

RENEWING PEOPLE AND PLACES: INSTITUTIONAL INVESTMENT POLICIES THAT ENHANCE SOCIAL CAPITAL AND IMPROVE THE BUILT ENVIRONMENT OF DISTRESSED COMMUNITIES

REX L. LAMORE, TERRY LINK, AND TWYLA BLACKMOND
Michigan State University

ABSTRACT: *The challenges confronting distressed communities in the United States are complex and multifaceted. Communities large and small have been significantly affected by a myriad of social, environmental, and economic forces, including a continuing decline in manufacturing employment, uncontrolled sprawl, and the transition to a global economy. The traditional choice between a “place-based” theory of redevelopment strategy versus a “people-focused” theory no longer seems feasible or appropriate. This article outlines sustainable development as an alternative strategy that combines a place-based development strategy, a human development focus, and an environmentally mindful approach. It posits that there exists a direct positive relationship between the creation of social capital, the redevelopment of the built environment utilizing sustainable development practices, and community-based organizations in distressed communities. Furthermore, the authors suggest that through community investment—a socially responsible investment strategy—institutions of higher education can facilitate the rebuilding of communities by providing financial capital while gaining a moderate yet secure financial return as well as a substantial social return.*

RENEWING PEOPLE AND PLACE

The challenges confronting distressed communities in the United States are complex and multifaceted. These communities, both large and small, have been significantly affected by a myriad of social, environmental, and economic forces, including a continuing decline in manufacturing employment, uncontrolled sprawl, and the transition to a global economy. Older central cities and isolated rural areas continue to lose population, employment, and a public tax base to support needed public services and infrastructure improvements. The lack of available financial capital in these communities has forced them into a spiral of decline and social misfortune. Distressed communities have suffered greatly from an inadequate supply of financial capital, limiting their ability to redevelop and reverse their unfortunate situation.

Estimates by the National Association of Home Builders (2001) suggest that one in four households in our nation face a serious housing affordability crisis; others argue that our civil society is

*Direct Correspondence to: Rex L. LaMore, Community and Economic Development Program, Michigan State University
1801 W. Main Street, Lansing, MI 48915. E-mail: lamore@msu.edu.*

JOURNAL OF URBAN AFFAIRS, Volume 28, Number 5, pages 429–442.

Copyright © 2006 Urban Affairs Association

All rights of reproduction in any form reserved.

ISSN: 0735-2166.

at risk as a result of a serious civic paralysis resulting in social isolation and a loss of “community” (Murphy & Cunningham, 2003). Many residents are living in communities that are overwhelmed with social and fiscal stress, thus jeopardizing the public sector’s capacity to mobilize the necessary resources essential to a comprehensive revitalization agenda. Regardless of how one describes the scope of the challenges or prescribes the nature of potential solutions, distressed communities find themselves at a serious crossroads. They must, in a time of severely constrained economic resources, devise new and creative ways of rebuilding their communities while also reinvigorating their civic society. The traditional choice between a place-based redevelopment strategy and a people-focused strategy no longer seems feasible or appropriate.

This paper outlines sustainable development as an alternative strategy that combines a place-based development strategy, a human development focus, and an environmentally mindful approach. It argues that there exists a direct positive relationship with the creation of social capital, the redevelopment of the built environment utilizing sustainable development practices (approaches or methods), and community-based organizations in distressed communities. Furthermore, we suggest that through community investment—a socially responsible investment strategy—institutions of higher education can facilitate the rebuilding of communities by providing financial capital investment in community development financial institutions and community-based development organizations. Public higher education policies supporting a community reinvestment strategy have demonstrated the capacity to provide much needed access to capital, facilitate community and civic revitalization, stimulate the physical revitalization of distressed areas, and reduce environmental stress, while simultaneously improving the economic and social well-being of the community and the state as well as gaining a moderate yet secure financial return.

SOCIAL CAPITAL, THE BUILT ENVIRONMENT AND COMMUNITY-BASED DEVELOPMENT: A COMPREHENSIVE COMMUNITY-BUILDING STRATEGY

The term “social capital” as defined by Robert Putnam in his groundbreaking book *Bowling Alone: The Collapse and Revival of American Community* (2000) refers to the social networks that exist between people. Putnam maintains that these social networks create value for people who are connected and occasionally for bystanders. He notes that social capital exists in the information flows that occur between residents of a community, the mutual aid that they provide each other, and their ability to act collectively. Although race can play a problematic role in the development of social capital, networks across races can be achieved and are crucial to healthy communities (Orr, 1999). Social capital can be found in both formal and informal associations, including civic associations, friendship networks, schools, churches, bridge clubs, and other institutional networks that engage people in collective action (Putnam, 2000). Higher education institutions are major contributors to social capital in their communities through applied research and outreach activities (“Leveraging Colleges,” 2002).

Putnam suggests that one of the major challenges we confront in creating a healthy viable community is overcoming “civic disengagement” and the “lost sense of community.” Others suggest that the value of social capital is that “it can produce economic benefits and if neglected, economic disadvantages” (Robison, Siles, & Schmid, 2002). Robison and colleagues argue that social capital is an important resource in poverty reduction, and efforts to reduce poverty through physical redevelopment, financial investment, and human development depend on social capital (ibid.).

