

## Generational Wealth through Place-Based Entrepreneurship

August, 2023

In 2020, the [Build from Within Alliance \(BfWA\)](#) partnered with [Reinvestment Fund](#) and [University of Pennsylvania's Social Impact of the Arts Project \(SIAP\)](#) to participate in an Ewing Marion Kauffman Foundation Knowledge Challenge to explore the place-based work of BfWA members. Using qualitative and quantitative research methods, this multi-year effort was designed to study the characteristics of communities in ten cities where Alliance members were working and unpack the ways that place-based support for entrepreneurship can enhance community wellbeing.

With support from members and individual entrepreneurs across the alliance we developed analyses to describe levels of social wellbeing, neighborhood vitality, and neighborhood change across the network. Although this work was largely designed to be exploratory, the project uncovered five important lessons:

- I. **Measuring social wellbeing and neighborhood vitality provides a language to describe the impacts that Alliance members are working towards.** The activities of members and the businesses they support are designed to create jobs and build wealth, but also to develop community assets, revitalize commercial spaces, and support the wholistic wellbeing of the communities they serve. Systematically measuring, mapping, and reporting on community wellbeing helps members present the complex, data-based story of their work and where they do it—beyond simply counting economic outputs. In addition to reports, we created an [interactive website](#) to publicly share the city-by-city results of our analysis.
- II. **Neighborhoods where members are working had some commonalities across cities, but also unique challenges and opportunities.** BfWA members are working in communities across the country, from Anchorage, AK to Miami, FL. Yet despite these geographic differences there were commonalities across member cities. In nearly every BfWA member city, the neighborhoods with concentrated BfWA activity were among the most racially diverse and were home to populations vulnerable to housing displacement.
- III. **Members are working to address the conditions highlighted by measures of social wellbeing and neighborhood vitality.** Although our work was largely descriptive, we were able to draw connections between the community characteristics observed and the efforts of individual alliance members. In cities where members were concentrating activity in neighborhoods with the highest levels of disinvestment, members were focused on building assets to establish viable commercial corridors and support revitalization. In cities where activity was concentrated in rapidly developing markets, members' activities appeared to protect their communities from future displacement by building businesses and supporting social networks that help anchor people to the neighborhoods where they live.
- IV. **Tracking business concentration provides a way to begin evaluating how member activities are impacting social wellbeing and neighborhood vitality.** By developing a measure of business clustering, we were able to identify where alliance-supported businesses were concentrated in every city. Tracking conditions in business clusters over time and comparing them to city or regional trends provides a way to begin measuring the impact of members' investments.
- V. **Early evidence supports the idea that entrepreneurship is helping stabilize struggling neighborhoods.** In three cities where BfWA members have robust activity, our data suggests that areas with clustered business activity are on a more stable trajectory than other similar places without clustered business activity. While not conclusive, these findings help support the notion that clustered entrepreneurship support can contribute to community revitalization.



## MEASURING SOCIAL WELLBEING AND NEIGHBORHOOD VITALITY

One of the primary goals of this project was to develop quantitative measures that could help BfWA members understand and communicate their impact on neighborhoods. In partnership with the alliance, we adapted three different measures that captured dimensions of community wellbeing that were relevant for members and the entrepreneurs they serve: neighborhood vitality, social and economic opportunity, and neighborhood change.

### Three Dimensions of Place-Based Wellbeing

#### **NEIGHBORHOOD VITALITY**

Strong and vital places attract new residents and private investment, while weaker areas may struggle to retain residents and may enter a cycle of disinvestment. Businesses and commercial corridors can play an important role in supporting neighborhood vitality by helping to crystalize or define the character of a place and by creating new amenities that attract people to an area.

To measure neighborhood vitality, we adapted a version of Reinvestment Fund's [MVA](#).

#### **NEIGHBORHOOD CHANGE**

In recent years, many BfWA members have reported concerns about resident displacement due to rising home values in their communities. Neighborhood change can be beneficial when it supports new assets and amenities in communities, improves quality of life, and helps to break cycles of disinvestment. However, neighborhood change that forces long-term residents to leave against their wishes can be damaging to the character and vitality of a place.

To measure the level of neighborhood change and assess the possible displacement effects of changing home prices, we adapted a version of Reinvestment Fund's [Displacement Risk Ratio \(DRR\)](#) analysis.

#### **SOCIAL AND ECONOMIC OPPORTUNITY**

Although the economic impact of an individual small business may be quite small when measured in terms of sales taxes or employment rates, the impact of small businesses on community wellbeing can be much larger. Entrepreneurs that become leaders in their local communities and their businesses can help further economic and racial inclusion. New successful businesses can help refill vacant storefronts, attract foot traffic, and contribute to healthier communities.

