

Center of Prosperity and Empowerment: An Efficient Memphis and a Shared Future

October 10, 2013

A Bold Commitment

Mayor A C Wharton made a bold commitment to reduce poverty in Memphis by 10% within 10 years – lowering it from 27% to 17%. This pledge to mobilize city leadership for a fundamental shift in economic opportunity and well-being for low-income residents is unique and game-changing.

What would this require? Today, there are 180,741 Memphis residents living below the poverty line (\$23,550 for a family of four). Achieving a 10 percentage point reduction means moving 64,000 individuals out of poverty. It will require a combination of more and better jobs; better access to areas of job growth; lower household expenses for energy, transportation and water; and opportunities for economic advancement that are built on public safety, education, health, supportive services, and affordable housing.

Poor households become poor and remain poor for many reasons—low educational attainment, lack of contemporary skills, social capital gaps, regulatory barriers to acquiring necessary resources, illegible or non-transparent market conditions that inhibit rational actions—all these among other reasons seemingly conspire to produce and maintain a condition of impoverishment that’s hard to escape. Some of these factors will take decades or generations to change. But others have solutions that can be begun tomorrow. This recommendation for the Center of Prosperity and Empowerment lays out both types of strategies, but focuses on those that can create real change within the next 10 years.

The strategies presented here have been developed through conversations with Memphians in city and county government, private business, the philanthropic community, and the social service sector, to name a few. This document leverages best practices from other American cities and tailors those experiences to Memphis’s particular needs and opportunities. The strategies are quantified using real-world benchmarks for job creation, wages, cost-of-living reductions and co-benefits.

Reducing poverty in Memphis will create many benefits for families and communities in the forms of stability, health, safety and education. Studies increasingly show that reduced income inequality benefits the entire economy, as formerly impoverished households gain the resources to become entrepreneurs, participate in the economy on more than a subsistence level, and fully contribute their talents to the workforce and community. The stress of poverty has been shown to have deleterious effects in terms of health and the ability to optimize personal decision making.

The Center of Prosperity and Empowerment proposes to address poverty through increased efficiency and sustainability. This is an approach that brings many ancillary benefits. For example, reducing energy

use and expanding public transit options leads to less air pollution, which can improve asthma and heart conditions. Lowering greenhouse gas emissions through efficiency also reduces global climate change. Efficient homes and businesses will be more comfortable and safer. Reduced dependence on individual auto travel will make streets less congested, saving drivers time and money, and enhancing overall livability. Improving sustainability citywide will make Memphis more competitive for job growth as more and more companies seek to locate in green, livable, and low-cost places.

Four Elements of Success

Jobs

2,600 jobs can be created through increased efficiency and access, combined with strategies to attract investment based on Memphis's core assets, including its role as a major transportation and logistics hub. Jobs will be created improving the energy efficiency of Memphis's buildings, participating in the city's growing industries (including logistics and manufacturing), managing the city's stormwater with green infrastructure, reusing and recycling materials, and providing supportive services to workers (including childcare and transit). At least another 500 jobs will be created as an indirect result of these job creation strategies.

An additional 2,600 jobs can be captured for Memphis residents from regional growth through strategies such as improved land use planning, incentives, and education. Jobs are projected to grow at a faster rate than the region's population. Memphis's currently impoverished population needs to be positioned to seize this opportunity through job-siting strategies, improved transit access, workforce training, education, incentives and support systems.

Expenses

\$1,500 savings per household can be generated by improving efficiency and reducing household expenses for essentials, including water, energy and transportation. The strategies in this recommendation for the Center of Prosperity and Empowerment help Memphis families do more with their existing resources.

For businesses and moderate- and high-income families, resource efficiency programs can create expense reductions, while a shared savings model can channel a portion of the financial benefits toward the poverty reduction goal, creating a Prosperity Fund that can grow to at least \$2 million per year in 10 years.

Access

Providing transportation links for low-income households is essential to job success. Many of Memphis's low-income households do not own vehicles, so transit, van pools and other transportation alternatives will expand the range of jobs they can get to.

Transportation is the second-largest expense for the average household due to the high cost of owning and maintaining a vehicle. Transportation alternatives can significantly lower expenses and free up wage

increases to be spent on household essentials rather than on auto insurance, vehicle maintenance, and gasoline, which is so often at risk of price spikes. Furthermore, transportation alternatives can increase job access while improving livability and reducing congestion, air pollution, and greenhouse gas emissions.