The loss of social capital has severe implications for the quality of life in communities and the broader society. The lack of social capital reduces the ability of people to work together

(Fukuyama, 1995; Orr, 1999), which has a detrimental effect on their social and economic condition. Where people do not look out for the interest of their neighbors, the community is extremely vulnerable to lawlessness, economic decline, and a decreasing quality of life. Successful communities depend on mutual trust and shared norms (Fukuyama, 1995). Where there is a high level of social capital the transaction costs of doing business are less than in communities where there is limited social capital. In addition, where high levels of trust and social capital exist, individuals are more likely to take risks and be innovative in their daily pursuits (Fukuyama, 1995). The collaborative behavior facilitated by a high level of social capital enables communities to address a variety of complex social and economic challenges. As noted by Clay, Robert, and Hollister (1983), “the neighborhood is a uniquely linked unit of social/spatial organization between the forces and institutions of the larger society and the localized routines of individuals in their daily lives.” Vibrant, effective neighborhoods support and nurture creative, talented individuals and families who are able to successfully address complex social, environmental and economic challenges.

Daniels, Barbe, and Seigle (1981) argue that an essential component of any comprehensive community revitalization strategy that is intended to address the inequities of social and economic structures must derive from a community-based strategy.

From the viewpoint of the residents of low-income communities, community-based efforts are necessary to overcome distributional inequities and uneven development in the national economy. These inequities have had obvious results: unemployment rates at levels consistently above the national average; lack of control over and access to the community’s economic and financial institutions; and a shortage or absence of the organizational and institutional arrangements that are needed to promote economic growth.

Community-based development efforts present a “bottom-up approach that is most responsive to these inequities. A bottom-up approach recognizes that CBO’s (community-based organizations) are in a unique position to participate in economic activities: local residents can tailor a development strategy to satisfy their needs and priorities.

They go on to note that community-based development is “*one of the few methods of harnessing the energy and expertise of residents in local development strategies*” (ibid.), or as social capital scholars might suggest, community-based development utilizes the social networks of a community for the improvement of the economic and physical conditions of that community.

The revitalization of the built environment in distressed communities is in part contingent on the social capital of these communities and those social networks that exist in community-based organizations. These CBOs have the capacity to integrate the development of social capital and the revitalization of the built environment. They accomplish this through the utilization of local social networks, the application of sound community economic development practices, and by developing collaborative links with the broader society to mobilize resources and expertise.

Those community-based organizations that have explicit missions to revitalize the built environment are often called community development corporations (CDCs). While CDCs vary in their scope, size, and their local structure, they are usually governed by their community-based leadership. It is this civic engagement in the management and control of these local institutions, often dedicated to housing redevelopment and community economic development, that differentiates them from other types of civic groups.

According to the National Congress for Community Economic Development (NCCED, 2003), “CDCs are formed by residents, small business owners, congregations and other local stakeholders to revitalize a low and/or moderate income community. CDCs typically produce affordable

housing and create jobs for community residents. Jobs are often created through small or micro business lending or commercial development projects. Some CDCs also provide a variety of social services to their target area.” Housing, however, remains a high priority for CDCs because of the high demand for affordable housing (NCCED, 2005). CDCs have increased their involvement in business development—for example, financing small business loans, and aiding entrepreneurs in business operations—to further increase the amount of jobs created in low-income neighborhoods (NCCED, 2005). In 2005, NCCED reported that 87% of the residents served by CDCs are low-income and 22% are considered poor.

A 2005 study conducted by NCCED estimated there are approximately 4,600 such groups across the United States in urban and rural communities. Since the emergence of the first CDCs in the late 1960s, they have produced 774,000 private sector jobs and 1,252,000 units of affordable housing (NCCED, 2005). These organizations perform a variety of critical functions at the local level. Kingsley, McNeely, and Gibson (1999) identify seven themes that define the essence of these institutions. They are:

1. Focused around specific improvement initiatives in a manner that reinforces values and builds social and human capital;
2. Community-driven with broad resident involvement;
3. Comprehensive, strategic and entrepreneurial;
4. Asset-based;
5. Tailored to neighborhood scale and conditions;
6. Collaboratively linked to the broader society to strengthen community institutions and enhance outside opportunities for residents; and
7. Consciously changing institutional barriers and racism.

These institutions are appropriate local institutions by which society might accomplish the complex objectives of community building. Community-based development organizations such as community-controlled and responsive institutions are capable of performing the dual functions of revitalizing the built environment within distressed areas while simultaneously creating and strengthening the social capital within these communities. Recent cutbacks in federal community development spending are forcing community-based development organizations to search for additional funding in the public and private sector. An investment strategy that would facilitate the access of these organizations to much needed development capital would seem to have the potential of not only stimulating a physical revitalization in the built environment of distressed areas, but also supporting the growth of social capital within their target communities. Such a strategic investment policy seems particularly appropriate for publicly responsive institutions like public higher education at a time when other public resources are severely constrained.