To measure social and economic opportunity, we adapted the [Social Wellbeing Indices \(SWI\)](#) approach developed by SIAP.

A description of each index and city-level data are available on the project's [interactive website](#).

## SIMILARITIES AND DIFFERENCES ACROSS ALLIANCE MEMBERS

BfWA members are working in communities as large as Houston, Texas and as small as Wilmington, Delaware. The conditions we identified in our analysis of neighborhood vitality and social and economic opportunity are equally diverse. Yet, across member cities, there were some commonalities. In nearly every BfWA member city, ***the neighborhoods with concentrated BfWA activity were among the most racially diverse in their communities***. The Simpsons Index, a common measure of diversity which runs from 0 (completely segregated) to 1.00 (complete integration), averages 0.53 in block groups with clustered BfWA activity and 0.37 in other block groups in BfWA cities. This was true in majority minority cities like Miami and Detroit, as well as cities where most of the population was White.

Additionally, the neighborhoods and communities where most BfWA members had concentrated activity had similar or lower rates of homeownership than the surrounding municipality. The average block group with clustered BfWA activity had a 38% homeownership rate, compared to a 51% homeownership rate in other block groups in BfWA cities. Higher rates of renters may indicate that ***communities served by BfWA businesses are particularly vulnerable to neighborhood changes and rising housing costs***.



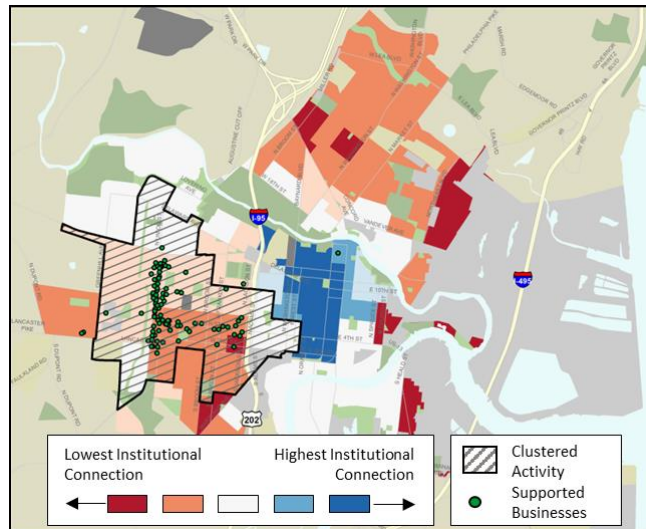
## ADDRESSING PLACE-BASED WELLBEING IN ALLIANCE-SUPPORTED COMMUNITIES

This first phase of work was not intended to evaluate the impact of the BfWA, but by sharing our quantitative analyses with entrepreneurs and members, we were able to identify ways the alliance members are working to address conditions highlighted by our data.

In Wilmington, DE, for example, our Social and Economic Opportunity Analysis found that areas with concentrated BfWA activity had lower levels of Institutional Connection, a measure of residents' proximity to nonprofits, welfare, and cultural organizations that often provide important resources and services to community members.

In this context, the BfWA member's activities to support the leadership development of local entrepreneurs can be seen as an important step in **building out a network of local leaders in a community that is currently less than optimally served by more formal institutions.**

Institutional Connection and BfWA Activity in Wilmington, DE



While most members are concentrating their activity in neighborhoods that manifest as the most distressed housing markets in their cities, in Detroit, MI we found that there were several supported business clusters in neighborhoods that ranked among the strongest in the city. Our interviews with the alliance member and the entrepreneurs they supported revealed that this was **part of an intentional strategy to help place entrepreneurs from historically marginalized communities on established commercial corridors where they could help raise the visibility of minority owned businesses and foster a greater sense of belonging and inclusion in the business community.**

## TRACKING BUSINESS CONCENTRATION AND MEASURING CHANGES

We worked with nine BfWA members to create a map of the entrepreneurs they supported. Working with the Alliance, we developed a definition of a business cluster—three supported businesses within 1/8<sup>th</sup> mile radius—and mapped the location of business clusters across the network.

Mapping the location of supported entrepreneurs helped illustrate the deep commitment to their communities that members across the alliance share, but also allowed us to begin measuring the level of geographic concentration across the network. This work helped reveal the different approaches to place-based investments implemented in the ten cities analyzed in our study. While in some cities, nearly every business was in a BfWA business cluster, in others, entrepreneurs were more widely dispersed.

