People and Place:

Individual Development Accounts, Technology & Community Revitalization in Lawrence, MA

MIT Department of Urban Studies and Planning with Lawrence CommunityWorks | Spring 2004

ACKNOWLEDGEMENTS

We worked with fabulous people this semester and we thank you all for a wonderful experience!

TABLE OF CONTENTS

This is the final report of the Spring 2004 MIT class, "Information and Communication Technologies in Community Development." The class is part of an ongoing relationship between the Department of Urban Studies and Planning at MIT and Lawrence CommunityWorks.

Our class was given the task of investigating the possible expansion of the Individual Development Account (IDA) program at CommunityWorks. The IDA program is designed to encourage asset building through individual saving matched by grants and federal funds. It focuses on financial literacy and future planning, allowing participants to save for starting a small business, paying for higher education, or purchasing a home. The organization would like to expand the program to many more residents of Lawrence, focusing on homeownership as a strategy of neighborhood revitalization.

We conducted a wide array of activities to gather information and create relationships with the many people who participate in CommunityWorks programs. In order to better understand the housing stock in Lawrence, we worked with youth in the Young Architects and Young Professionals classes. We used handheld computers to gather data about every parcel in the North Common neighborhood of Lawrence, which we then input into a Geographic Information System (GIS) project.

We also conducted participatory workshops with IDA participants in order to gather information about the program and the participants' goals for the future. We learned a great deal about the needs of the IDA participants and also helped them learn more about housing options in Lawrence. Finally, we conducted interviews with CommunityWorks staff and key stakeholders. These interviews allowed us to learn more about program administration and better understand the housing market in Lawrence.

Our recommendations stem from a vision of an expanded and enhanced IDA program that impacts participants' lives as well as the City of Lawrence. This report presents a flexible process in three stages: today, near future, and future. Throughout these stages, we recommend a continued focus on three principles: 1) an emphasis on living in Lawrence, 2) peer support and social networks, and 3) youth development.

Our recommendations are directed not solely at the IDA program, but at each department within CommunityWorks. We recommend that CommunityWorks continue the housing data collection process as an integral part of the youth programs. We also recommend continuing participatory workshops, across groups, as part of the expanding IDA program.

This report is the final output of the MIT Department of Urban Studies and Planning (DUSP) class, "Information and Communication Technologies in Community Development," offered in Spring 2004. This class is part of an ongoing partnership of DUSP and Lawrence CommunityWorks from 2003 to 2008. A brief description of this partnership (from the partnership agreement) follows.

The three main partners in this project are CommunityWorks, DUSP/MIT, and the City of Lawrence. CommunityWorks and MIT conceived this project together based on needs arising from CommunityWorks' organizing and planning work with neighborhood residents and stakeholders, and following ten years of various student and then alumni involvement in the City. The development of CityNet is part of a five-year commitment by MIT to CommunityWorks, in which CommunityWorks will become the client for an ongoing series of core DUSP practica classes centered around technology as a tool for revitalization. To the process of project development MIT has brought strong technical expertise and knowledge of best practices in the field, while CommunityWorks has brought a clear and deep understanding of local and resident needs. This understanding is based on extensive and central neighborhood organizing work and experience in dozens of community planning meetings with residents as they worked to design housing projects, parks and playgrounds, community gardens, educational facilities, and youth and family programs. The City of Lawrence is providing access to their parcel-level GIS database of the entire City, Departmental information, and time from their GIS staff person.

As defined on its website:

"Lawrence CommunityWorks (LCW) is a community development corporation dedicated to the sustained economic and physical revitalization of the City of Lawrence. LCW had its beginnings in the early 1980s struggle to build affordable housing in North Lawrence, and has built or renovated nearly 200 units of affordable housing for the people of Lawrence. Our mission is rooted in a commitment to:

- fostering individual and neighborhood empowerment and leadership through organizing residents to develop economically, politically, and socially,
- producing and preserving safe, decent, and affordable housing for low- and moderate-income families, and
- creating programs and facilities that help meet the educational and economic development needs of neighborhood young people, adults, and families."

In Spring 2004, a class from the Department of Urban Studies and Planning (DUSP) at the Massachusetts Institute of Technology (MIT) undertook the task of investigating how to expand the Individual Development Account (IDA) program at Lawrence CommunityWorks. CommunityWorks has a goal of significantly increasing the size of its IDA program and encouraging program participants to use their savings to purchase a home in Lawrence. This would serve two goals: improve the lives of participants by enabling them to own a home, and improve Lawrence by having a set of residents who own their homes and are strongly committed to their neighborhoods. Our class set about figuring out a way to accomplish both of these goals. Our team focused on the following four areas:

Homeownership
While we recognize that homeownership is just one asset type that participants may select, we were asked to focus on homeownership.

