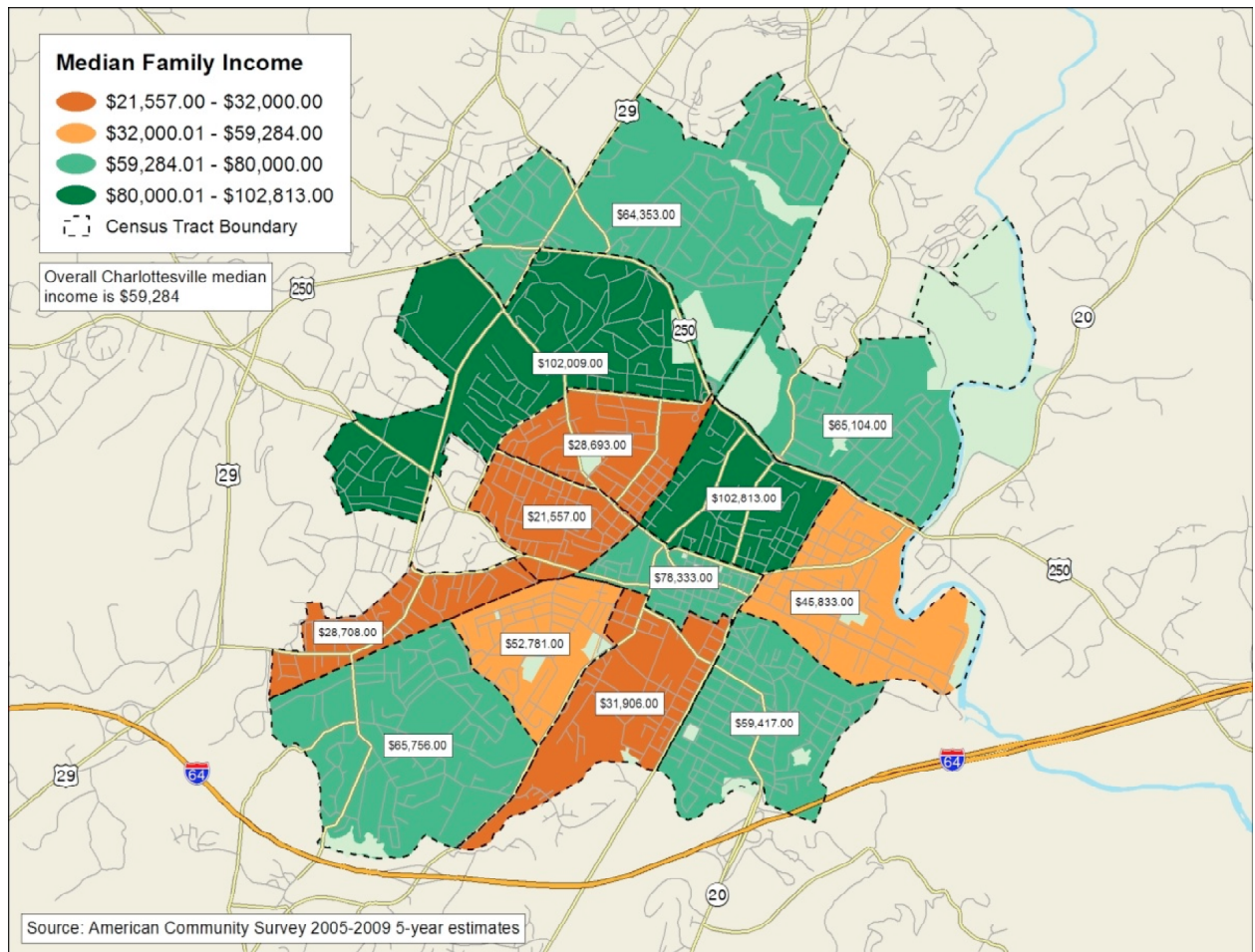
The map on the following page illustrates the point.



Looking beneath the surface, however, reveals a more startling and troubling circumstance.

Charlottesville is a city of roughly 10 square miles. Like any city, Charlottesville has many neighborhoods located within its borders. In fact, the Census Bureau has divided the city into 13 different neighborhoods, known as census tracts. These tracts are roughly equal in population and are bounded by major roads and railroad tracks.