Opportunities

A comprehensive anti-poverty strategy must fully prepare individuals and families to be able to take advantage of new job opportunities. It must also work with employers and in communities to ensure that poor residents face a level playing field with the support services they need to succeed. Memphis's poverty problem was not created overnight and addressing it will require an inter-generational commitment to overcoming barriers to prosperity. This includes supporting and expanding Memphis's existing social safety net and the network of programs that help families. Memphis should also expand the efficiency and efficacy of programs through integrated service delivery and electronic benefits records, so that a household that connects with any one part of the Center of Prosperity and Empowerment network receives the benefits of all applicable programs.

Defining the Challenge

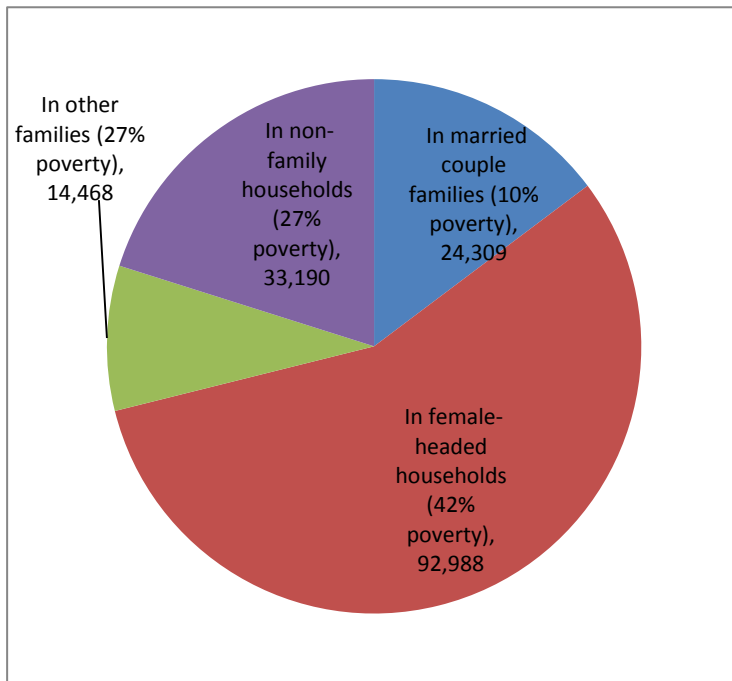


Figure 1 Population in Poverty in Memphis Today by Household Type
Source: U.S. Census Bureau, 2007-2011 American Community Survey 5-Year Estimates

Poverty in Memphis

Most commonly, Memphians living in poverty are children and adults in female-headed households (Figure 1). The best way to reduce poverty among children is to address the cost of living while increasing the income of their parents and guardians. Therefore, adults 18-64 will be the target audience of the strategies presented here.

Much has been written about the inadequacy of the current federal poverty threshold. It is so widely used that it is a necessary measure to track, but a better measure of progress would be one that more adequately captures the cost of living in Memphis, values cost-of-living reductions and recognizes other improvements in household well-being.

A Ten Percentage Point Reduction

Reducing the poverty rate by ten percentage points will mean that 63,444 Memphians, or 20,721 households, no longer live in poverty. It also represents a 38% reduction in today’s impoverished population. Over 48% of those individuals moving out of poverty are children.

	Total in Memphis	% in Poverty	Poverty Reduction Needed to Meet Goal
People	634,442	26%	63,444 fewer people in poverty
Households	244,431	22%	20,721 fewer households in poverty
Families	146,329	21%	11,386 fewer families in poverty
Nonfamily Households	98,102	23%	9,335 fewer nonfamily households in poverty

Source: 2007-2011 U.S. Census American Community Survey 5-year averages. Note: Nonfamily households are individuals or groups of unrelated individuals living together.

The U.S. Census calculates the average “income deficit” of individuals and families living in poverty—or the additional amount they would need to earn to move above the poverty threshold. The average income deficit for those in poverty in Memphis is \$2,703 per person per year (\$9,807 per family or \$8,272 per household). Based on these figures, **the aggregate income deficit** of the 20,721 households that will move out of poverty with the Center of Prosperity and Empowerment is **\$171 million per year**. In other words, those households need \$171 million more per year to escape poverty. But, Memphis needs to aim higher than just meeting the income gap of a share of its impoverished households. A household earning \$1 over the federal poverty line in a given year is still in poverty by many other measures. Moreover, by any measure, that household is struggling and at great risk of falling back into poverty in subsequent years. Therefore, Memphis should seek to create a cushion in its anti-poverty goals. This report proposes such a cushion by addressing an aggregate income gap of **\$200 million annually**, which is 17% more than the minimum needed.