Process for Scale
We were asked to evaluate the process of creating a large scale IDA program and its impact on Lawrence. We have narrowed our efforts to creating a process by which CommunityWorks can achieve an IDA program of significant scale.

Organizational
Instead of solely looking at the IDA program, the process we developed addresses CommunityWorks as a whole.

Neighborhood: North Common
We focused on the North Common neighborhood and on developing a model that can be replicated for other parts of the city.
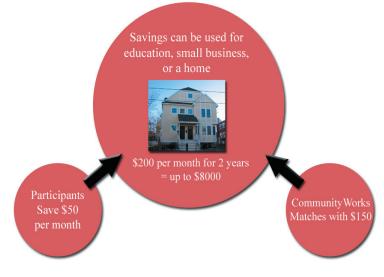
Our Approach: People and Place
Our work is split into two main areas of focus: people and place. "People" refers to current and future IDA participants who want to purchase a home in Lawrence. "Place" refers to the housing options in Lawrence, which are currently too expensive for most participants to afford. The goal of this project was to figure out a way to bring people and place together. In order to do this we designed a process to gather more information and inform the activities of many different parts of CommunityWorks.

The 'Landscape of Opportunity' is really in the people. CommunityWorks recognizes this and succesfully invests in its members. The next step is ensuring that those members are equipped with the resources they need to make Lawrence a great place.

What is an Individual Development Account?

An Individual Development Account (IDA) is a financial and economic development tool designed help low-income families save and accumulate assets. Sponsoring organizations match the savings of participants, thereby encouraging residents with low-incomes to save more than they normally would. In order to receive the matching funds, residents must purchase an asset – typically a home, education, or capital for a small business. These assets help to close wealth inequality, which is more disparate than income inequality in the United States. IDAs are designed to provide assets to leverage additional wealth and engage low-income households in long-term financial planning.

History

IDAs represent an ideological shift from traditional welfare income maintenance policies to a focus on asset building and financial independence. In 1997, the American Dream Demonstration (ADD) project initiated and evaluated 13 IDA programs across the country. In 1999, the federal Assets for Independence Act (AFIA) was passed, which provided $125 million dollars of funding for IDA programs to be matched by local sources. AFIA established IDAs as a primary asset building tool for local organizations. Currently, there are 554 IDA programs in the United States with over 20,000 participants. The vast majority focus on adults and provide some matching funds. IDA savings are most often spent on education, small business and home ownership, with homeownership being the most popular option. Refer to the Resources section for more nationwide IDA data.

CommunityWorks IDA Program: Saving for a Home in Lawrence

Savings can be used for education, small business, or a home

$200 per month for 2 years = up to $8000

Participants Save $50 per month

CommunityWorks Matches with $150

Funding

The primary source of Individual Development Account funding comes from AFIA. Thus far, congress has appropriated more than $95 million in AFIA funding for IDA programs across the country. While federal funding has been available, the challenge for many IDA programs has been acquiring local match sources that are necessary to access AFIA money. Applicant organizations typically seek money from state government, foundations, and banks with varying levels of success. Additionally, many local funders, particularly foundations, specify that grants should go directly to match savings. As a result, little money is left for the operation and management of the program itself.

Policy

The need for greater support at the local level has driven many state policy initiatives. Collaborations of IDA organizations have proposed state legislation which provides state funding for IDA programs and sometimes administrative support for managing large quantities of IDA accounts. State support is critical for IDA programs, as it begins to solve the problem of a lack of local support to match AFIA funding. As a result, IDA program collaborations lobby state legislators and state administrators to create funding streams and administrative support for IDAs. In many states, these collaborations have been quite successful, as 21 states have IDA legislation, and 7 states have administratively created IDA support.

Massachusetts

The Commonwealth of Massachusetts does not provide support to IDA programs through funding or administrative assistance. IDA legislation was proposed, which died in 2001. No new legislation has been introduced since that time. However, Massachusetts does have IDA-like programs which encourage savings and asset accumulation for low-income families. One is a savings program for public housing residents, and another is a subsidized education account program. Where the state has not been particularly supportive of IDAs, funding and technical support have come from local private and non-profit sources. Funding support has primarily come from foundations and banks. Technical support has come from a collaboration of Massachusetts community-based organizations that operate IDA programs, called Massachusetts IDA Solutions (MIDAS). MIDAS is also working towards IDA legislation at the state level.