The dotted lines in the map above show the 13 census tracts in Charlottesville. For a more detailed view of the boundary lines, please consult the census tract map in the Appendix.



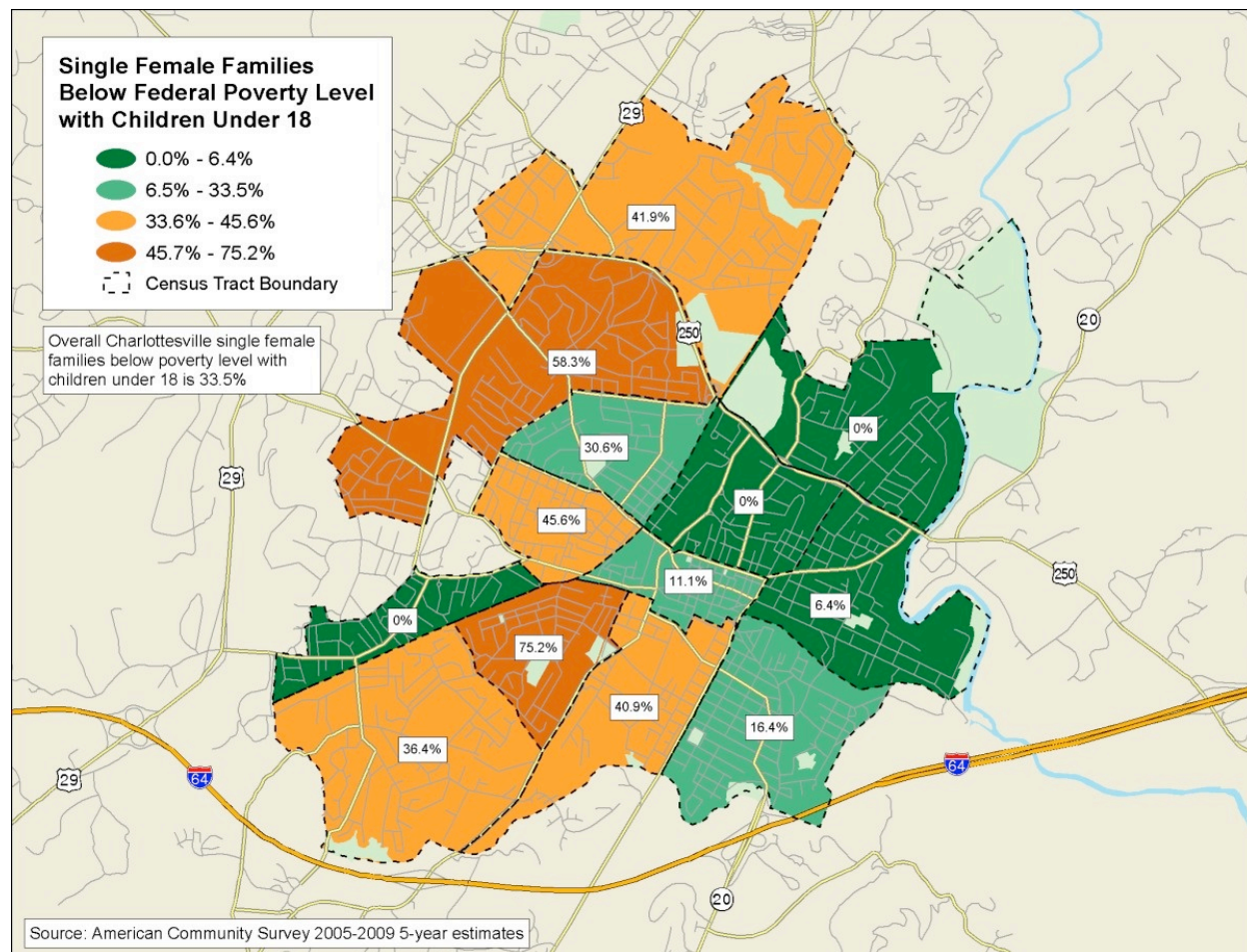
Looking at these neighborhoods separately, it becomes clear that the well-being of families is not spread evenly across the city. While there are two neighborhoods where families are living quite comfortably, there are others where families are clearly struggling.