SUSTAINABLE DEVELOPMENT, SOCIALLY RESPONSIBLE INVESTMENT AND COMMUNITY INVESTMENT

Sustainable development, as a theoretical framework, identifies a conflict between the preservation of natural resources and *existing* mechanisms for promoting economic growth. The theory suggests that real, long-term economic growth necessitates serious, structural efforts to preserve the world’s finite natural resources (Ehrenfeld, 2005). There are numerous applications of sustainable development strategies. “Green building standards,” like those of the U.S. Green Building Council’s leadership in energy and environment design (LEED), are not only environmentally friendly but also increase long-term value. The practice of green building creates more efficient homes, that

is, homes that use less energy. There is an increased capacity to reuse and, in some cases, generate alternative energy sources (alternatives to environmentally damaging energy sources) (Meyerson, 2005) through the use of natural ventilation, sunlight, and appliances that increase the efficiency of natural resources. Green building also reduces negative impacts on human health by decreasing the use of toxic materials and improving ventilation (Chiras, 2003). Sustainable building provides long-term economic and social benefits, which would be especially beneficial to low-income families.

Energy costs are consistently increasing and requiring a larger and disproportionate share of individuals' disposable income, with low-income families directing about 15% of their income toward energy costs (Habitat, 1998). Low-income families' capacity to afford residential housing is significantly decreased by energy bills. Energy-efficient housing units require less electricity, natural gas, and oil that are utilized for heating and cooling as well as less water and sewer capacity (ECONorthwest, 2001). An extensive review of the financial cost–benefit of green building for the State of California found that a 2% upfront investment in construction yields a tenfold benefit over a 20-year period (Kats, 2003). Green building advocates guarantee that energy costs will decrease between 20% and 40% (Suttell, 2006; Thorness, 2005; Voyles, 2005). “Energy savings alone exceed the average increased capital cost associated with building green” (Suttell, 2006). In his article, *Low Risk, High Returns*, Keith Hartman (2004) contends that upgrading lighting to energy-efficient standards alone would reduce energy bills by up to 50%. Green building can increase the capital costs. These costs, however, are negligible when compared with the substantial return on the investment that is found in the large amount of income saved by decreased energy costs. Financial benefits can also be obtained in the form of tax rebates; almost every state provides tax reductions for environmentally sensitive buildings, including income tax, corporate tax, property tax, and sales tax (Meyerson, 2005).

Reduced operations and maintenance costs and utility bills (Meyerson, 2005; Rocky Mountain Institute, 1998) will decrease the vulnerability of low-income families to rising energy prices. This would permit these families to direct a larger portion of their income to other necessities (Chiras, 2003), such as transportation, health insurance, food/nutrition, etc. Since most new construction is built with at least a 50-year life expectancy, investments in building more energy and resource efficient structures provide residents with generous paybacks that get compounded each year. *The economic gains received from green building, however, exceed the monthly reductions in energy bills.*

Homes also represent a form of wealth. “The better the system you have, the higher quality of your building. The pricing premium that buyers are willing to pay for some newer buildings is a byproduct of owner’s investment in energy-efficient features” (Voyles, 2005). The financial, health, and durability benefits make a home extremely attractive in the real estate market, and sustainable development practices in building construction increase the home’s value (Thorness, 2005).

Besides financial benefits, green building also improves the home’s environment. Energy-efficient and environmentally sensitive housing are well-functioning places. The natural ventilation reduces health risks that are caused by mold, dust, and toxic building materials, and also leads to the reduction or asthma, a condition that disproportionately affects low-income neighborhoods (Habitat, 1998; Thorness, 2005). Green homes provide fewer opportunities for dust, pollen, insect, rodents, and other pests to enter the home (Habitat, 1998). Increased natural lighting increases residents’ comfort as well as productivity (Voyles, 2005). Energy-efficient and environmentally sensitive homes have been shown to increase resident comfort and quality of life while decreasing operating and maintenance costs.

Despite the fact that sustainable development is a “sound, low-risk financial investment with a quick return on investment” (Hartman, 2004), construction and renovation efforts in distressed

areas have too frequently ignored the advantages of green building and avoided investments in sustainable development. Green building in distressed communities has substantial potential to have a profound social and economic impact on residents and communities. These communities can be redeveloped to erase the stigma and effects of being distressed. An investment strategy that incorporates access to financial capital and green building standards will have a positive and long-term impact on the social and economic conditions of currently distressed communities.

Socially and environmentally responsible investing involves making investment decisions based on monetary as well as social and environmental returns (Danian et al., 2004). “Socially responsible investors apply both financial and social criteria when evaluating investments in order to ensure that the securities selected are consistent with their personal value system and beliefs” (Sauer, 1997).

Socially responsible investors strive to invest in securities that express their personal beliefs and social values by incorporating their morals and ethics into their financial decisions. This process includes considerations of the positive and negative effects associated with the security that is being considered (Social Investment Forum, 2003). By aligning investors’ social and moral criteria, investment managers place finances in competitive investment ventures with the desire to increase the well-being of society.