Alternative Funding Strategy: New Hampshire

By the time New Hampshire's five-year statewide IDA program has been implemented, it will have served 500 families, making it one of the largest IDA programs in the country. In 2000, the New Hampshire Community Loan Fund (NHCLF) was approached by Concord Area Trust for Community Housing (CATCH) to develop a statewide IDA program. After a small pilot, NHCLF launched its five-year statewide effort funded by $2.2 million in match funds from AFIA, foundations, banks, and state TANF money. The program is run in collaboration with 17 community-based organizations and the University of New Hampshire's Cooperative Extension program, which provides the financial literacy training. NHCLF role is to coordinate with the community collaborators, manage the process, and raise and manage the matching funds.

Program Design

The Lawrence Community Works IDA program is unique. The elements of the CommunityWorks IDA program that distinguish it form many other national programs are:

- **Place-based**
  CommunityWorks seeks to use *individual* accounts to build a stronger *community* in Lawrence. While the impact of IDA programs on individuals is well documented and studied, the impact of IDA programs on place is not well understood by researchers.

- **Women Only**
  Second, the program, as it currently exists, is solely for women, who are one of the most economically disenfranchised groups in Lawrence.

- **Support, Social Networks**
  Third, the LCW program is not only a savings mechanism, but also a support and educational network for IDA participants. Women are able to share their struggles and triumphs in life and saving, which attaches participants to the program and builds social networks and trust amongst Lawrence residents. Thus, the IDA program is about more than just savings, it is about building community and relationships in Lawrence.

Residents with household incomes that are below 200% of the poverty line are eligible for the IDA program. Women apply to the program, CommunityWorks nominates eligible candidates, and a lottery is then held for the final list of participants. There are a total of 36 IDA participants, broken up into three groups of 12. Group One already graduated from the program, Group Two is in its second year, and Group Three is in its initial year. Each group meets at least twice a month for two years.

During the two years, IDA participants attend training sessions covering skills such as organizing personal finances and buying a home. They also attend more social sessions where participants get to know each other and provide support through events like spaghetti dinners. They also meet personally with the IDA manager about life, savings, and their trajectory in the IDA program. When the participant purchases their asset, every dollar that each participant saved is matched with three dollars of matching money. The asset must be acquired in the Merrimack Valley area, which can be inside of, or outside of Lawrence. Currently, the source of the match money is AFIA and local foundations and banks.

Administration

The administration of the IDA program is connected to the community, which, in many ways, defines the program. As mentioned above, there are several social support sessions throughout the year, and the IDA manager meets with each participant personally at least once a year. The manager knows the names of participants' children and problems women are having with their spouses that prevent them from saving. Additionally, many of the participants were brought into the program through the program manager, who is personally connected to the community in many ways. She makes radio announcements about the program in Spanish. She also uses her extensive social networks in the community to attract eligible participants into the program. Thus, the integration of the community in these ways has improved social support and marketing of the program.

IDA accounts are held with a local bank, and IDA managers are required to keep track of deposits through a database using the Management Information System for IDAs (MISIDA). The MISIDA and the bank systems are not connected, and MISIDA is not automatically updated when bank deposits are made. Therefore, each deposit has to be updated every month into the MISIDA system, which is a frustrating and time-consuming process. Updating the MISIDA requires one full day of an administrator's time. Maintaining both the social supports for the IDA program and the accounts is a Herculean task for any one IDA manager.

What We Did – Interviews

In addition to background research on the LCW program, we interviewed Julia McNabb, the youth IDA manager, and Annery Brea, the adult IDA manager. The interviews allowed us to ask specific questions about the program related to CommunityWorks' goals of scaling up the IDA program in Lawrence. The managers suggested how a larger IDA program might work in the future. However, they also expressed concerns about how the IDA program could improve to better serve participants today.

We also conducted several interviews to understand more about other IDA programs. Margaret Miley of Massachusetts IDAs (MIDAS) was very helpful in identifying trends and challenges at the state level. Ben Managan is executive director of San Francisco Earned Asset Resource Network, an organization that manages 350 IDA accounts. This interview clarified how this particular organization approached the issue of scale. Stephanie Bodie of the Center for Social Development at Washington University in St. Louis was helpful in understanding both the workings of an urban IDA program, but also what is happening at a policy level.