Families Below the Federal Poverty Level

Even when measured by the antiquated and flawed "federal poverty level," which is well known to understate the level of deprivation¹³, the situation in Charlottesville is serious. Seventeen percent of all families with children under 18 live below the federal poverty threshold (517 families). The majority of these families are headed by a single

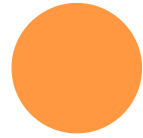
¹³ According to the Virginia Poverty Reduction Task Force, "the poverty threshold was developed in 1963, based on a subsistence food budget and multiplied by three [on the theory that 1/3 of income should be spent on food], but since then food costs have declined relative to other costs (for example, shelter), so that the multiplier underestimates basic living costs. The poverty threshold for a family of four has consequently declined from about 50 percent of median income in 1963 to close to 25 percent of median income today." Poverty Reduction Taskforce. Poverty in Virginia: Recommendations from the Commonwealth of Virginia's Poverty Reduction Task Force. Rep.

mom. In fact, over 33 percent of female-headed households with children under 18 in Charlottesville live below the paltry federal poverty threshold (339 families). In one census tract, 75.2% of single mothers with children live below the federal poverty level.



Issue Conclusion

Over 2,000 Charlottesville parents struggle every day to provide for themselves and their children. Many of those children are likely to face the same struggles the rest of their lives. Helping people pull away from those gravitational forces requires that we work as a community to help parents by reducing the annual local income deficit. This effort will yield substantial benefits for their children.



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Part II: Finding a Solution

ISSUE SUMMARY

One third of Charlottesville's families do not earn enough income to be self-sufficient. The vast majority of these struggling families consist of women and their children. Absent a sustained, methodical and intentional effort, a huge number of these children born into poverty will remain there the rest of their lives.

For families to escape the gravitational pull of poverty, parents need jobs. There are over 2,000 families in Charlottesville who do not earn enough to be independent. No community has ever quantified what it would take to help these families move to self-sufficiency, until now. This report calculates the annual local income deficit—the difference between what these parents currently earn and what they would need to earn to become independent. In Charlottesville, the annual local income deficit is between \$20-\$30 million.

We now know the scope of the problem we are trying to solve, and we know that this income gap can be narrowed only if these parents find meaningful work. To accomplish that goal, the community needs to create jobs and families need to be positioned to get them.

The community of Charlottesville can tackle this problem. The families in trouble, though numerous, are not anonymous. The problem, though daunting, is not insurmountable. We have the will and the means. What we have been lacking is the method.

Charlottesville has long had a problem. Charlottesville might now have a solution. If this approach works here, it can be implemented elsewhere. And if this cannot be done in Charlottesville, it cannot be done anywhere.

A SOLUTION

Change is Hard

“[A]ll experience hath shewn that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed.” In the Declaration of Independence, Thomas Jefferson wrote eloquently about a truth we know: change is hard. It is hard for a community to change, and it is hard for individuals to change. But the alternative to changing is staying the same. And staying the same means that we are consigning yet another generation of children to a life of struggle and dependency.

Two Generation Strategy

There is overwhelming evidence that children born into poverty will stay in poverty.¹⁴ If children do not graduate from high school or continue their education beyond high school, there is a good chance they will be impoverished as adults. And parents' income can determine the level educational attainment—and the likelihood of self-sufficiency—of their children.

To break the cycle of poverty, therefore, we need to focus not just on the children—where there is already a substantial focus in Charlottesville—but also on their parents. In short, to break the cycle of poverty we need a two-generation strategy. Children need quality schools and their parents need quality jobs.

An effective plan for family independence requires the weaving of two strands: a community strand and a family strand. At the community level, there is *job creation*. At the family level, there is *job readiness*. Without both strands, the effort to move families to financial independence will fray and break. Preparing a parent for a job that does not exist leads to occupational constipation—a jobs pipeline with no outlet. Similarly, creating a job for a parent not prepared to take it only leads to frustration and recrimination.

Job Creation

Family self-sufficiency begins with a job. A steady income is the first step toward wealth creation and places families on the path to earn it, keep it, and grow it.

