

Equitable Development in Southern Dallas

A Summary and Analysis of the
Dallas Collaborative for Equitable Development

Year One

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DALLAS
COLLABORATIVE
FOR
EQUITABLE DEVELOPMENT

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Summary



The Dallas Collaborative for Equitable Development (“DCED” or “the Collaborative”), formally launched in early 2020 under JPMorgan Chase & Co.’s “Partnerships for Raising Opportunity in Neighborhoods” (“PRO Neighborhoods”) program, got off to a good start during 2020, particularly in view of the challenges posed by the COVID pandemic.

The Collaborative aims to deploy its \$6 million PRO Neighborhoods grant in developing mixed-income housing and supporting small business growth in three focus neighborhoods in Southern Dallas. DCED will pair its capital commitments with technical assistance and formal capacity building programs. DCED is

working closely with five respected neighborhood community organizations located in the three focus neighborhoods. In a larger sense, DCED hopes its initiatives will create momentum towards equitable development that lasts long beyond the three-year term of the project, and also that the project will contribute to a better understanding of how interventions of this kind can promote more equitable and inclusive models of prosperity and growth in Dallas and other cities.

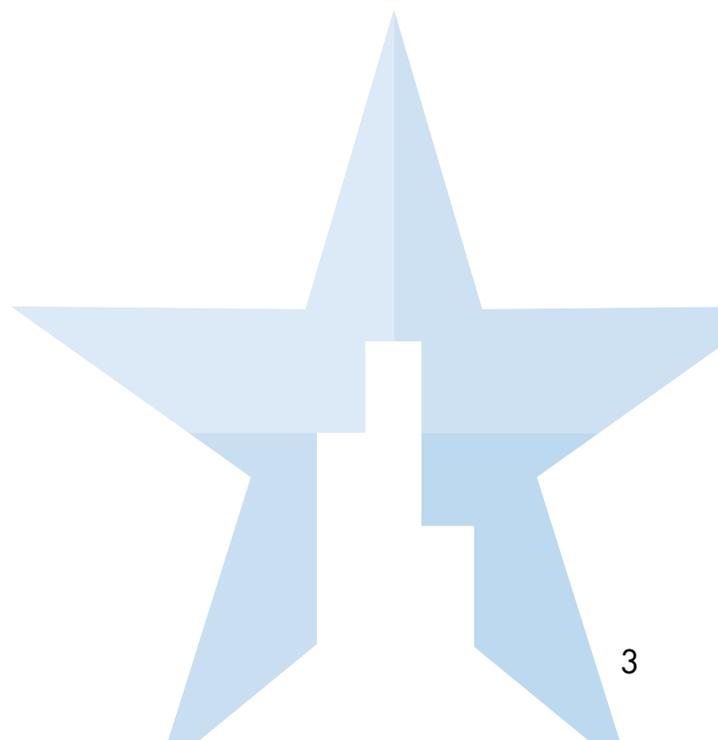
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This white paper points to clear conclusions about the state of the DCED project as of January 2021:

- DCED starts from a compelling diagnosis of the challenges facing the three focus neighborhoods, a well-articulated and plausible theory of change, concrete operational objectives grounded in this theory, and a sound plan for deploying its capital. It also has a well thought through plan for pairing capital with technical assistance and capacity building to advance its goals. Achievement of DCED’s objectives would advance the overall goal of equitable development in Dallas, as “equitable development” is commonly defined and as DCED defines it in its PRO Neighborhoods grant application.
- All of DCED’s initiatives have gotten off to a slower start than planned, in large part because of the COVID-19 crisis but also because of the scope of the challenges the Collaborative aims to address and the inherent complexity of executing certain parts of its operating plan.
- DCED has done a good job of adapting its initiatives relatively quickly to virtual formats and has continued to move forward across almost all its planned programs.
- Full realization of DCED’s objectives will require further work to navigate the complexities of working with multiple neighborhood community organizations across three rather different neighborhoods, and it will require additional capital from the public, private, and/or nonprofit sectors.

DCED's experience in its first year suggests several early takeaways:

- The COVID-19 pandemic has not only brought to the surface many of the deep disparities in Dallas and other cities but also dramatically impeded efforts like DCED's initiatives to address them.
- Lack of digital connectivity and experience constitutes a high barrier impeding access among residents in places like DCED's focus neighborhoods to opportunities of all kinds – and the adverse effects of this “digital divide” are likely to become more severe even after the pandemic.
- Developing mixed-income housing at scale, increasing small business startup and success rates, and building organizational capacity in lower-income neighborhoods are exceptionally difficult challenges, without clear “playbooks” for external intervention.
- Deeply rooted neighborhood community organizations play a vital role in executing interventions like the DCED project.
- Building trust among neighborhood residents is challenging but essential for initiatives like DCED.



Introduction



Dallas Collaborative for Equitable Development (“DCED”): Overview

The Dallas Collaborative for Equitable Development (“DCED”) came into being in October 2019 as one of seven grant recipients under JPMorgan Chase & Co.’s \$125 million “Partnerships for Raising Opportunity in Neighborhoods” (“PRO Neighborhoods”) program. DCED’s mission is to pursue a place-based strategy of capital and capacity building to revitalize three focus neighborhoods in Southern Dallas:

- West Dallas / Census Tract 205
- The Forest District
- The Bottom

The collaborative consists of four partner organizations:

- TREC Community Investors
- Dallas College
- LiftFund
- Texas Mezzanine Fund

DCED’s operating plan focuses on affordable housing, small business development, and leadership and organizational capacity building.

The three focus neighborhoods, while different from one another in significant respects, share key commonalities. Each has suffered from many decades of under-investment. Each has very low median income levels, low home values, and poor quality-of-life amenities relative to the city of Dallas as a whole. Each neighborhood has a relatively large Black population share. Each is widely viewed as more vulnerable to rapid change and displacement of current residents, in view of its proximity to Downtown Dallas and to fast-growing affluent neighborhoods nearby. At the same time, each of the three focus neighborhoods has one or more highly respected community nonprofit organizations based within the neighborhood and engaged in local revitalization efforts. Each also has notable “anchor” assets within or close to the neighborhood that might potentially play a role in increasing opportunity and economic mobility in the community.

DCED formally announced its launch in March 2020. JPMorgan Chase and Co.’s \$6 million grant constitutes the largest of the 20 grants under the PRO Neighborhoods initiative between the program’s launch in 2016 and 2019.



TREC Community Investors (“TREC CI”), formerly known as The Real Estate Council Community Fund, is a community development financial institution (“CDFI”) affiliated with The Real Estate Council (“TREC”), a leading membership-based nonprofit organization associated with the Dallas-area real estate industry and focused on community development, public policy, and leadership development for its members. TREC has more than 2,200 member professionals, representing virtually all real estate firms in Dallas County and neighboring Collin County. Founded in 2011, TREC CI has operated as a CDFI fund since 2012, and has deployed \$5.2 million in loans to date.



Dallas College, until recently known as the Dallas County Community College District, serves more than 100,000 credit and continuing education students per year and employs more than 3,200 full-time or adjunct faculty. Dallas College operates on seven physical campuses, and for the last 20 years has offered a wide variety of online classes as well. Dallas College offers more than 300 degree or certificate programs, including in Entrepreneurial Studies and in numerous fields associated with small business. It also operates “WorkReadyU,” a no-cost adult education program including free job training.



LiftFund is a Texas-based nonprofit CDFI focused on microloans, SBA loans, and other loans to small businesses in 14 states. Since its launch in 1999, LiftFund Dallas has provided more than 2,600 loans, at an average size of \$26,000, amounting to \$35.2 million in total in the Dallas region. It has paired these loans with 680 consultant hours of technical assistance. Of the business owners receiving loans in the Dallas area, 53% have been Hispanic, 28% have been Black, and 39% have been women. LiftFund also operates a “Women’s Business Center” focused on assisting female entrepreneurs. LiftFund has also been a partner in a PRO Neighborhoods collaborative in New Orleans and in a similar collaborative project in Houston.



Texas Mezzanine Fund, Inc. (“TMF”) is a Dallas-based CDFI that helps enhance distressed and under-served communities throughout Texas by financing businesses and economic development projects. Since its launch in 1999, the CDFI has provided over \$85.3 million in financing for 252 businesses, 29 affordable housing developments, and 22 nonprofit organizations

Neighborhood Community Organizations

DCED's operating plan calls for close collaboration with five neighborhood community organizations based in its three focus neighborhoods.