Socially responsible investing utilizes one or a combination of three particular approaches. One approach is commonly referred to as shareholder activism. Shareholders own a portion of the company that provides them with certain rights and influence in company decisions. Shareholders can draft resolutions directing management to act in a more socially and environmentally friendly manner generating change in the firm (Baue, 2004; Camey, 1994). Another approach involves the implementation of social or environmental screens, or nonfinancial criteria. Negative screens permit investment managers to avoid organizations whose operations and behavior do not support their values. Positive social screens allow investment managers to identify and reward those companies whose operations and behavior coincide with the social and environmental interests of the investor. The last approach, community investment, is a form of positive screening. It allows investors to directly invest in community and economic development programs by way of community development fund institutions (CDFIs). This particular paper focuses on the potential of community investment to provide the capital necessary for revitalizing distressed communities, although the other strategies provide innovative investment options.

Community investment provides socially and environmentally conscious investors with the “most direct route for social change” (Social Investment Forum, 2003) and a secure return on their investment, while “increasing economic opportunity for all” (Social Investment Forum, 2005).

Socially and environmentally conscious investors—including individuals, corporations, religious institutions, small businesses, higher education institutions—place their assets, directly or indirectly, into securities maintained by community investment institutions (CIIs). These institutions direct the investors’ capital to communities that need it.

Community investing is capital from investors and lenders that is directed to communities that are underserved by traditional financial services. It provides access to credit, equity, capital and basic banking products that these communities would otherwise lack . . . community investing makes it possible for local organizations to provide financial services to low-income individuals, and to supply capital for small business and vital community services, such as affordable housing, child care, and healthcare.

These local financial service organizations prioritize people who have been denied access to capital and provide them with opportunities to borrow, save, and invest in their own

communities. In addition to supplying badly needed capital in underserved neighborhoods, community investment institutions provide important services, such as education, mentoring, and technical support. They also build relationships between families, nonprofits, small businesses, and conventional financial institutions and markets. (Social Investment Forum, 2003).

CIIIs are market-driven, locally controlled, and community-based. By providing low-interest rate loans and a wide variety of banking services to residents of low-income communities, these institutions are supplying the capital necessary to sufficiently support efforts to address the problems of distressed communities. Community investors directly aid in rebuilding the community and local economy by increasing low-income individuals' capacity to act in their own economic and social self-interest (Danian et al., 2004), while gaining a moderate yet secure financial return.

Investors are increasingly supporting community investment efforts. Community investment is the fastest-growing sector of socially responsible investment (Social Investment Forum, 2003). The assets of American CIIIs totaled \$19.6 billion in 2005, a significant increase from \$13.7 billion in 2003 and \$4 billion in 1995 (Social Investment Forum, 2003). In 2003, the average annual return rate on community investment assets was 8.28% (Social Investment Forum, 2003).

Federal funding and cooperative partnerships with conventional banking institutions (through mutual funds that possess socially responsible and community investment components) increase CIIIs assets, reserves, and net worth, which reduces the risk for investors because CIIIs can cover any losses experienced by community investment securities (*Investing in Social Change*, 1999). The "extra" services (i.e., training programs, technical assistance services, and information on how to effectively utilize capital and credit) provided by CIIIs, and close relationships between borrowers and the institutions, make it more likely that loans will be repaid by borrowers (Baue, 2004). In fact, in the 10 years that Calvert Group, a socially responsible investment firm, has invested its funds into community investment ventures, there has never been a loss of principal (Calvert Foundation, 2005; *Investing in Social Change*, 1999). Other community investment researchers have found that community investors "have never lost a penny" (Baue, 2002, 2004; Camis, Bustamante, & Karipineni, 2003).

"Making investments in low-income communities is no riskier than doing business in the mainstream markets" (Baue, 2004). Community investment is neither a charity nor a risky investment strategy for the institution ("*Leveraging Colleges*," 2002). In effect, the moderate rate of return and minimized risk make community investment a secure and rewarding investment strategy, financially and socially, for all investors, including higher education institutions.

INVESTING IN DISTRESSED COMMUNITIES: A CRITICAL ROLE FOR HIGHER EDUCATION

While colleges and universities have long been involved with community and regional prosperity, there has been a growing call for higher education institutions to "spur economic revitalization of communities" ("*Leveraging Colleges*," 2002). Institutions of higher education can play a vital role in revitalizing the built infrastructure of communities and simultaneously nurturing the development of social capital within these communities, and supporting sustainable development, by wisely investing their financial resources in community-based development. There are numerous examples of colleges and universities that have become deeply engaged in neighborhood revitalization including the University of Pennsylvania, University of Minnesota, University of Vermont, Yale University, and Allegheny College (Hahn, Coonerty, & Peaslee, 2003). Most of these efforts have focused on one of six types of asset leveraging: local purchaser, employer, real estate developer, business incubator, advisor, and network developer. Each type of college and university effort produces economic and social benefits for both the community and the institution.

A recent report by the National Association of State Universities and Land Grant Colleges ([NASULGC], 2001), "Shaping the Future: The Economic Impact of Public Universities," indicates that for every dollar (\$1) invested in an NASULGC institution, there is a \$5 return, and for every NASULGC job created there are 1.6 new jobs created in the community and state. Finally, they report that every \$100 spent by a NASALGC institution generates \$166 spent by employees, students, and visitors.

Where university assets have not been fully mobilized is in the use of institutional endowment and pension funds to spur local community and economic development. Through community investment, higher education institutions can directly enable positive physical and social change in local communities by financing community needs such as affordable housing, small business development, and commercial revitalization. By investing in community-based financial institutions that support community-based organizations engaged in the revitalization of low-income communities, colleges and universities will provide low-income residents with access to needed financial capital to create visible short- and long-term change. For example, the California State Pension System CalPERS, the largest pension fund in the country, reported that its affordable housing program was its highest returning investment category over the past 10 years (Baue, 2003).