But creating jobs, especially for people in poverty, is tough. A comprehensive review of major community development efforts over the last forty years uncovered precious few examples of successful job creation efforts. After researching what has worked and what hasn't work in lifting communities out of poverty, a group of noted experts came to a simple conclusion: focus on the regional economy. They concluded that "[a] more ambitious approach to economic revitalization in poor communities would aim to ensure that low- and moderate-income neighborhoods get their share of the larger region's economic spoils."¹⁵

Fortunately, the Charlottesville region has a number of powerful economic engines; some of which are anchor institutions permanently embedded in the community. As anchor institutions, they cannot move to China seeking lower-wage workers or to another state to chase tax incentives. For example, the region's largest employer, the University of Virginia, is an anchor institution that has an annual budget of \$2.3 billion. While most of those funds are spent on wages, the University also spends \$630 million

¹⁴ According to the Pew Charitable Trusts Economic Mobility Project, 42 percent of children born into the bottom fifth of family income will be there for life. Sharkey, Patrick.

Neighborhoods and the Black-White Mobility Gap. Rep. Pew Charitable Trusts, 2009.

¹⁵ Kubisch, Auspos, Brown and Dewar, *Voices from the Field III*, 26.

annually buying goods and services from beyond the University's grounds. The University of Virginia is just one of many examples of economic powerhouses that thrive in our community. In addition to the University and its hospital, the region has another major hospital, a number of large private employers, two substantial local governments and a burgeoning federal government presence. To appreciate the economic potential of the region, it is interesting to note that retail sales in Charlottesville and Albemarle County last year topped \$2.1 billion. In short, our region is fortunate to have substantial “economic spoils.”

Our focus then should be on creating a mechanism that allows the community to harness a portion of that existing activity and redirect it toward the families who are struggling here to lift themselves up.

Case Study: Harnessing the Regional Economy

The University of Pennsylvania (Penn) is located in West Philadelphia, a neighborhood struggling with the collapse of the local urban economy that had formerly employed its residents. What has become a model of innovative job creation and local income deficit reduction began as a tragedy. On Halloween night in 1996, a Penn professor was robbed and fatally stabbed just off Penn's campus. Concerned parents descended on the University, demanding to know how the university planned to keep their children safe.

Penn's leaders considered the possibilities: they could relocate, they could build up walls around campus or they could work on lifting up the community. But they couldn't move the campus, and they didn't want to build the walls, so they decided to help the community. So Penn launched the West Philadelphia Initiatives—a multi-faceted plan to address the underlying issues in the neighborhood, one of which is growing jobs and lowering the local income deficit in West Philadelphia.

The University of Pennsylvania has a \$600 million annual procurement budget. Penn decided to use that economic muscle to improve the economic conditions of the community surrounding the university. They did it as a matter of self-preservation, but it has become a model. The university included as a job performance measure for their procurement officers the amount of goods and services purchased from West Philadelphia. The president of the university receives a monthly report on the amount of goods and services purchased from West Philadelphia. And the Board of Regents receives a quarterly report on the amount of goods and services purchased from West Philadelphia. These intentional efforts are paying dividends. In 1986, Penn purchased \$1 million in goods and services from West Philadelphia. Last year, Penn purchased \$110 million in goods and services from West Philadelphia. Penn reports that its efforts have directly resulted in the creation of 750 jobs in that economically troubled neighborhood. Penn used its purchasing power to strengthen its community strand. Included in the Appendix is a recent summary detailing the Initiatives.

In Charlottesville, we can learn from and improve upon the West Philadelphia example. We need to harness the power of our local economic engines and convert that power into job creation.

Businesses create jobs when they grow to take advantage of new opportunities to sell more goods and services. To spur local job growth, then, local employers need access to new markets. They also need access to capital, access to qualified workers and, often, access to a mentoring or peer support network.

Access to New Markets

To harness our region's economic power and open new markets, we need to create a mechanism that makes it easy for these economic engines to connect to local employers. We need to identify the goods and services that are being purchased from outside the region by these institutions and find (or help to create) local vendors who can supply those needs. This will require a multi-faceted approach designed to make these transactions easy and affordable.

This is not about charity. It is about economic development. It is about job creation that can help families pull themselves to self-sufficiency. This is our community strand.

Create a community-centered hub to harness regional economic power. This entity will function much like a general contractor. In the community, it will identify a diversified portfolio of local businesses that have the ability to provide goods and services needed by the local economic engines. These subcontractors have the ability but not the expertise to deal with our large anchor institutions. With a stable of subcontractors identified, this entity will respond to bid requests and requests for proposals issued by the large institutions. This connective bridge will become an expert in procurement and its intricacies--requirements that can create obstacles for many small businesses in the area. It will serve as a one-stop broker connecting the needs of purchaser and the capabilities of the seller¹⁶.