Builders of Hope Community Development Corporation is a nonprofit organization focused on affordable housing, supporting services for homeowners, and workforce development in the West Dallas / Census Tract 205 neighborhood. Originally part of a religious ministry in the neighborhood, Builders of Hope has built approximately 10-20 homes per year in recent years.



Forest Forward is a nonprofit organization incubated at CitySquare to implement and drive neighborhood revitalization. In partnership, Forest Forward focuses on the neighborhood revitalization of the Forest District neighborhood through restoring the historic Forest Theater, high-quality education, and mixed income housing.



Cornerstone Community Development Corporation is a nonprofit organization affiliated with Cornerstone Baptist Church in the Forest District neighborhood. Cornerstone provides a variety of services to neighborhood residents, including food, healthcare, housing, youth education, and other necessities.



The Golden S.E.E.D.S. Foundation is a nonprofit organization affiliated with the Golden Gate Missionary Baptist Church in the Bottom. Founded in 2008, Golden S.E.E.D.S. focuses on affordable housing, economic development, and community building in the neighborhood.



St. Philip's School and Community Center is located in the Forest District for 75 years, St. Philip's is a school, community center and neighborhood anchor. The school serves more than 230 students grades Pre-K2 through 6 and the community center enriches the lives of nearly 3,000 people with essential social services. Through its Community Development Corporation, St. Philip's focuses on collaborative planning and fostering spaces for healthy community gathering, including affordable housing and revitalization of commercial buildings.

The Challenge of Equitable Development in Dallas and DCED's Focus Neighborhoods

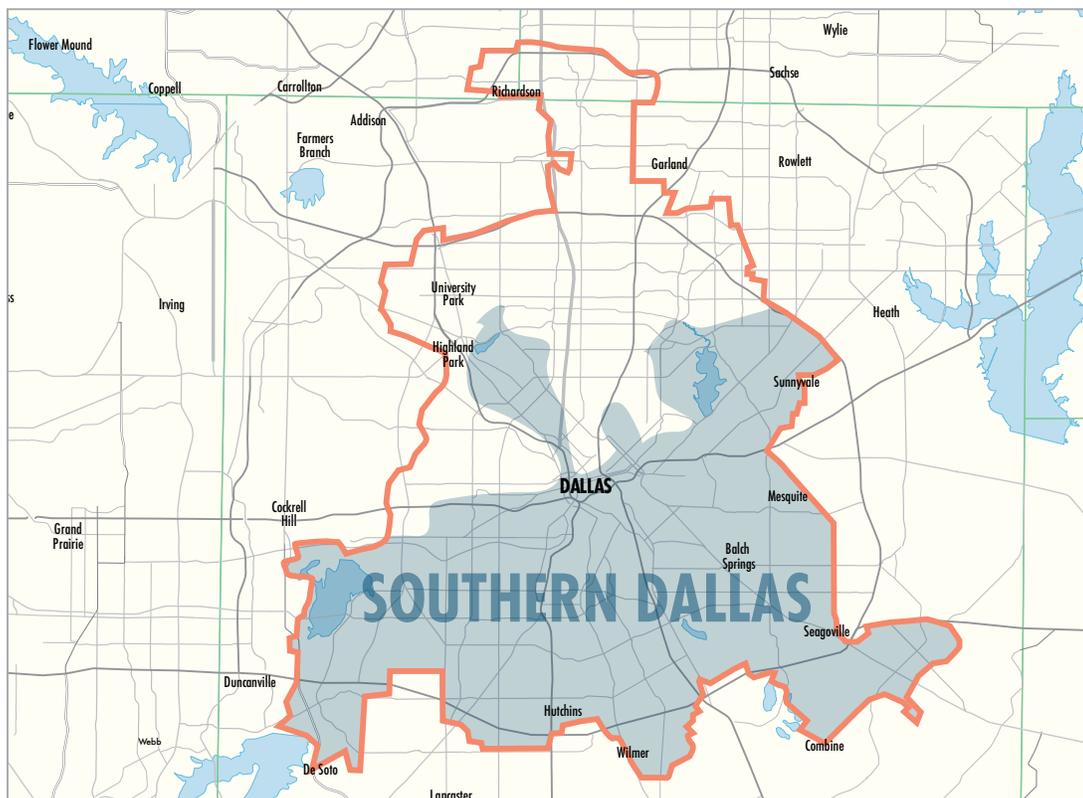


Overall conditions

Southern Dallas: Southern Dallas is a vast area of under-investment within one of the fastest-growing metropolitan areas in the United States.

The Dallas-Fort Worth metro area grew approximately 18% from 2010 to 2019, adding more people than any other U.S. metro. By 2019, the Dallas-Fort Worth metro had a population of almost 7.6 million, the fourth highest in the United States. The Dallas-Fort Worth metro as a whole has educational attainment levels and income levels moderately higher than the United States as a whole. The North Texas region has been one of America's top destinations for net migration and business relocations from elsewhere in the nation, benefiting from its central location, premier transportation infrastructure, relatively affordable living costs, and reputation as a growth-friendly environment for business.

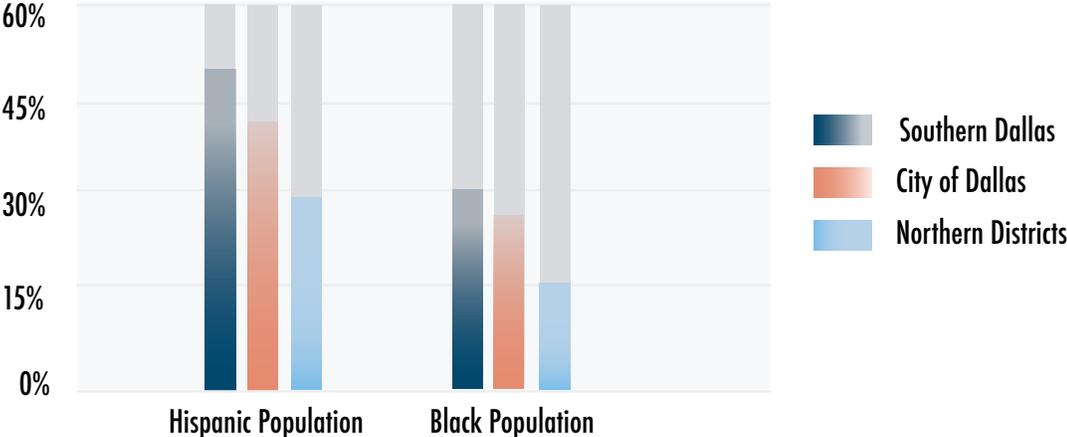
However, the greater Dallas-Fort Worth area is extremely divided into “have” and “have-not” regions. The metro area consistently ranks as one of the most segregated U.S. metros, measured in terms of the physical segregation of housing patterns along income lines. The vast majority of job growth and wealth creation in recent decades has taken place along a North-South corridor running from Downtown Dallas to the northern border of the city, in several neighborhoods in Fort Worth, and above all in a group of high-growth suburban cities north of Dallas and Fort Worth. Approximately three-quarters of the metro area's population growth since 2010 has occurred outside the core cities of Dallas and Fort Worth, with growth over 30% in suburban Collin and Denton Counties.



By contrast, Southern Dallas – a broad and imprecise term meant to include numerous neighborhoods including the areas known as “South Dallas,” “West Dallas,” “Oak Cliff,” and others – has experienced decades of under-investment and economic stagnation. If we define “Southern Dallas” as nine of the city’s 14 city council districts, mostly south of Interstate-30 but including several low- to moderate-income areas just north of I-30 (including West Dallas / Census Tract 205), the area contains approximately 64% of the city of Dallas’s population but only about 10% of its total property value, as assessed for property tax purposes. Southern Dallas, an area physically larger than the city of Atlanta with more than 800,000 people, has experienced modest population growth since 2010, but the numbers of housing units and jobs in the area have declined over the same period.

In racial terms, the population of Southern Dallas leans more Hispanic and Black than the city as a whole. Again defining Southern Dallas in terms of the nine southernmost city council districts, the area’s Hispanic community constituted 51% of the population as of the 2010 Census, compared with 42% for the city as a whole and 28% in the five more northern districts. The Black community represented 30% of Southern Dallas’s population, compared with 25% for the city as a whole and 16% in the northern districts. Together, the Hispanic and Black populations of Southern Dallas amounted to 618,000 people in 2010 – more than the total populations of Washington, Boston, or Seattle.