In addition to a reasonable "primary rate of return," these institutions can expect what is called in the field a "secondary rate of return" through an improved business climate, reduced unemployment, and other social costs associated with distress. In the case of public institutions of higher education, community investment of endowments has the added effect of improving a state's overall economic base, thus improving the general fund capacity of the state to finance higher education. The benefits to a publicly supported higher education institution are obvious and significant. A healthy state economy directly translates into a positive general fund position for the institution (Camis et al., 2003).

The administration of endowments for higher education institutions have historically been guided by the basic investment practice of "seeking the most prudent and highest rate of return," commonly referred to as the single bottom line. Over the last decade, a number of studies of community and socially responsible investing (a similar alternative investment strategy) have indicated that there is little or no difference in the economic rate of return on investment between socially screened and unscreened investments. For example, a study published in the Winter 1993 issue of *Financial Analysts Journal* shows that socially responsible mutual funds do not earn less statistically significant returns, and the performance of these mutual funds is not statistically different from that of conventional mutual funds (Hamilton, Jo, & Statman, 1993). A similar study published in the Winter 1997 issue of *Journal of Investing* (Waddock & Graves, 2000) also found no significant differences in the mean returns of socially unscreened and socially screened equity investments for the 1987–1996 period. As noted by Camis et al. (2003), "Over the last decade (1991–2001), the index (Domini 400) run by KLD Research & Analytics Inc. posted annualized returns of 19.01 percent, while its comparable benchmark, the S&P 500, posted only 17.48 percent returns."

Data released in 2002 by Lipper, a global leader in supplying mutual fund information, showed that socially responsible mutual funds had their assets increase by 3% between January and June 2002 (Social Investment Forum, 2002a), while conventional U.S. funds experienced a 9.5% decrease in total assets (Social Investment Forum, 2002b). Lipper data also indicated that in June 2002, when the S&P 500 lost more than 13%, SRI mutual funds received net inflows of \$47 million. Meanwhile, the quarterly mutual fund performance released by Social Investment Forum in July 2002 found that 13 out of the 18 screened funds with \$100 million or more in assets tracked by the Social Investment Forum achieved the highest ranking from both Lipper and Morningstar (Social Investment Forum, 2002a, 2002b).

The recent modest performance of the traditional investment market might further suggest that a socially responsible investment plan may be a very sound investment strategy for those seeking a prudent and safe investment portfolio. It is equally important to note that these “rates of return” give no consideration to the “secondary rate of return” realized as a result of stronger and more vibrant communities. As Camis and colleagues point out:

evidence suggests that university and college trustees who have a fiduciary responsibility to maximize financial returns on their investments can achieve adequate returns through SRI funds. Universities set yearly goals as to the interest earnings they are attempting to earn from their investments. For instance, Michigan State University in 2002 was striving for a return of 10.9%. Since the rate of return is such an important aspect of investment decisions, investors often argue that the nature of socially responsible investing will lower financial returns, which would harm the university’s long-term goals. Yet research has begun to consistently prove this argument wrong (Waddock & Graves, 2000; Guerard & Stone, 2002; Most, 2002) (Camis et al., 2003).

A 2001 study of the economic impacts of housing development concluded that building 100 multifamily units in urban Massachusetts would result in at least \$5.73 million in income for residents, \$1.15 million in revenue for state and local governments, and 120 jobs generated in the state. In addition to these immediate impacts, the expected recurring impacts of these 100 units included more than \$2 million in annual income, \$834,000 in annual revenue for state and local governments, and 54 jobs (Kotval, 2001). An investment commitment of a mere \$10 million (less than $\frac{1}{4}$ of 1% of the estimated 2003-FY endowments of the University of Michigan and Michigan State University), leveraged over a five-year period, would create an estimated 931 affordable housing units, or help finance an estimated 700 small businesses resulting in 2,700 jobs for residents (Calvert Group, 2002). When compounded with the short- and long-term benefits of sustainable development over a sustained period of time, community investing could have a sizeable impact on the physical and social character of both distressed communities and public universities.

Another potentially powerful source of investment funds for community-based development are college and university employee pension funds. For example, Michigan State University and its employees’ most recent 2001–2002 data indicated they contributed approximately \$70 million annually to a variety of fund options. Much of that money is invested in equities that are for companies located out of state. So while the simple rate of return on investment (the single bottom line) may perform suitably, it adds little to building economic activity in distressed communities within the state, which could further enhance the tax base, add jobs, and revitalize local communities. While U.S. pension funds have been slow to invest in local or regional community development, Canadian labor organizations have become some of the largest and most successful community investors. The Quebec Solidarity Fund, began in 1982, now has assets of approximately \$4.6 billion in small- and medium-sized enterprises that are socially and financially viable and include employee involvement in decision making. The enterprises in which the fund holds equity have created nearly 100,000 jobs in the past 2 years. Labor-sponsored funds have grown to account for more than one third of all venture capital in Canada (Lincoln, 2000).