This hub will connect with the low-wealth community to identify businesses that could fulfill the economic needs of the region's large economic institutions. This represents an upgrade of the model used by the University of Pennsylvania, where the onus of finding local businesses rested on the institution. Here, the obligation to identify local firms and businesses that can fulfill local needs will reside with the community. This will then make it easy for institutions to find local vendors—including small, women and minority businesses—when they opt to do so.

The hub will also provide a quality control function, making sure that its identified vendors meet the requirements of the contract. Buyers often find comfort knowing

¹⁶ The hub envisioned by this proposal would complement upon the City of Charlottesville's recently adopted program to expand work opportunities in the public housing community by identifying businesses and workers who could benefit from the program.

there is a third party to contact when problems arise, and the community hub will have every incentive to uphold quality in order to gain and maintain credibility. This buffering function will also be useful to the local businesspeople who may be unaccustomed to the ways of large institutions. By serving as a bridge between the institutions and community businesses, this community hub will provide new access to existing markets. To be effective, the operator of the hub will need the brains of a capitalist and the heart of a social worker.

This practical approach should help small local businesses overcome the hurdles that have historically prevented successful engagement between local businesses and their neighboring anchor institutions thus opening new markets. The expansion of markets will lead to an expansion of jobs. To have access to the services of the intermediary, local businesses will need to focus their new hiring in the low-wealth community. If Orange Dot, LLC—the hub—can be successful in satisfying just a small percentage of the existing economic needs of our local economic institutions, the community could make substantial progress in closing the local income deficit and lifting families out of poverty and dependence.

Start a light manufacturing facility. The initial focus of the hub will be to identify existing businesses that can fulfill ongoing needs of local institutions, since roughly eighty percent of all new jobs come from the expansion of an existing business. But there also may be an opportunity to build a light manufacturing facility that could fill a substantial and recurring need for our community's anchor institutions. Such a light manufacturing facility, geared toward the needs of the regional economy, may be best positioned to employ a large number of lower skilled employees and perhaps fill a void created by the decline in local manufacturing and construction. While there are obstacles to locating a light manufacturing plant in this region—most notably the cost of land—the social and financial benefits of getting people back to work who otherwise will be left behind could provide sufficient impetus for the community to develop a mechanism to overcome those obstacles.

Access to Capital

Provide access to capital for growing businesses. Expanding the markets for local businesses should lead to a need for the businesses themselves to expand. But to expand, these entrepreneurs will need access to capital. There is an active effort underway in Charlottesville to create a micro-lending program, called the Community Investment Corporation. A focus of that program will be to provide funding to minority businesses that are seeking to expand. In addition to capital, this group will also provide mentoring and training to expanding and start-up businesses. The mentoring process should work in concert with the quality control function of the hub, insuring that businesses working through the hub are best able to provide quality goods and services to anchor institutions. A requirement of getting funding from this program could be a binding commitment for the borrower to hire people from the low wealth community.

Access to Peer Support

According to the Small Business Administration, only half of all new businesses survive the first five years. Learning from and venting to other small businesses can provide support that helps entrepreneurs survive the ups and downs of managing a small business. In Charlottesville there are many services available to support small business. One important asset that provided peer support for the unique challenges facing minority business owners disbanded a number of years ago. As an outgrowth of the Dialogue on Race's Economic Working Group, however, many in the minority business community are pulling together a Minority Business Opportunity Council within the Charlottesville Regional Chamber of Commerce to fill the void.

Job Readiness

In addition to access to new markets, an expanding local business needs access to local workers. In order to take advantage of this job growth, parents need to be in a position to get them when they appear.

Positioning a parent to get and keep a job is the *family strand* that when interwoven with the job-creating *community strand* can pull people out of poverty. Improved incomes for parents lead to improved outcomes for children at school. In this way, the cycle can be broken.

The path to family self-sufficiency starts with a job, but it does not end there. Parents need not just access to an actual job, but likely some support in keeping and thriving in that job.

The focus of this report has been on developing a strategy to create jobs. Equally important, however, is making sure parents are ready for work.¹⁷ In contrast to the specifics offered in the previous section, the following proposals are more conceptual. In fact, some of them are already be underway.