Percentage of Hispanic and Black population compared to the population of Dallas as a whole



Segregation in Dallas and under-investment in the southern section of Dallas have deep historical roots. Dallas was the first city in Texas to impose explicit housing segregation by race, in 1916. Decades of redlining, policies to promote northward development, “urban renewal” initiatives, and construction of highways and other infrastructure running through the middle of historically Black and Hispanic neighborhoods have left a lasting imprint on the economic geography of Southern Dallas.

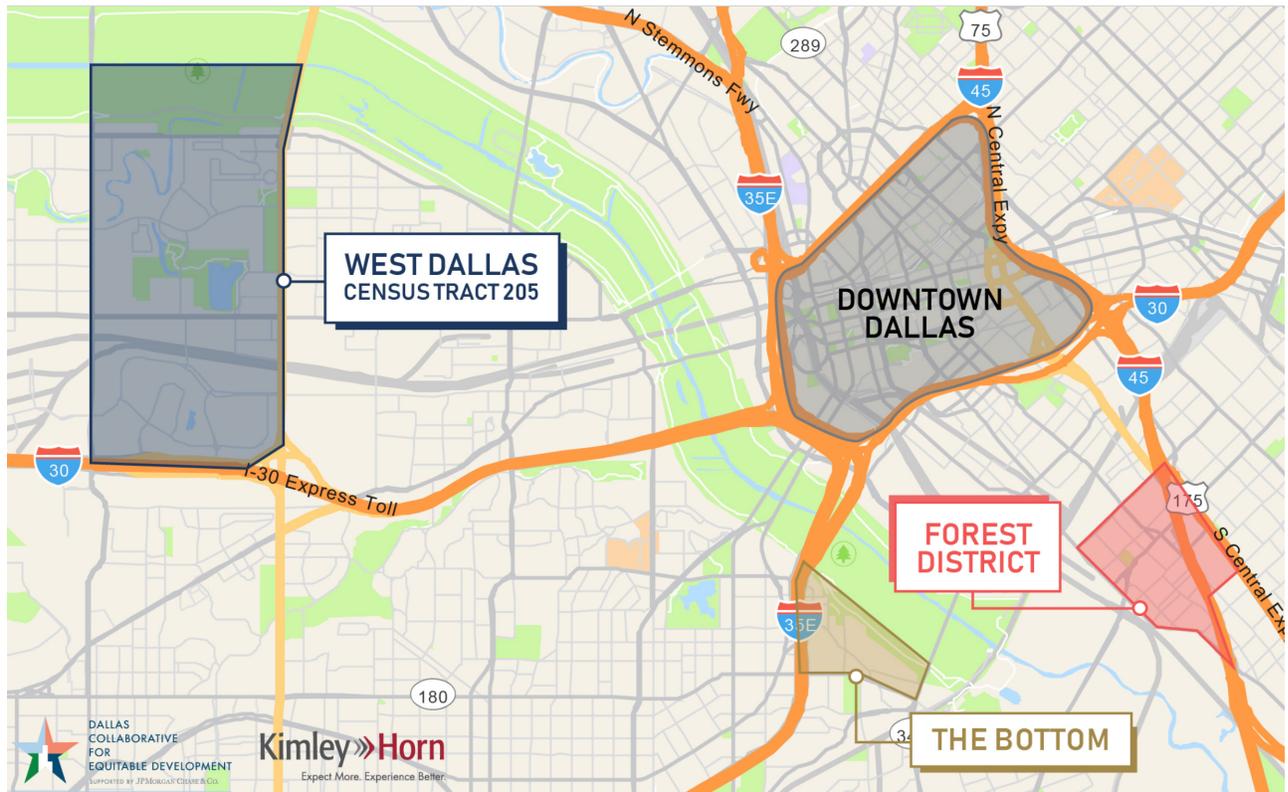
Even in this century, historical patterns of under-investment and neglect have continued. Southern Dallas has seen very little new housing development, either in the market-rate or subsidized segments of the market. The number of Community Housing Development Organizations has declined from a peak of 20 a decade ago to four today. The City of Dallas has been able to allocate only very modest capital to affordable housing, and has further restricted public-sector investment in Southern Dallas as part of a policy to avoid “concentrating poverty” in long-time low-income neighborhoods.

Small business activity also remains very modest in Southern Dallas, reflecting under-developed managerial capacity, weak supporting structures, and capital scarcity. A large majority of private sector as well as SBA loans in the metro area have gone to businesses located in the metro’s relatively wealthy areas. Less than 9% of SBA lending in the city of Dallas in recent years has gone to Black- or Hispanic-controlled firms.

Low income levels and inadequate public-sector investment have also resulted in a notable lack of good food stores, healthcare facilities, quality-of-life amenities, and digital connectivity, making much of Southern Dallas an area where few people from the outside choose to live – and a place which enterprising young people growing up there all too often wish to leave behind.

Knowledgeable observers routinely point to the extraordinary contrast between booming North Dallas and its northern suburbs on the one hand and Southern Dallas on the other, and refer to the challenges of Southern Dallas as the great “elephant in the room” complicating the story of the metro area’s prosperity.

Less than 9% of SBA lending in the city of Dallas in recent years has gone to Black- or Hispanic-controlled firms.

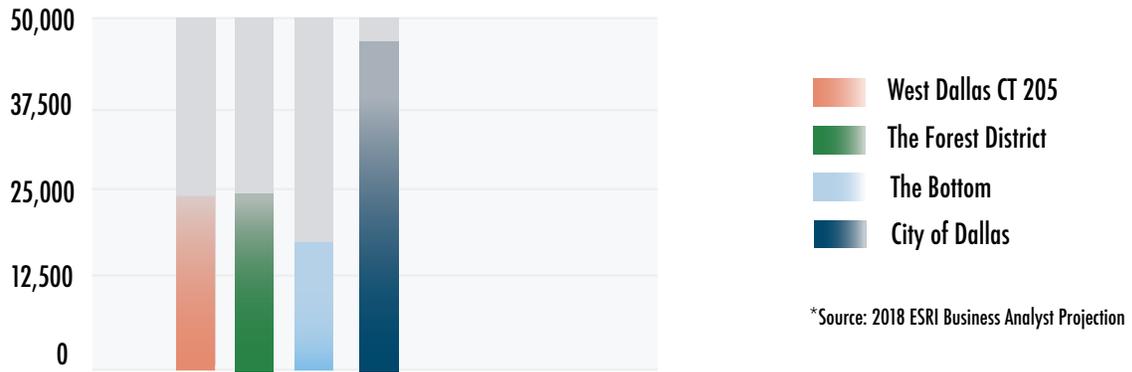


Focus neighborhoods: Together, the three focus neighborhoods have a population of approximately 7,000. In general, their demographic and economic patterns are roughly consistent with the overall patterns of Southern Dallas, albeit with larger-than-average Black population shares and significant contrasts among the three.

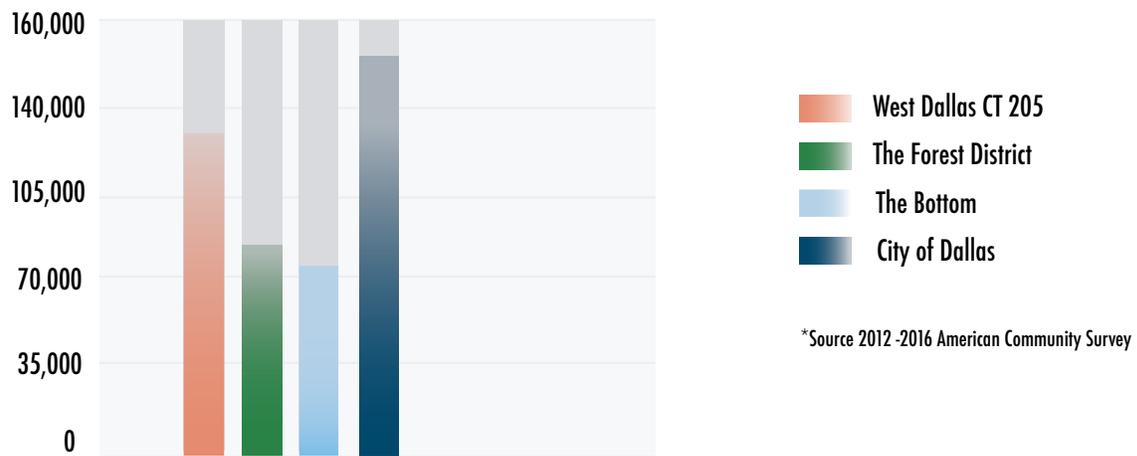
- **West Dallas / Census Tract 205** (hereafter “West Dallas,” even though the focus neighborhood does not include all of what Dallasites conventionally define as West Dallas) had a population of 5,452 as of 2017. Within the neighborhood’s population, 58% was Black while 34% was Hispanic. Regarding educational attainment, 38% had completed some college coursework, an associate’s degree, or higher. Median household income in 2017 was \$16,012.
- **The Forest District neighborhood** (named for purposes of the DCED project after the historic Forest Theater, now under renovation as a result of a competitive grant project led by the TREC CI) had a population of 1,199 people in 2017, 76% Black and 15% Hispanic. Approximately 40% had completed some college, an associate’s degree, or higher. Median household income in 2017 was \$24,702.
- **The Bottom** had a population of 398 people in 2017, 48% Black and 15% Hispanic. Approximately 13% had completed some college, an associate’s degree, or higher. Median household income in 2017 was \$24,320.