More recently, as noted earlier, the California Public Employees’ Retirement System (CalPERS), the nation’s largest pension fund with assets totaling more than \$132 billion, announced that its Family Housing Program has been its single highest returning investment category over the last decade (Baue, 2003). Similar investments in affordable multifamily housing through the General Board of Pension and Health Benefits of the United Methodist Church have seen rates of return of 16%, 8%, and 12.8% in the last 3 years. The Board currently has about 10% of its \$11.6 billion assets invested in affordable housing (Baue, 2003).

Offering higher education employees an option to invest some of their retirement money locally could prove attractive especially if they realize it has the potential for improving the overall quality of life in the area in which they reside. The number of jobs created and the tax revenue generated could be a substantial gain for a community. While building affordable housing and rebuilding our distressed areas seems like a good direction to go in order to enhance social capital, by including sustainable or “green building” standards into the construction and renovation the true triple bottom line—economic, social, and environmental gains—that an emerging business revolution is urging adds additional value to distressed neighborhoods. Besides reducing pollution, waste, energy, water, and other resources, green building standards improve human health, local economies, and provide long-term benefits. A recent study prepared by the Lawrence Livermore Laboratory and Capital E indicates that an investment in green building design will have a 20% rate of return on investment. Thus, an investment of \$100,000 in green building enhancements on a \$5,000,000 building project would return \$1,000,000 in savings over 20 years (Kats, 2003). Besides the improved use of resources, green buildings provide healthier internal environments with more natural light and cleaner air, resulting in increased comfort and productivity. For a small sampling, visit the U.S. Department of Energy “Sustainable Communities Network” success stories at <http://www.sustainable.doe.gov/>.

CASE EXAMPLES

The built environment in our urban and rural distressed communities is too frequently in serious disrepair, energy-inefficient, home to unhealthy internal environments, and disjointed in relation to other community infrastructure. Many communities are rebuilding their distressed neighborhoods utilizing both local community-based organizations and green building standards or approaches. Some, like the Green Institute in Minneapolis, have even begun startup businesses from those areas that focus on restoring and rebuilding the community’s built environment using green building techniques. The synergy created from this approach is benefiting not only the affordable housing stock but is creating livable places that provide training and jobs, and a healthier internal environment to live. The following are selected case studies of community-based development initiatives that demonstrate the combined advantages of building social capital, improving the built environment, and applying environmentally sound principles of development.

Projects include the Houston Habitat for Humanity “Energy Efficient Affordable Housing Partnership” that includes the local Habitat for Humanity organization, other nonprofits, higher education, and numerous corporate partners. Besides the strong energy-efficiency elements of the housing, there are also water conservation features, waste minimization efforts, and use of low volatile organic compounds (VOC) paints and flooring materials that create healthier indoor air quality. If all 3,000 homes Habitat for Humanity builds each year were to invest an average of \$1,000 in these upgrades, they would generate the equivalent of 100 person-years of employment.

Santa Monica, California, is home to Colorado Court, a 44-unit low-cost social housing development designed for single-room occupancy by low-income tenants. Energy is largely generated by photovoltaic cells that feed the grid when there is excess power generation (generally during the day). Tenants who can least afford high utility bills are encouraged to understand and engage with the principles of energy conservation, and receive rebates if they underconsume their monthly energy allowance. In addition to the energy efficiency and renewable technology, the building is insulated with recycled newspapers, has a bike store, uses CFC-free refrigerators, and has a common recycling room. Architects estimate a payback of less than 10 years on investment’s these

energy efficiency and conservation systems (“Green, Low-Income Housing in Santa Monica,” 2003).

The Austin, Texas Green Building Program is perhaps the most developed program, aiming to reduce energy and water consumption, minimize building materials waste, and utilize local and environmentally friendly building materials. While this program is run by the city of Austin, it is a partnership between the Chamber of Commerce, Builders Association, Habitat for Humanity, the Center for Maximum Potential Building Systems, and other nonprofits and business groups. In addition to the fine homes being built for low-income families and others, they have secured training grants to teach at-risk youth new skills in the building trades. This effort has spawned development of new businesses as well (Austin Energy Green Building Program, 2005).

The Green Institute in Minneapolis Minnesota has redeveloped a brownfield site in a distressed area of the city. A fundamental aspect of its mission is the creation of high-quality living-wage jobs for residents of the Phillips neighborhood, an area of concentrated poverty and unemployment. What sets them apart from many similar organizations is their emphasis on sustainable community development: development that simultaneously pursues economic, environmental, and social gains. The Phillips Eco-Enterprise Center, a \$6-million state-of-the-art green business center, opened its doors in the fall of 1999. This 64,000-square-foot green commercial-industrial facility is located on the site originally intended for a garbage transfer station. The facility has won high praise from tenants and the community for its sustainable design features, in particular with respect to occupant health and energy and material efficiency. Representative features include geo-exchange heating and cooling, energy recovery ventilation, active daylighting, energy management system, green roof, 100% stormwater retention, low-emission coatings, and salvaged and recycled materials used in construction. The facility has been awarded Cutting Edge Project of the Year by *City Business Magazine* (1998) and Earth Day Top Ten by the American Institute of Architects (2000). The facility is also a pilot project of the Green Building Council’s Leadership in Energy Efficiency and Environmental Design (LEED) program.