Charlottesville has an abundance of capacity for providing assistance to parents who may not have a history of full-time employment. The challenge in this community may be less the absence of capacity than the need for coordination.

It may be that a concrete job prospect for a parent could provide the focal point that aligns the existing services of the non-profits and agencies with the needs of the

¹⁷ Job creation efforts are destined to falter unless those jobs meet both the skills and the aspirations of those seeking employment. To gain a better understanding of both, the Thomas Jefferson Partnership for Economic Development will be undertaking peer-to-peer surveys of residents in Charlottesville's low-wealth communities. These survey results will better inform efforts to create jobs that align with the hopes and skills of a potential workforce that may otherwise be left behind.

family. Once a specific job is identified, and the pathway to self-sufficiency made clear, then the support necessary to help the family along the pathway becomes clear—such as specific needs for childcare and transportation, particular job skills and necessary wardrobe.

In the current economy, the workforce support network faces the strain of shrinking budgets and reduced charitable donations. In light of this stress, it may be productive for agencies and non-profits to pool their resources to meet the needs of individual families. By way of example, rather than having multiple entities providing outreach to the entire universe of struggling families in Charlottesville, perhaps each family could have a person from an agency or non-profit assigned to them as a “one-stop” point of contact who can direct them to the proper assistance within the support network. This allows that person to understand the full breadth of need within the family and helps the family negotiate a support network that can at times be overwhelming in all that it offers.

Such a one-stop point of contact, however, would have limited effectiveness without the ability to share a family’s information across the support network. Currently, there are obstacles that block the critical exchange of information among the existing professional support network that prevents one entity from being aware of the support already provided to the family by another. Technology can foster greater collaboration among providers. Family-centered information would allow family-service providers to access comprehensive information about a family they are assisting, similar to what health information technology allows for patients with multiple health care providers.

There is an alternative approach for providing family-centered support that does not rely on the overstressed resources of the existing family support network. A number of cities have implemented a plan that has proven successful over time in lifting struggling families out of poverty in public housing communities. This approach relies on peer-to-peer outreach, coupled with employment and training services and changes in public housing rent rules that reduced the extent to which increases in earnings were offset by increased public housing rents.¹⁸ According to the study, “tapping into residents’ social networks” through a neighbor-to-neighbor approach produced noticeable benefits, and when combined with the two other components led to an increase in earnings of nearly 20 percent.

Regardless of the method of delivering support to these families, the jobs hub will need to be well coordinated with the family support network so there is a seamless pipeline from the parent to the job training to the job. And the job should provide a pathway out of poverty for the family and should reduce the community’s annual income deficit.

¹⁸ “Sustained Earnings Gains for Residents in a Public Housing Jobs Program,” Riccio, James A. (MDRC: January 2010)

Job Creation and Job Readiness Summary

Creating jobs, whether through the community hub, a light manufacturing facility or an expanded business with access to capital, adds strength to the *community strand*. Positioning parents to work, through coordinated, family-centered outreach and support, adds strength to the *family strand*. Thus strengthened and interwoven, these combined efforts can raise family incomes and move them toward independence.

Wealth Creation

The job creation strategy is designed to help those who are seeking that first step out of poverty. Charlottesville also needs a strategy to improve the conditions of the working poor. While not a primary focus of the current project, there are on-going efforts that could be more tightly focused to address this need.

There are two mechanisms for helping the working poor: raising incomes or lowering expenses. Market forces beyond our control may prevent us from raising incomes substantially, so a complementary strategy could be geared toward lowering expenses. Looking at the expenses of working poor families in Charlottesville, there are two areas where progress could be made.

Childcare

One of the largest expenses for a single working parent is childcare. The annual cost for having a child in daycare in Charlottesville is between \$9,000 and \$12,000. There are efforts underway in Charlottesville to expand the availability and affordability of pre-Kindergarten schooling for children over three years old. This effort should be further encouraged. Relieving a parent of childcare expenses is tantamount to providing her a \$9,000 to \$12,000 raise. That would certainly help the family escape poverty and would reduce the local income deficit.

Housing

The other major expense for families is housing. To reiterate, the focus of this report is on job creation, not reducing the cost of shelter in Charlottesville. Due to the interplay between income and expenses, however, a comprehensive approach to helping families achieve self-sufficiency should include efforts to increase access to affordable housing.