Neighborhood demographics at a glance

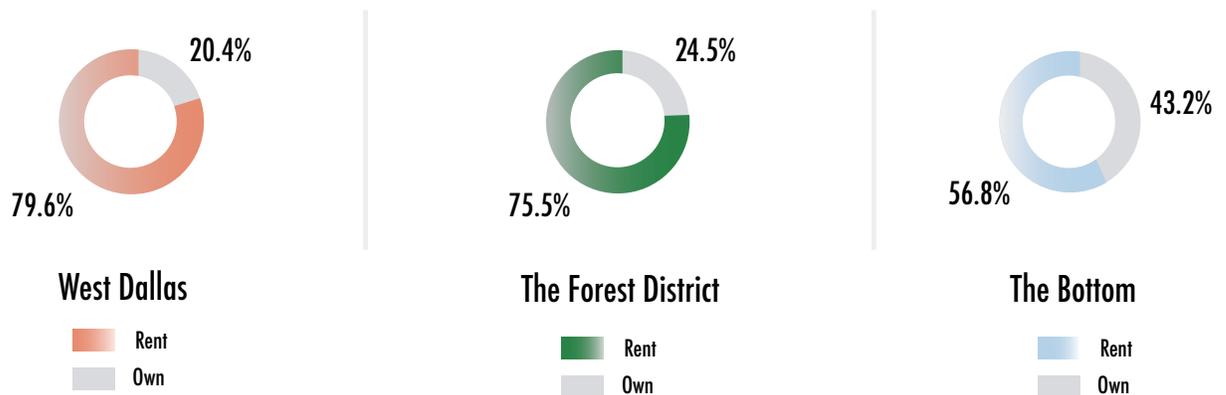
Median Household Income in Focus Neighborhoods Compared to the City of Dallas



Median Home Price in Focus Neighborhoods Compared to the City of Dallas



Homeownership



Each of the three focus neighborhoods stands out from the others, and from Southern Dallas on the whole, in certain respects. West Dallas has lower median income levels than the others but higher than average median home prices (\$132,000 in 2017, compared with \$91,000 in the Forest District neighborhood and \$78,000 in the Bottom). The Forest District neighborhood has a higher Black population share than the others and higher educational attainment levels. The Bottom has the lowest home prices but higher than average ethnic diversity (with a 17% White population share) and a higher homeownership rate (43%, compared with 25% in the Forest District neighborhood and 20% in West Dallas).

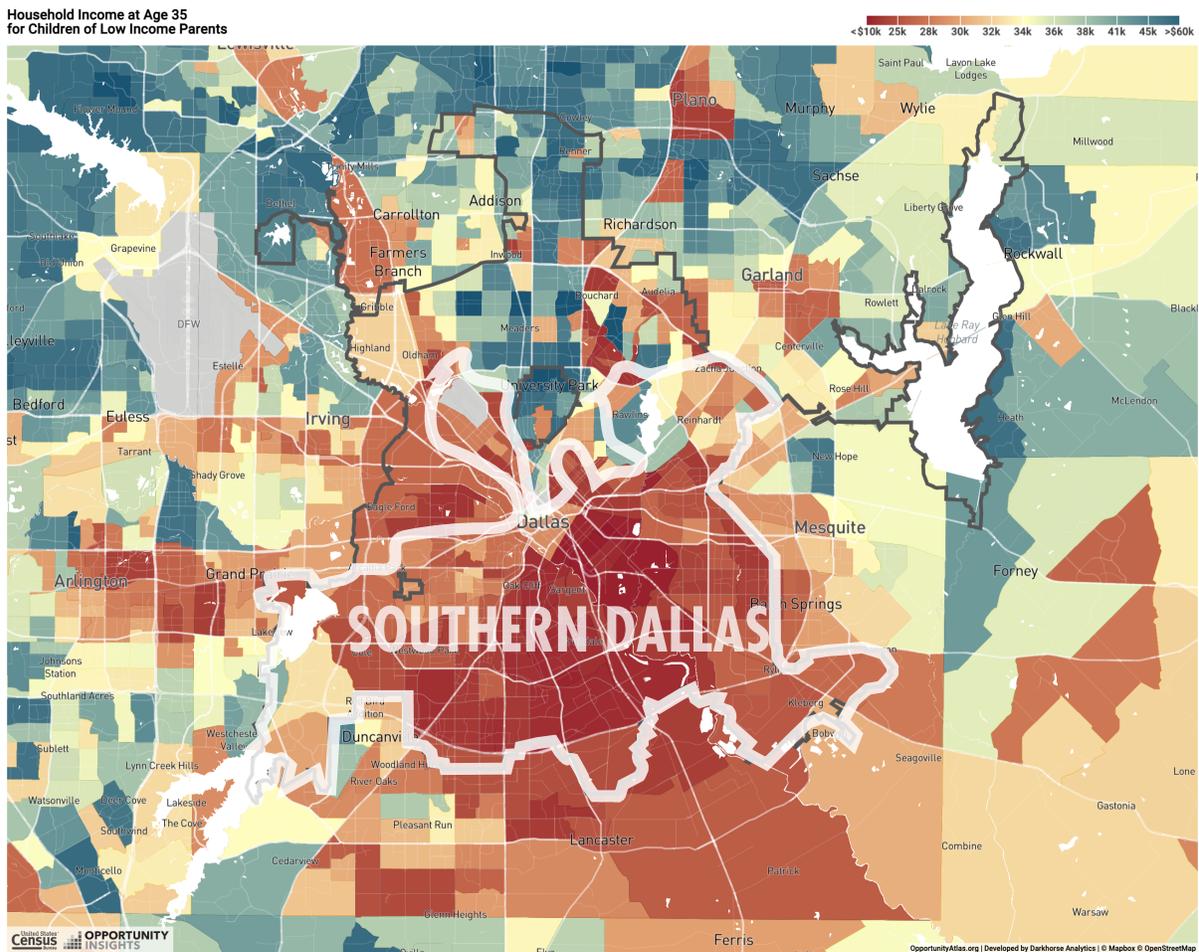
There are also significant differences in land ownership patterns, in ways that are relevant to the DCED project. In West Dallas, the largest land owners by far are the City of Dallas and the Dallas Housing Authority. By contrast, the public sector is only a minor landowner in the other two neighborhoods, other than school grounds controlled by the Dallas Independent School District (“DISD”). In the Forest District Neighborhood, both Cornerstone and St. Philip’s have assembled substantial land holdings, and both groups have been engaged in careful processes for a number of years to develop land-use plans for their respective areas of the neighborhood. In the Bottom, private land ownership predominates, although the City of Dallas owns several parcels.

The three focus neighborhoods stand out from the rest of Southern Dallas in three important respects:

- They have benefited tremendously from the presence of the five neighborhood community organizations, each of which has a relatively long track record of results and is highly regarded in the wider Dallas community.
 - Each of them has notable “anchor” assets that could play a meaningful role in promoting equitable development in the neighborhood. These include several successful charter and private schools in West Dallas; a potential “Black Downtown” alongside Dr. Martin Luther King, Jr., Boulevard as well as St. Philip’s School itself in the Forest District neighborhood; and the large DISD Townview campus adjacent to the Bottom.
 - Each is widely thought to be more vulnerable than most other Southern Dallas neighborhoods to rapid neighborhood change and displacement.
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Emerging trends

Southern Dallas: The Dallas-Fort Worth metro area is evolving towards becoming a “donut-shaped” geography, with an economic “hole” in Southern Dallas (and another one in Southeastern Fort Worth), and great prosperity around much of the outside of the region. The city of Dallas is on a path to a starkly bifurcated future in which many of the wealthiest people in the metro area live in the corridor from Uptown to Far North Dallas or in the centrally located separate jurisdictions of Highland Park and University Park, while the lowest-income residents of the metro area disproportionately live in the rest of the city. Middle-income families in the region increasingly choose to live in suburban cities.