The Green Institute also has developed the ReUse Center, which sells salvaged, reusable building materials such as doors, windows, cabinets, plumbing fixtures, lumber, millwork, metals, flooring, every variety of hardware, and more. That equates to hundreds of thousands of tons of reusable construction materials kept out of the alleys, off the streets, and ultimately out of landfills. By offering these materials at reasonable prices, they are contributing to the improvement of their neighborhood, regional, and statewide housing stock. A substantial portion of their materials are architecturally significant. To expand the collection of reclaimed building materials, the Green Institute developed another business—deconstruction services. Deconstruction is construction in reverse: dismantling buildings by hand and saving the materials to be reused (instead of sending them to the landfill). Demolition creates waste. Deconstruction creates jobs, reusable materials, and environmentally sustainable solutions within the remodeling and demolition industry (Green Institute, 2005).

These examples and others suggest that revitalization of our distressed areas can benefit in deep and synergistic ways when a broader approach to design is considered at the planning stage. The initial costs of creating more environmentally sound housing for those most impacted by rising utility rates are quickly recovered in the monthly savings on the utility bills. The healthier indoor environments resulting from a more thoughtful selection of materials, especially flooring and paints, are additional benefits. Most of these efforts are based around partnerships. These partnerships increase the social capital of the local community while relieving potential stress on the environment, health, and employment training.

CONCLUSION

Many communities are suffering from a variety of detrimental social, economic, and environmental issues. Low-income individuals and communities often lack the financial capital to rebuild. When integrated with sustainable development practices, the prudent investment of higher education institutions' financial resources in community-based development has the potential to build social capital, rehabilitate the built environment, and support environmentally sound practices in some of our most challenged communities. Improvements in the quality of life of residents in these communities will be sustained in the long term by the increased value of homes, wealth, productivity, social capital, and visible attractiveness. Such a public investment strategy on the part of higher education is fiscally, environmentally, and socially responsible as well as consistent with the stated social mission of public universities to apply their talents and resources to the challenges of contemporary society. Ideally, the great public institutions of our society will expand their roles in local communities and fully apply themselves to the revitalization of our neediest communities.

ACKNOWLEDGMENTS: This research in part was supported by the Institute for Public Policy and Social Research at Michigan State University.

REFERENCES

- Austin Energy Green Building Program (2005). Retrieved July 12, 2005, from <http://www.ci.austin.tx.us/greenbuilder/>.
- Baue, W. (2002). *SRI gains momentum in university and college endowment investments*. Retrieved June 20, 2005, from <http://www.socialfunds.com/news/article.cgi?sfArticleId=981>.
- Baue, W. (2003, January 6). *Investments in affordable housing generates market-beating returns*. Retrieved from www.isharewoner.com/article.mpl?sfArticleId=999.
- Baue, W. (2004). *Study finds loans to low-income borrowers no more risky than conventional loans*. Retrieved June 20, 2005, from <http://www.socialfunds.com/News/article.cgi/article1351.html>.
- Calvert Group (2002). *Socially responsible investing*. Retrieved October 15, 2002, from <http://www.calvert.com/sri.html>.
- Calvert Foundation (2005). What is community investing? Retrieved June 21, 2005, from <http://www.calvertfoundation.org/individual/research/whatisci.html>.
- Camey, B. (1994). Socially responsible investing. Is it successful? *Health Progress*, November.
- Camis, J., Bustamante, J., & Kariipineni, K. (2003, June). Investing in Michigan's future: Community investment policies for Michigan's higher education institutions. Michigan State University, Community and Economic Development Occasional Papers, Center for Urban Affairs, Community and Economic Development Program.
- Chiras, D. (2003). Habitat for humanity goes green. *Mother Earth News*, 197, 51–55.
- Clay, P., Robert, L., & Hollister, M. (1983). *1993 Neighborhood policy planning*. Lexington, MA: Lexington Books.
- Danian, N., DiCecco, V., Levine, R., Macias, M. K., Martin, A., Oshel, E., Robbins, C., & Warth, E. (2004). Community investment in an institutional portfolio. Retrieved June 25, 2005, from <http://www.socialfunds.com/pdf/June2005/3.pdf>.
- Daniels, B., Barbe, N., & Seigle, B. (1981). The experience and potential of community-based development. In Friedman, R., & Schweke, W. (Eds.), *Expanding the opportunity to produce* (Washington, DC: The Corporation for Enterprise Development), pp. 176–185.
- ECONorthwest (2001). *Green building: Saving money and the environment in Louisiana*. Retrieved July 10, 2005, from <http://www.leanweb.org/pub.html>.
- Ehrenfeld, J. R. (2005). The roots of sustainability. *MIT Sloan Management Review*, 46(2), 23–25.
- Fukuyama, F. (1995). *Trust: The social virtues and the creation of prosperity*. New York: Free Press.