Addressing the high cost of housing would go a long way toward helping families become more self-sufficient if incomes cannot be raised high enough to achieve that level of independence.

Affordable housing advocates have long struggled to make homes in Charlottesville affordable, while the market has historically worked in the opposite direction. Rather than focusing on the value of the house, perhaps we should be focusing instead on the cost of the mortgage.

For example, the community could consider capitalizing a mortgage fund that when combined with a family's income would help them purchase their own home. The homebuyer would pay a percentage of the mortgage and the fund would pay the remaining percentage. When the house was sold, the homeowner would get their percentage of the sales price and the fund would get the remainder, allowing the fund to replenish itself.

While there are many facets of this approach that would need to be more fully explored, it may prove to be a fruitful avenue to pursue. First, it directly addresses the issue of affordable home ownership. And while the real estate market has taken a pounding recently, it may still provide the most promising mechanism for a family to begin building wealth and not just earning income. It has the ancillary benefit of allowing those who live in the neighborhood to benefit financially from an increase in housing values, which may smooth the path to having truly mixed-income neighborhoods.

Wealth Creation Summary

Addressing the high costs of childcare and housing were not the focus of the research for this report, and these concepts are included for discussion purposes to make sure that the community considers both options for reducing the local income deficit: raising family incomes and lowering family expenses. If the community can make substantial progress on one or both, we will be successful in achieving a result that has thus far eluded other communities—breaking the bonds of poverty that are holding back too many of our neighboring families.

MEASURES OF SUCCESS

In *Voices from the Field III*, published in December 2010, the authors reflect on the poverty eradication efforts of the last forty years. By analyzing what has failed in the past, the writers devised an approach that is more likely to succeed in the future. The proposals outlined in this report follow that approach, as shown below. Based on the knowledge provided in *Voices from the Field III*, for a community to cut the local income deficit and create pathways out of poverty for parents and their children, the community must:

Approach	Method
<p>"[S]pecify the condition that they intend to change"</p>	<ul style="list-style-type: none"> ○ Community scale: Cut Charlottesville's local income deficit by x percent in y years. ○ Neighborhood scale: Raise the median family income in census tract 2.01 by x percent, in census tract 2.02 by y percent and in census tract 4.01 by z percent. ○ Family scale: Identify half of the 2,069 families, concentrating on the three census tracts, and work with them to find jobs, increase their incomes or lower their expenses so they can become independent.
<p>"[D]evelop a feasible strategy (based on sound theory, or evidence from research or experience) for how to affect that condition"</p>	<ul style="list-style-type: none"> ○ Create jobs for struggling families by harnessing the economic power of local institutions through a hub that connects these buyers to community-based businesses and through a manufacturing plant that fills an on-going need. ○ Provide capital to expanding and start-up businesses that will hire parents in poverty. ○ Coordinate existing family support infrastructure to make sure parents are job ready. ○ Reduce childcare and housing expenses.

“[C]reate an action plan”	<ul style="list-style-type: none"> ○ To be generated during next steps (see section below).
“[I]mplement the plan well”	<ul style="list-style-type: none"> ○ Coordinate to the maximum extent with existing community resources
“[A]nd track progress toward the outcome.” ¹⁹	<ul style="list-style-type: none"> ○ Based on the community scale, neighborhood scale and family scale indicators specified above

NEXT STEPS

There are 2,069 families in Charlottesville who are dependent on others to survive. Their independence requires our local economy to generate \$20-\$30 million annually in addition income earned by these families. While daunting, making significant progress toward this goal is certainly possible. These constitute some essential next steps:

1. Develop a business model for the job creation hub (Fall 2011)
 - a. *Identify the potential market for locally-produced goods and services.* Anchor institutions such as the University of Virginia, the Martha Jefferson Hospital, and the City of Charlottesville represent enormous markets which have been largely untapped by businesses likely to employ the people we are trying to help. To understand the scope of the market, review publicly available information regarding the goods and services currently procured by these institutions. Meet with buyers at these institutions to understand their needs and explore opportunities to work together. Understand the legal procurement environment, such as those contained in Virginia's Public Procurement Act and the Restructuring Act that governs the University of Virginia.

¹⁹ Kubisch, Auspos, Brown, and Dewar. *Voices from the Field III*, 121.