The Opportunity Atlas codes different areas based on earnings in adulthood of people who grew up in the that area. Red denotes low upward mobility and green denotes high upward mobility. Source: The Opportunity Atlas [map]. <https://www.opportunityatlas.org>

Both topography and development-friendly policies in the metro area’s suburban cities make it much easier to build outwards than to redevelop the core city – a common pattern among Sun Belt metros. Consequently, the city of Dallas has experienced less displacement of low- to moderate-income residents from rapidly changing neighborhoods than most other large U.S. cities, despite the region’s fast-growing population. Rather, this growth pattern means that most of Southern Dallas has seen very little influx of capital or new arrivals over the last two decades, which has reinforced its economic stagnation.

The general challenge for Southern Dallas is to increase the flow of capital into the area and increase

its economic vitality, while strengthening the position of longtime residents and keeping the inflow of new capital to manageable levels to promote a reasonable degree of stability in Southern Dallas's neighborhoods. DCED's listening sessions in 2019 with residents of the three focus neighborhoods notably revealed a strong desire for new development but also an acute level of concern that new development might create housing and jobs that exclude existing residents and lead to large-scale displacement.

Focus neighborhoods: Current trends vary across the three focus neighborhoods. West Dallas has seen the most dramatic changes relatively nearby, in the Trinity Groves and Bishop Arts District developments. This probably explains why West Dallas now has the highest home values of the focus neighborhoods despite having lower household income levels than the other two neighborhoods. The neighborhood's location next to the Trinity River and close to the fast-growing University of Texas Southwestern Medical Center complex suggest that it is the most vulnerable of the three neighborhoods to rapid transformation and displacement of existing residents. On the other hand, the extensive land holdings of the City of Dallas and the Dallas Housing Authority in West Dallas suggest there is more immediate scope for public-sector action to create new affordable housing in this neighborhood than in the other two. Also, proximity to UT Southwestern and the presence of numerous schools in the neighborhood point to possibilities for building West Dallas into more of a mixed-income neighborhood, with more healthcare and education professionals.

The Forest District neighborhood presents a somewhat different pattern. It is just south of the Cedars, which is emerging as as perhaps a leading candidate to become a truly mixed-race, mixed-income neighborhood. The development pattern in the Cedars could easily spread southward to encompass the Forest District neighborhood. New plans by the City to redevelop nearby Fair Park are also likely to increase interest in the neighborhood. The substantial land holdings of St. Philip's and Cornerstone strengthen the neighborhood's hand in guiding new development towards a mixed-income pattern.

The Bottom probably has lower near-term vulnerability to sudden disruption and displacement than the other two neighborhoods, as it is somewhat further from places currently experiencing rapid change. It also has considerably higher homeownership rates, making massive redevelopment more difficult. In the near term, it is probably the focus neighborhood most likely to face continued under-investment and deterioration.

DCED: Theory of Change, Objectives, and Operating Plans



Theory of change

DCED lays out the theory of change motivating its operating plan in detail in its document “Community Driven Growth: A Roadmap for Dallas’ Equitable Development,” (<https://recouncil.com/wp-content/uploads/2019/12/TREC-Community-Driven-Growth-Final-Report.pdf>) published just before the formal announcement of the Collaborative. DCED’s theory is that a three-year infusion of capital, technical assistance, and capacity building efforts can lead to a lasting improvement in the economic and social trajectory of the three focus neighborhoods. “Community driven growth,” as well as DCED’s grant application, offers a well thought through model of how to advance equitable development in Dallas, as “equitable development” is commonly defined and as these documents define it.

On the housing side, the theory of change is that capital, technical expertise, and capacity-building will set in motion a substantially larger amount of homebuilding and renovation activity than DCED’s resources alone can generate, based on at least four mechanisms. First, DCED capital commitments to land acquisition and building costs will directly leverage additional capital for DCED-initiated homebuilding activity from the financial, nonprofit, and public sectors. Second, DCED’s capacity building efforts plus actual experience from a burst of new homebuilding activity will increase the ability of the neighborhood community organizations as well as neighborhood residents interested in real estate to redevelop the neighborhoods on their own terms, stabilizing these neighborhoods and improving their ability to evolve gradually into mixed-income communities. Third, new housing development and renovation activity will promote additional renovation activity by existing residents and landlords by making the focus neighborhoods more physically attractive, raising the financial and other rewards from investment in existing homes. Fourth, new development and renovation activity will create a sense of momentum that attracts more potential residents as well as developers to the neighborhoods from the outside, further increasing opportunities to build mixed-income communities.

DCED’s theory is that a three-year infusion of capital, technical assistance, and capacity building efforts can lead to a lasting improvement in the economic and social trajectory of the three focus neighborhoods

DCED’s theory additionally suggests that a gradual evolution of the focus neighborhoods into mixed-income communities will increase quality-of-life amenities for existing residents, prevent large-scale displacement, reduce the social ills that arise in areas of concentrated poverty, and increase economic mobility for people living there.

DCED’s theory of change also holds that small-business loans paired with technical assistance, co-working space, and other forms of support can lead to a sustained increase in businesses within the focus neighborhoods or operated by neighborhood residents, increasing wealth levels as well as nearby job opportunities for other residents. Raising the number of homegrown entrepreneurs in the focus neighborhoods will also contribute to their evolution into mixed-income communities while minimizing

associated displacement of low-income residents. The net effect will be to increase economic mobility from poverty for the three communities as a whole.

Finally, DCED's theory of change holds that purposeful community engagement by DCED alongside the neighborhood community organizations will increase organizational capacity and social capital in the three focus neighborhoods, raising the ability of the communities to engage in public policy discussions affecting their neighborhoods. In particular, it will give rise to experienced, empowered neighborhood leaders who can lead further efforts for community development in the future.

Objectives

DCED has specified three principal objectives:

- **Develop new mixed-income housing and protect and improve the existing habitable housing stock:** DCED aims to create 200 housing units, to preserve and/or rehab 75, and to revitalize 150 additional blighted and/or vacant units as a result of its programs during the three-year life of the Collaborative. To put these numbers in perspective, there are currently about 2,400 households living within the three focus neighborhoods.
- **Help create more small businesses and jobs in or near the focus neighborhoods:** DCED aims to make 26 loans to small or startup businesses, to provide meaningful technical assistance to 200 businesses, and to generate 250 new full-time living-wage jobs for resident in or near the focus neighborhoods.
- **Build significant new organizational, business, real estate, and civic leadership capacity in the focus neighborhoods:** DCED aims to engage 1,500 residents in one form or another, including an unspecified number in its real estate, entrepreneurship, and job training initiatives. DCED also aims to contribute to the creation of permanent shared real estate development and management capacity among the neighborhood community organizations and other neighborhood people, contributing to a step-up in neighborhood-initiated development activity that will continue after the Collaborative completes its three-year project.

Operating plans

Housing: DCED plans to allocate \$2.6 million of the \$6 million PRO Neighborhoods grant to its mixed-income housing activities. The operational entity for deploying this capital is the newly created TREC CI Affordable Housing Loan Fund ("TREC CI AHLF"). DCED's operating plan calls for TREC CI to finance new housing development and renovation activity through loans, paired with technical assistance from teams of TREC member professionals.

DCED intends for the TREC CI AHLF to allocate \$900,000 to loans towards land acquisitions, \$1.6 million to construction loans, and \$100,000 for loans to support renovation activity under the City of Dallas's Minor Home Repair Program. The intention is to support the development and protection of housing units targeted at residents up to 120% of Area Median Income ("AMI").

TREC CI intends that its land acquisition loans will be forgivable, conditional on development on acquired land. TREC CI indicates that it intends to recover and recycle part of its construction loan portfolio during the three-year life of the Collaborative. After the DCED project ends, TREC CI intends to recycle remaining capital in the TREC AHLF into additional affordable housing units.

TREC CI intends to prioritize loans to the five neighborhood community organizations, but doesn't rule out loans to other housing developers. Specific goals vary across the three neighborhoods, reflecting the

varying goals of the five neighborhood organizations. In West Dallas, Builders of Hope intends to focus primarily on developing new multifamily and single-family units on land it already controls, aiming to support the neighborhood's evolution towards a more mixed-income future. In the Forest District neighborhood, Cornerstone aims to develop single family, multifamily, townhome and accessory dwelling unit ("ADU") housing, partly on land it already controls. St. Philip's is focused on developing new single-family, multifamily, and ADU affordable housing units, and also on minor home repair and renovation of existing homes in the neighborhood as well as the purchase and renovation of existing small multifamily. Forest Forward aims to develop housing opportunities that will help diversify housing opportunities in the community. Golden S.E.E.D.S. is focused on neighborhood beautification and new senior cottages, and also on developing new units on lots covered by City of Dallas "NOFA" ("Notice of Funding Availability") funds.