- Green Institute (2005). Home page. Retrieved July 12, 2005, from <http://www.greeninstitute.org>.
- Green, low-income housing in Santa Monica (2003, May 25). *Social Design Notes*. Retrieved from <http://www.backspace.com/notes/2003/05/25/x.html>.
- Guerard, J. B., Jr., & Stone, B. K. (2002). Social screening does not harm performance. *Pensions and Investments*, 30(19), 30–31.
- Habitat for Humanity (1998). Energy efficiency makes homes more affordable. Retrieved July 10, 2006, from http://www.habitat.org:80/env/pdf/energy_efficiency.pdf.
- Hahn, A., Coonerty, C., & Peaslee, L. (2003). Colleges and universities as economic anchors: Profiles of promising practices. Brandeis University, Boston, Heller Graduate School of Social Policy and Management and Policy. Available at <http://www.compact.org/ccpartnerships/resources.html>. Accessed October 12, 2006.
- Hamilton, S., Jo, H., & Statman, M. (1993). Doing well while doing good? The investment performance of socially responsible mutual funds. *Financial Analysts Journal*, 49, 62–68.
- Hartman, K. (2004). Low risk, high returns. *Buildings*, 98(4), 44–50.
- Investing in Social Change* (1999). A student handbook on community investment by colleges and universities. *EquityTrust*. Retrieved July 23, 2005, from <http://www.equitytrust.org/Investing%20in%20Social%20Change.pdf>.
- Kats, G. (2003). The costs and financial benefits of green buildings: A report to California's sustainable building task force. *Capital E*. Retrieved October 12, 2006, from <http://www.cap-e.com/publications/default.cfm>.
- Kingsley, T., McNeely, J., & Gibson, J. (1999) Community building: Coming of age. Retrieved July 15, 1999, from <http://www.ncbm.org>.
- Kotval, Z. (2001). The economic impact of affordable housing: Multifamily housing in Massachusetts. *New England Journal of Public Policy*, 16(2), 35–47.
- “Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda” (2002). Initiative for a competitive inner city and CEOs for cities. Retrieved from http://www.ceosforcities.org/research/2002/leveraging_colleges.
- Lincoln, A. (2000). Working for regional development? The case of Canadian labour-sponsored investment funds. *Regional Studies*, 34, 727–737.
- Meyerson, A. (2005). The dollars and cents of green construction. *Journal of Accountancy*, 199(5), 47–50.
- Most, B. W. (2002). Socially responsible investing: An imperfect world for planners and clients. *Journal of Financial Planning*, 15, 48–54.
- Murphy, P. W., & Cunningham, J. V. (2003). *Organizing for community controlled development: Renewing civil society*. Thousand Oaks, CA: Sage Publications.
- National Association of Home Builders (2001). Decent, affordable housing. It's the American dream. Retrieved November 1, 2003, from <http://nahb.org/page.aspx/category/sectionID=207>.
- National Association of State Universities and Land Grant Colleges (2001). *Shaping the future: The economic impact of public universities*. Washington, DC: National Association of State Universities and Land Grant Colleges, pp. 3–11.
- National Congress for Community Economic Development (2003). About us. Retrieved October 10, 2003, from <http://www.ncced.org/>.
- National Congress for Community Economic Development (2005). Reaching new heights: Trends and achievements of community-based development organizations. Retrieved July 10, 2006, from <http://www.ncced.org>.
- Orr, M. (1999). *Black social capital: The politics of school reform in Baltimore*. Lawrence: University Press of Kansas.
- Putnam, R. (2000). *Bowling alone: The collapse and revival of American community*. New York: Simon & Schuster.
- Putnam, R. *Bowling alone: The collapse and revival of American community*. Retrieved September 10, 2003, from <http://www.bowlingalone.com/socialcapital.php3>
- Robison, L., Siles, M., & Schmid, A. (2002). *Social capital and poverty reduction: Toward a mature paradigm* (Agricultural Economics Report No. 614). East Lansing, MI: Michigan State University.
- Rocky Mountain Institute (1998). Doing well by doing good: The benefits of green development. *Green development: Integrating ecology and real estate*. New York: John Wiley and Sons.
- Sauer, D. (1997). The impact of social responsibility screens on investment performance: Evidence from the Domini 400 social index and Domini equity mutual fund. *Review of Financial Economics*, 6(2), 137–149.

- Smart Communities Network (2005). U.S. Department of Energy. Retrieved July 12, 2005, from <http://oikos.com/esb/48/habitat.html>.
- Social Investment Forum (2002a). Making change with socially responsible investing. Retrieved November 14, 2002, from <http://www.socialinvest.org/areas/general/investors/individuals.htm>.
- Social Investment Forum (2002b). Social investment forum news. Retrieved December 12, 2002, from <http://www.socialinvest.org/areas/news>.
- Social Investment Forum (2003). 2003 report on socially responsible investing trends in the United States. Available at http://www.socialinvest.org/areas/research/trends/sri_trends_report_2003.pdf. Retrieved June 7, 2005.
- Suttell, R. (2006). The true costs of building green. *Buildings*, 100(4).
- Thorness, B. (2005). Building green. *Environment Magazine*, 16(1), 18–20.
- Waddock, S., & Graves, S. B. (2000). Performance characteristics of social and traditional investments. *Journal of Investing*, 9, 27–38.
- Voyles, B. (2005). It pays to be green. *National Real Estate Investor*, 47(7), 93–95.

Copyright of Journal of Urban Affairs is the property of Blackwell Publishing Limited and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.