- b. *Determine the business structure for the hub.* There are two possible structures for the hub: a for-profit or a non-profit. In the for-profit model, the hub would compete for contracts and keep a small percentage to cover operating expenses before passing the contract through to the subcontractor. The income of the entity would depend on the size of the percentage and the number of subcontractors, and thus contracts, that it can secure successfully. The non-profit model allows the overhead costs to be absorbed by the non-profit, thus allowing the entity to submit lower bids and increase the likelihood of securing contracts. There are pros and cons to each model. It is likely that the for-profit model will work best, but that will be determined.
 - c. *Develop the template governing the relationship between the hub and the subcontractors.* The template will establish appropriate expectations for both parties, making clear how the hub will open markets and add value and how the subcontractor will assure quality and hire from the focus population.
 - d. *Research legal issues regarding employment expectations.* The job creation effort is designed to lift families out of poverty. Research needs to verify that the employer can be required to hire from a designated pool of workers.
2. Create the Community-Centered Hub (December 2011)
 - a. *Based on the business model get the hub up and running.* Fulfill the legal requirements for creating the business entity that will lead to job creation.
 - b. *Identify the individual to run the hub.* The person who runs the hub should be from the community and should have connections to potential subcontractors. Whether run as a non-profit or a for-profit, the individual should have prior business experience who understands the profit motive but who also has a community development focus.
 3. Survey the focus community to insure that community efforts align with family desires. Our success will likely hinge on our ability to construct a pathway that actually leads to the desired destination and which these families can envision themselves traveling. This survey should be part of the workforce survey being undertaken by the Thomas Jefferson Economic Development Partnership. (October 2011)
 4. Continue efforts to insure expanding and new businesses have access to capital, mentoring and peer support. The Community Investment Corporation is a parallel effort underway in Charlottesville to provide pathways to capital for businesses and UVa students who have had historic difficulty getting access to investments. Any lending provided to the expansion or start-up of businesses should require an enforceable commitment (if legal) that new hires come from the focus population. The reestablishment of a minority business peer support network, such as the one

being developed in light of the discussions from the Dialogue on Race, should be fostered. (Winter 2011/2012)

5. Create a community-wide action plan

- a. *Job creation is necessary but not sufficient.* Use the success of the job creation effort to galvanize an effort to develop a family self-sufficiency plan that takes a comprehensive approach to moving families out of poverty. This comprehensive effort would include jobs, childcare, housing, transportation and education.
- b. *Refine the measures of success.* Once the markets and the mechanisms to tap those markets have been more thoroughly analyzed, develop bold but reasonable goals to achieve in the next three to five years. Work with the Thomas Jefferson Planning District Commission to develop a sustainability standard for the target neighborhoods.
- c. *Coordinate with efforts in the schools to close the achievement gap.* For a two-generation strategy to be effective, the efforts to help students at school need to be reinforced by efforts to help their parents at home creating wealth. The City and 25 local non-profits and agencies are developing a neighborhood-based strategy to close the achievement gap. The parents of the children who are the focus of that Promise Neighborhood effort should also be the focus of the job creation efforts.
- d. *Engage with the City of Charlottesville on its public housing redevelopment master plan.* Explore whether there is a feasible mechanism for capitalizing a mortgage fund that could help lower the necessary self-sufficiency income while creating a mechanism for low-income families to begin building wealth.

CONCLUSION

To borrow a phrase from the Reverend Martin Luther King, Jr., we have in Charlottesville “lonely islands of poverty in the midst of a vast ocean of material prosperity.”²⁰ Of the more than two thousand families that inhabit those islands in Charlottesville, most are women and children.

These parents need the dignity of work to achieve financial independence. Their lifeline is woven from two strands: community-level job creation and family-level job readiness.

Our community is blessed with the raw materials for both strands. We have robust economic engines powerful enough to help families “slip the surly bonds” of poverty. We have a generous private and public family-support network willing to help. Our

²⁰ King, Martin Luther, Jr. “I Have a Dream.” March on Washington. Lincoln Memorial, Washington, D.C. 28 August 1963.

challenge is to strengthen these strands by channeling a portion of the region's prosperity toward local job growth and by positioning parents to take advantage of those new opportunities. Purposefully and methodically weaving together these strands will create the strength to lift a whole community.