DCED further aims to promote the creation of one or more community land trusts ("CLTs"), to advance the development of new units and also to promote wealth accumulation in the focus neighborhoods through homeownership. In particular, St. Philip's, Cornerstone, and Builders of Hope each hope to create CLTs within their respective neighborhoods. DCED aims to provide technical and administrative assistance in the creation and management of new CLTs, mostly through engagement by TREC staff. DCED intends to include a rental component in its new CLTs, in order to promote affordability for residents and financial sustainability within the land trusts. In particular, St. Philip's prioritizes inclusion of rental properties within a new land trust on its existing land. (Note: the Dallas City Council passed a new ordinance creating a legal framework for CLTs for the first time in late 2019, and the City put out a call for applications to create CLTs in mid-2020.)

Another part of the operating plan is to create a new permanent real estate development and management structure that can support development efforts by all five neighborhood community organizations. Specifically, the plan calls for hiring a Senior DCED Real Estate Project Manager who can serve as a shared resource.

Small business: DCED's operating plan calls for allocating \$1 million to a small business loan fund that LiftFund will administer. The projected average loan size for the targeted 26 loans is approximately \$40,000. Under the plan, loans can have principal amounts up to \$50,000. They will typically charge a one-time 2% commitment fee and a 4% interest rate, with flexible terms ranging from 12 to 72 months, interest rate buy-down options, and possible payment deferrals for up to 6 months.

LiftFund will pair loans with technical assistance. The plan further calls for prioritizing minority- and women-owned firms based within or near the focus neighborhoods.

DCED's goal is to recover capital on its loan portfolio, breaking even before operating expenses incurred by LiftFund, and recycle these funds post-DCED into additional micro and small business loans for entrepreneurs in low- to moderate-income communities.

DECD further intends that Texas Mezzanine Fund will provide low-cost loans of somewhat larger size to businesses in or near the focus neighborhoods, in cases involving larger projects exceeding LiftFund's maximum loan size. Texas Mezzanine Fund also may participate in larger housing or even commercial real estate development projects in conjunction with TREC CI within the focus neighborhoods during the life of the Collaborative.

Capacity building: DCED aims to contribute to capacity building in the focus neighborhoods through a variety of activities:

- **Real estate development and management capacity:**
 - **“Real Estate 101”:** TREC CI’s pre-existing “Real Estate 101” program is a five-session course aimed at providing training to nonprofit leaders who wish to gain additional expertise about making real-estate decisions in nonprofit community development settings.
 - **“Real estate Bootcamp”:** TREC CI aims to provide development and management training to interested professionals in the focus neighborhoods through its pre-existing “Bootcamp” program. TREC CI gears the Bootcamp program for developers who have a specific project in mind and wish to gain tools and expertise to bring their ideas to fruition.

- **Small business capacity:** DCED’s operating plan allocates \$2.5 million to small business capacity building and workforce readiness programs run by Dallas College. The plan includes hiring a full-time Community Outreach Manager solely focused on engaging with the three neighborhood communities, building awareness of Dallas College’s available programs, and recruiting qualified individuals and small businesses.
 - **Small Business and Corporate Growth Lab:** Under DCED’s operating plan, Dallas College will establish the Small Business and Corporate Growth Lab within Dallas College’s Bill J. Priest Center. The Bill J. Priest Center is a physical facility located just south of Downtown Dallas and focused on providing co-working space, entrepreneurship and job training, technology help, technical assistance, and mentoring to individuals and small businesses. DCED’s plan calls for the launch of a new pilot membership-based project aimed initially at entrepreneurs from the three focus neighborhoods, including bringing member-entrepreneurs into the co-working space to help them build their businesses. A significant part of the \$2.5 million allocated to Dallas College-led activities will go to seed funding for the Small Business and Corporate Growth Lab. Dallas College aims to build the Lab into the “epicenter” of small business and entrepreneurial growth in the city of Dallas. The primary use of the funds allocated to Dallas College will be the build-out and outfitting of the Lab’s physical workspace.
 - **“WorkReadyU”:** DCED’s plan calls for a targeted plan to recruit neighborhood residents into Dallas College’s established “WorkReadyU” free job training programs.

- **Capacity building in the five neighborhood community organizations:** DCED’s operating plan envisions that engagement in the housing, small business, and workforce development activities of the Collaborative will in itself increase permanent capacity within the community organizations, primarily through “learning by doing.”

DCED: Progress to Date



Housing

DCED has made early progress in implementing its operating plan for affordable housing, but the COVID-19 crisis and other factors have caused a slower launch than DCED would have hoped for.

TREC Community Investors formally launched the new TREC CI Affordable Housing Loan Fund in the second quarter of 2020. TREC CI and the five neighborhood community organizations promptly launched planning initiatives for all three focus neighborhoods. TREC CI successfully hired an experienced Senior DCED Real Estate Project Manager, Keith Smith, on a contract basis. TREC CI organized five affordable housing development planning teams made up of volunteer TREC member professionals, assigning one team to each community organization. TREC CI also created a “DCED Real Estate Committee” composed of a committee chair, the Senior Real Estate Project Manager, each real estate team project manager (TREC member volunteers), a representative from TREC CI’s professional practice team, and a representative from each community organization.¹ As of January 2021, approximately 50 TREC member professionals have joined one or more of these committees and participated in DCED planning processes.

TREC Community Investors has also engaged in numerous meetings with City of Dallas staff to provide feedback on the City’s new community land trust policy and application process, as well as on the City’s relatively new affordable dwelling unit policy.

Despite this progress, the TREC CI has not yet approved its first loan. None of the neighborhood community organizations seems to be close to breaking ground on new developments. There were no applicants in the City of Dallas’s initial application processes for new community land trusts, including from the neighborhood community organizations.

Based on interviews with TREC CI staff and other DCED participants, DCED’s housing plans have encountered several obstacles:

- **The COVID-19 crisis:** The crisis largely shut down progress during its first few months, which coincided exactly with the formal launch of the TREC CI AHLF. The five project teams and the DCED Real Estate Committee have not been able to meet in person, other than two site visits in West Dallas and the Bottom.
- **The general challenges of building affordable housing:** Developing new affordable housing units is inherently complex and difficult. TREC CI is encountering at least a typical array of execution challenges, and it will take some months before conditions are in place for the community organizations to break ground on new units.
- **City of Dallas challenges:** The City of Dallas is known for having a long and difficult development process. Moreover, the City’s home repair program seems to have shut down during the COVID-19

¹ The DCED Real Estate Committee organizational chart is available at: <https://public.3.basecamp.com/p/5fRrKXzk8Nywbf5tadbC8ZY3>.

crisis. DCED's efforts to create one or more community land trusts with the neighborhood community organizations have been delayed partly because the City hasn't worked out a rental appraisal process with the Dallas County Appraisal District (the property tax assessment authority), preventing TREC CI from planning for rental properties within new CLTs.

- **Capital scarcity:** DCED's specific plans generally depend on the ability of the Collaborative and its community organization partners to leverage DCED's PRO Neighborhood grant with additional capital. For instance, plans under development by St. Philip's and Builders of Hope will require significant further funding. As of now, TREC CI has been awarded a \$100K grant from AT&T for its affordable housing initiatives.

At the level of the individual community organizations, planning continues to move forward. The planning process is furthest along at Builders of Hope, which has worked closely with DCED's new Senior Real Estate Project Manager Keith Smith and is now engaged in a zoning process on a site plan for a new mixed-income multifamily project. Golden S.E.E.D.S. is working on design plans for a set of senior cottages and will soon enter a zoning process for the "NOFA" lots it plans to develop. St. Philip's is working with its TREC member real estate team on extensive plans for housing development on its land holdings, and has submitted two applications to the City of Dallas for the development of a combined 15 units of single-family affordable housing. Cornerstone is working with a volunteer architect on affordable townhome housing concepts.

Small business

LiftFund formally launched its DCED Small Business Loan Fund in mid-2020, including going live with an online landing page for potential borrowers. In August 2020 LiftFund initiated a sustained program of outreach to DCED's community organization partners to enlist their help in raising awareness of the facility in their respective neighborhoods.