More importantly, however, **this work provides a framework for beginning to measure and evaluate the ways that alliance-supported entrepreneurs are both impacting and impacted by the communities they serve.** Tracking the conditions in business clusters over time can provide a way to begin to quantify how the work of alliance members is helping to shape the future of their communities.

## CONTRIBUTING TO NEIGHBORHOOD STABILIZATION AND REVITALIZATION

This work was primarily intended to describe the communities and places impacted by BfWA, rather than quantify the ways that BfWA members are impacting communities. However, our measure of neighborhood change, a metric called the Displacement Risk Ratio (DRR), points to the ways in which the work of place-based entrepreneurs may be helping to stabilize historically distressed and disinvestment areas.

The DRR evaluates changes in housing affordability for long-term residents over time. Areas with high DRR values or areas where DRR values are rising rapidly are experiencing rapid price appreciation that can increase the risk of displacement for long-term residents. Areas with low or declining DRR values are experiencing a loss of value or disinvestment which presents a different risk for long-term residents.

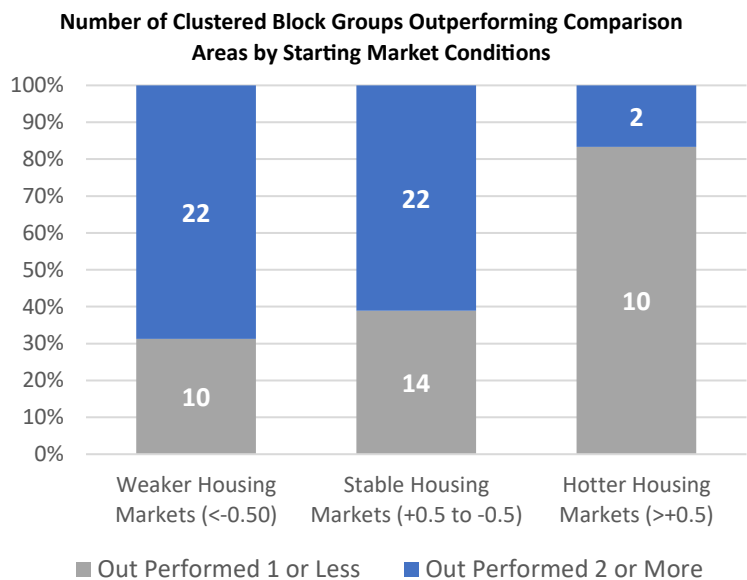
To better understand trends in communities where BfWA members were working we started by identifying block groups with clustered BfWA activity—a group of three or more BfWA supported businesses within 1/8 mile of each other. For each block group with clustered BfWA activity, we identified three comparison areas that had similar home prices and DRR scores in 2014-2015 and did not have any BfWA businesses.

For this exploratory analysis we focused on three cities where there was substantial BfWA business activity and robust housing price data: Minneapolis/St Paul, Wilmington, and Detroit. In total we were able to identify three comparison areas for 42% of the block groups with clustered BfWA activity.

**Comparing DRR trends in block groups with clustered BfWA activity and comparison block groups without BfWA businesses suggests that in struggling neighborhoods, BfWA activity is helping to support stabilization, while in hotter markets, there is no evidence that the activity is contributing to greater displacement risk.**

In weaker areas, where DRR values started off below the city average, sixty-nine percent of the block groups with clustered BfWA activity (22 of 32) saw greater DRR growth than two or more of their comparison areas. This suggests areas with BfWA activity are seeing more improvement and stability in their housing markets than other similar places. At the end of the study period, these areas had home values that had not lost value and were still affordable.

A smaller number of block groups with clustered BfWA activity were in hotter housing markets, where DRR values started off above the city average and affordability for long-term residents was a concern. Among these areas, only 16% of block groups with concentrated BfWA activity (10 of 12) saw greater DRR growth than their comparison areas, meaning they remained more affordable while other similar areas were becoming less affordable for long-term residents.



Taken together these results suggest that ***in struggling neighborhoods, BfWA activity could be helping to build assets that support prices and set neighborhoods on a more stable trajectory without creating more burdensome affordability for residents.*** In areas where affordability is already a concern, areas with concentrated BfWA activity are not seeing as much price appreciation as other similar areas, and the activity of BfWA members is not associated with a loss of affordability.

The Ewing Marion Kauffman Foundation is a private, nonpartisan foundation that works together with communities in education and entrepreneurship to increase opportunities that allow all people to learn, to take risks, and to own their success. The Kauffman Foundation is based in Kansas City, Missouri, and uses its \$2 billion in assets to collaboratively help people be self-sufficient, productive citizens. For more information, visit [www.kauffman.org](http://www.kauffman.org).