Based on our interviews, the pandemic has "dramatically" slowed the pace of LiftFund's outreach efforts. LiftFund's business development officers had planned on holding a series of in-person meetings and extensively canvassing small business owners in the focus neighborhoods. The COVID-19 crisis has shut down virtually all in-person meetings and canvassing efforts. Even so, the business development team has continued to hold frequent virtual meetings with the five neighborhood community organizations and has also initiated outreach efforts with other community organizations such as the Dallas Black Chamber of Commerce, the Dallas Urban League, and neighborhood association presidents. LiftFund's Women's Business Center has launched a series of virtual workshops to provide outreach, education, and training to businesses in the focus neighborhoods, on topics including capital-raising and digital marketing.

The DCED Small Business Loan Fund has not yet made its first loan. It is, however, close to closing two loans, one for \$50,000 and one for \$15,000. One loan will potentially go to a startup vegan restaurant in West Dallas, and the other to a small commercial real estate management company in the Forest District neighborhood. LiftFund has another \$80,000 or so of potential deals in its pipeline, including an early-stage retail store and company focused on minor construction projects.

DCED's small business loan initiative has encountered three principal challenges:

- **COVID-19:** LiftFund has faced difficulty getting its word out in the absence of in-person meeting and canvassing efforts.
- **Scarcity of potential clients:** There simply are not many operating businesses in the focus neighborhoods.

- **Loan qualifications:** A number of micro-businesses in the focus neighborhoods have been unable to meet LiftFund’s standard minimum loan requirements, which include credit checks.

LiftFund has recently decided to add an additional business development officer and to further expand its outreach to more community organizations. It has also created a committee to consider how it might loosen its loan eligibility standards to allow more micro-businesses in the focus neighborhoods to qualify for DCED loans.

Capacity building

TREC CI real estate programs: TREC CI offered its “Real Estate 101” program in Fall 2020 in virtual form, attracting 23 individual participants, including three participants who live in the focus neighborhoods or are associated with nonprofit organizations there. Participants participated in five sessions running from August to December.

TREC CI decided to cancel its planned in-person “Bootcamp” program in April 2020 because of inadequate time to transition to a virtual format. TREC CI has not decided whether to offer the program in person or in virtual form in the first half of 2021.

Dallas College entrepreneurship and job training programs: The COVID-19 pandemic has forced Dallas College to keep its Bill J. Priest Center facility entirely closed since shortly after DCED’s launch. Dallas College has nonetheless moved forward with its Small Business and Corporate Growth Lab initiative in virtual form. Dallas College hired an Assistant Director of Outreach, Marketing, and Special Programs for the Lab, Janeen Dantzler, who is responsible for outreach to and recruitment of prospective client businesses from the three focus neighborhoods. Dallas College also hired a Small Business Advisor, Cynthia Nevels, to work with client businesses once they are enrolled in the program.

Since the program’s launch in virtual form, Janeen Dantzler and the Dallas College team have built out and customized a Salesforce technology tool, planned for a ramp-up that can occur as the pandemic recedes, brought in a co-working consultant to plan for “virtual co-working” support for client firms, and recruited some 25 to 30 small businesses into the program. Cynthia Nevels has built out a system to create and track milestones with client entrepreneurs. The program has helped small business owners establish four limited liability corporations, raise \$15,000 in commercial bank loans, and close one \$60,000 annual contract.

DCED noted one particularly successful case: the Dallas College team helped a young entrepreneur in the Forest District neighborhood, Jeremy Connally, develop a data reporting company implementing programs for the neighborhood’s Public Improvement District (“PID”) and providing other neighborhood support services.

It literally changed my life. It’s a great program. More people need to hear about it and utilize it.”

Jeremy Connally,
Forest District Entrepreneur

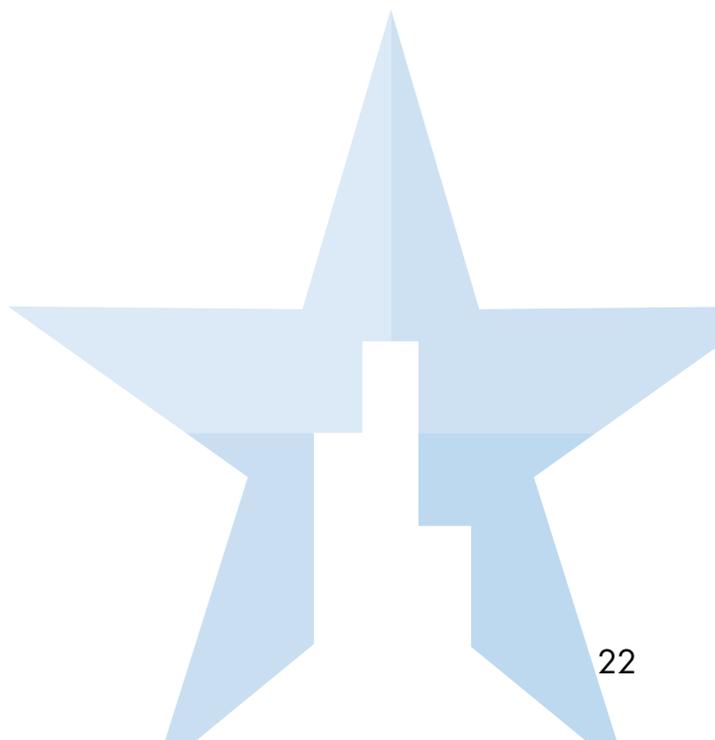
Mr. Connally, who has a degree in computer science, has built a database to track neighborhood issues related to the PID. He hires other people in the neighborhood to carry out front-line code enforcement. With the help of Cynthia Nevels, he created a clear mission statement and business plan, developed branding materials, and set up an accounting system to organize billing and manage expenses. Mr. Connally’s business is gaining very good traction in building his business through word of mouth in the neighborhood. Mr. Connally said of the DCED program: “It literally changed my life. It’s a great program. More people need to hear about it and utilize it.”

Dallas College has also hired a Community Outreach Manager, Shaneika Frazier, to work with the neighborhood community organizations to raise awareness of Dallas College's workforce readiness programs and recruit residents. Shaneika Frazier has since been meeting virtually with representatives of each of the five neighborhood community organizations once every two weeks, each in separate meetings to ensure that Dallas College is customizing its outreach efforts to the needs of each community. Ms. Frazier is also conducting bi-weekly information sessions for interested residents. These sessions focus on explaining the process for enrolling in Dallas College's workforce training program and give Ms. Frazier the opportunity to engage directly with community members. Dallas College asks participants to complete an interest form before the sessions to build contact lists and create a sense of buy-in on the part of prospective participants. Ms. Frazier is currently pursuing an intensive follow-up program with meeting attendees, including regular preparatory check-ins with residents who have enrolled in a workforce training program. So far more than 150 people living in or near the focus neighborhoods have attended a Dallas College information session or outreach event.

Ten residents have enrolled in WorkReadyU classes starting in January 2021.

Dallas College's entrepreneurship and work readiness programs have encountered several challenges:

- COVID-19: The COVID-19 crisis has prevented Dallas College from holding in-person events, slowing recruitment.
- Digital divide: Many residents lack good broadband connections, impeding them from participating in Dallas College's virtual programs. Also, a number of residents have expressed enthusiasm about participating in remote classes but lack the experience and expertise to participate successfully in online coursework. Shaneika Frazier reports that Dallas College must work hard to "customize" the experience to the particular needs of individual residents.
- Wide-ranging needs of businesses enrolled in the Small Business and Corporate Growth Lab: Dallas College is finding that many participating businesses need more forms of help than Dallas College had expected, including assistance with brand development, logo design, website development, and legal issues.



Conclusions and Early Takeaways



Conclusions

This white paper points to clear conclusions about the state of the DCED project as of January 2021:

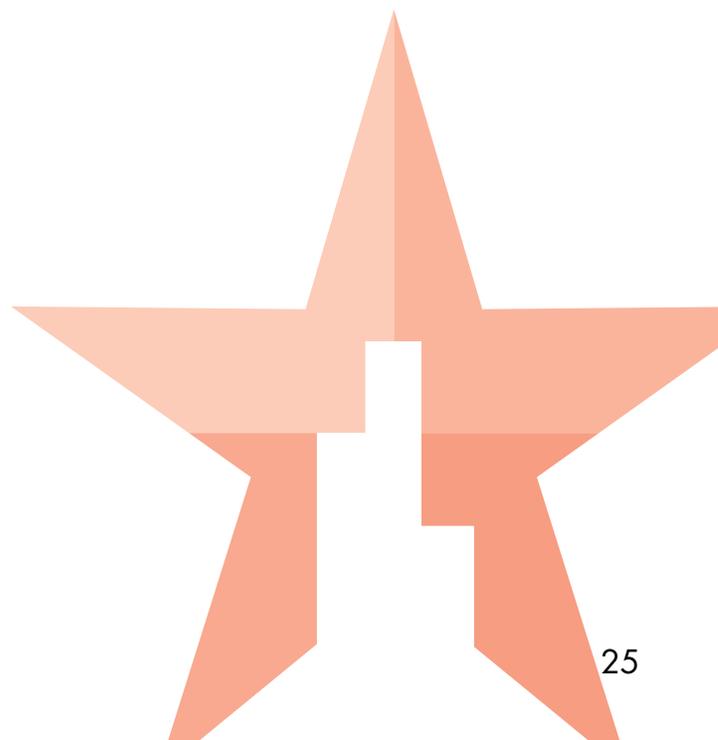
- The DCED partner organizations start from a compelling diagnosis of the challenges to equitable development facing the three focus neighborhoods and, by extension, much of Southern Dallas.
- They have a well-articulated and plausible theory of change, as well as concrete operational objectives grounded in this theory. Achievement of DCED's objectives would advance the overall goal of equitable development in Dallas, as "equitable development" is commonly defined and as DCED defines it in its PRO Neighborhoods grant application.
- DCED has a sound plan for deploying PRO Neighborhoods grant capital to pursue these objectives.
- DCED also has a well thought through plan for pairing capital with technical assistance and neighborhood capacity building to advance its goals. The plan, if it reaches its quantitative and qualitative goals, is likely to create positive momentum towards equitable development in the three focus neighborhoods and other nearby areas well after the three-year life of the project.
- All of DCED's initiatives have gotten off to a slower start than planned, in large part because of the COVID-19 crisis but also because of the scope of the challenges the Collaborative aims to address and the inherent complexity of executing certain parts of its operating plan.
- DCED has done a very good job of adapting its initiatives relatively quickly to virtual formats and has continued to move forward across almost all its planned programs.
- DCED's model of working across three rather different neighborhoods in close partnership with five neighborhood community organizations with varying capacities and areas of emphasis has created considerable execution complexity. DCED seems to be navigating its way through this complexity relatively well but has work to do to make its overall structure sufficiently effective for the Collaborative to reach its goals.
- DCED and its neighborhood community organization partners may have underestimated the complexity of creating and managing a community land trust. DCED and its partners may want to consider launching a single land trust under unified governance and management that can provide "backbone" services to neighborhood-specific programs focused on developing affordable housing units and promoting homeownership opportunities for residents.
- Full realization of DCED's objectives will require DCED to leverage its PRO Neighborhoods grant capital with additional capital from other sources. As of January 2021, DCED has not set in motion clear plans to bring additional capital from the public, private, or nonprofit sectors into its programs, particularly in mixed-income housing.
- DCED's efforts might benefit from closer engagement with anchor institutions in or near the focus neighborhoods, such as the prominent DISD, charter, and private schools within the neighborhoods, and even large nearby institutions like UT Southwestern Medical Center.

Early takeaways

- **COVID-19:** As in other cities, the pandemic has both brought to the surface many of the deep disparities in Dallas and directly impeded even the best-intentioned and well-designed efforts to address them. Restrictions on gatherings have significantly slowed virtually all aspects of DCED's project, even efforts to build collaborative relationships with the Collaborative's neighborhood community organization partners and to raise awareness of DCED's programs among residents.
- **Digital divide:** Just as lack of home broadband access has dramatically undermined learning among school-age students during the pandemic, it has erected high barriers making it difficult for adult residents in the focus neighborhoods to access DCED's capacity building programs. Additionally, DCED's efforts to switch several of its programs to online formats have revealed that many residents of the focus neighborhoods lack the experience and expertise to access these resources successfully through remote channels. It seems likely that these barriers to successful participation in remote education and the digital economy will become ever larger impediments to equitable development long after the COVID-19 crisis is over, as society is not likely to reverse all the shifts to greater digitalization that it's made in response to the pandemic.
- **General challenges:** DCED has taken on three very difficult challenges.
 - **Affordable housing:** Developing affordable housing at scale is extraordinarily difficult, particularly in centrally located areas of large cities – and especially when the explicit aim is to develop mixed-income communities. City policies and development processes can add considerably to these challenges, as they clearly do in Dallas. Building new affordable housing units is also very expensive, creating additional barriers to building at scale and sometimes resulting in well-intentioned but piecemeal efforts that deliver only a handful of units. Managing a community land trust is also extremely complex. The next year will show how successful DCED will be in navigating these challenges and reaching its quantitative goals.
 - **Small business:** There is no commonly accepted theory of how external intervention, whether by public or nonprofit entities, can significantly increase the pace or success rate of business startup activity – or even whether it's possible to make a difference. Scarcity of startup capital is very likely an obstacle to business formation in communities like the three focus neighborhoods. But even if prospective entrepreneurs in a low- to moderate-income community have a compelling idea, a powerful work ethic, and a degree of startup capital, they often face other high barriers to success: low spending power among potential customers in the immediate community; weak networks connecting the business to potential customers, suppliers, and investors in the wider city and beyond; difficulties in attracting experienced team members; and potentially systemic racial bias as well.
 - **Capacity building:** Building capacity among under-served communities through formal training programs is clearly very difficult. Successful professionals – including entrepreneurs and real estate developers – develop their skills over many years, through formal education but also through extensive mentoring in successful organizations and long experience. Even more difficult, perhaps, is external intervention to build the capacity of residents in a lower-income neighborhood to organize themselves on public policy issues.

- **The vital role of community organizations:** Strong, respected neighborhood community organizations can make a significant difference. Each of the five community organizations is widely known and respected in the wider Dallas community. Each has robust connections to residents in its immediately surrounding neighborhood and impressive networks of external relationships in the Dallas nonprofit, philanthropy, business, and public sectors. Challenges posed by the COVID-19 pandemic have made DCED even more dependent on the neighborhood community organizations to execute its outreach and capacity building efforts than the Collaborative had thought it would be. Pursuing DCED’s strategy in the absence of the neighborhood community organization partners would have been impossible, and creating new organizations without history in the neighborhoods almost surely would have failed. On the other hand, the DCED project is forcing all five of the neighborhood community organizations to “stretch” and develop new capacities, by focusing on activities that haven’t necessarily been within their core areas of competence in the past. Building these capacities takes time and experience.
- **Building trust in the community:** DCED’s initiatives also depend heavily on the success of the Collaborative and its neighborhood partners in building trust among the residents of each neighborhood. For instance, if residents in any of the focus neighborhoods turn against DCED’s specific mixed-income housing development plans, the plans very likely will not move forward. Likewise, residents will only borrow from LiftFund or commit time to Dallas College programs in significant numbers if they develop a solid foundation of trust in these organizations. It appears that DCED and its community organization partners have done an effective job in building these vital forms of trust so far.

DCED is off to a good start, particularly in view of the difficult challenges it is taking on and the tremendous obstacles posed by the COVID-19 pandemic. The Collaborative’s ultimate success in achieving its quantitative and qualitative goals will depend heavily on its ability to ramp up its activities on numerous fronts during 2021.



Acronyms



- **ADU** - Accessory Dwelling Unit
- **AMI** - Area Median Income
- **CLT** – Community Land Trust
- **DCED** – Dallas Collaborative for Equitable Development
- **DISD** – Dallas Independent School District
- **NOFA** - Notice of Funding Availability
- **PID** – Public Improvement District
- **PRO Neighborhoods** - Partnerships for Raising Opportunity in Neighborhoods
- **TMF** – Texas Mezzanine Fund
- **TREC** – The Real Estate Council
- **TREC CI** – TREC Community Investors
- **TREC CI AHLF** – TREC CI Affordable Housing Loan Fund

About the Author



J.H. Cullum Clark serves as Director of the George W. Bush Institute-SMU Economic Growth Initiative and as an Adjunct Professor of Economics at Southern Methodist University. His research focuses on the challenge of expanding opportunity and economic mobility in America's cities, as well as on macroeconomic policy and economic history. He frequently advises Dallas public officials and civic organizations on economic development and housing policy, and also serves on the boards of Uplift Education, the Eugene McDermott Foundation, the SM Wright Foundation, and the Foundation for the Arts. He is co-author of a forthcoming book, *The Texas Triangle: An Emerging Power in the Global Economy*, which Texas A&M Press will publish in May 2021. He lives with his wife Nita in Dallas.

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Appendix



THE BOTTOM



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