Jobs

Making up the \$200 million annual income gap with employment means:

- **30,000 full time workers** with **\$3.21 per hour raises**;
- **30,000 workers** with **18 more hours** of work per week at minimum wage of \$7.25 per hour;
- **13,300 new full time minimum wage jobs**; or
- **5,200 new full time jobs at \$15 per hour** combined with \$40 million in annual cost of living reductions and benefits.

Such an increase in employment would mean a major change in the Memphis workforce; 5,200 new jobs would decrease the unemployment rate by 1.6 percentage points.

Minimum wage in Memphis is \$7.25 per hour in 2013, but full time work at this rate leaves a family with one adult and two children under the poverty threshold. The worker in a family of that size would need

to earn more than \$8.80 per hour to be above the poverty line. Taking into account expenses such as childcare and healthcare, a living wage for that family would be \$21.89 per hour. To address real household needs, the strategies represented here aim for job creation at an average wage of \$15.00 per hour, a rate that many new jobs in Memphis are already offering.

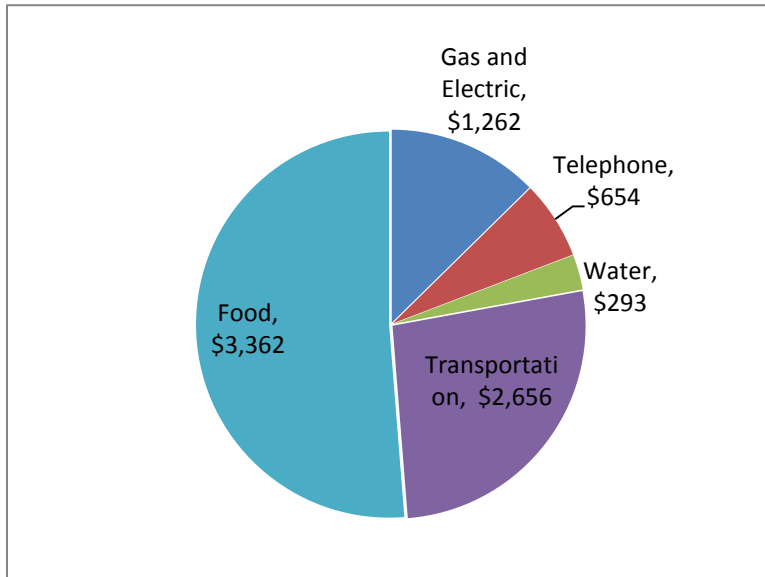


Figure 2 Select Average Expenses for U.S. Households with Incomes \$10,000-\$14,999
 Source: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey, March 2013

Expenses

Increased employment and wages need to be complemented with expense reductions in a comprehensive anti-poverty program. Affordable means of transportation to work, lower utility bills, and financial counseling that addresses major household expenses are all part of the recommendations for the Center of Prosperity and Empowerment to help households make the most out of their resources.

Nationally, the average household earning between \$10,000 and \$14,999 per year spends \$8,227 on food, transportation, electricity, gas, water and telephone bills (Figure 2).

These are all expenses that can be positively affected by efficiency programs. Even considering Memphis’s lower-than-average utility rates, the strategies presented in this recommendation for the Center of Prosperity and Empowerment can reduce household expenses by 20% (or \$1,500) per household per year—the equivalent of a \$0.74 per hour raise. If all of the 20,721 households that will move out of poverty with the Center of Prosperity and Empowerment strategies achieve this level of cost-of-living savings, the aggregate benefit would be \$32 million per year, or 16% of the income gap for these households.

The efficiency gains and cost-of-living savings of several Center of Prosperity and Empowerment strategies are aimed at average Memphis households as well as the very poor. For these strategies we propose a shared savings mechanism that transfers a portion of the expense reduction to a Prosperity Fund to benefit households living in poverty. Such a fund could achieve nearly \$2 million per year in benefits or 1% of the total need.

After accounting for cost-of-living reductions and the Prosperity Fund, the income gap that needs to be filled for Memphis to achieve a 10% poverty reduction is \$166 million per year, which is equivalent to 5,300 full time jobs at a wage of \$15 per hour. The strategies in this document represent a plan for this level of job creation and capture in Memphis in the next decade.

Understanding the Context

Barriers

A number of conditions have contributed to Memphis's poverty rate. Most obvious is the economic downturn of the late 2000's and early 2010's that caused unemployment and poverty to increase sharply across the country. Moody's Analytics estimates that 94% of Memphis' employment volatility is due to national trends, rather than strictly local conditions. In addition to joblessness, the recession and subsequent recovery continued a trend toward growth in part-time, low-wage jobs, rather than full-time, living-wage employment. The downturn also significantly affected state funding and local government budgets, which reduced the staff and financial resources available to address sustainable growth and equity. In addition to these national factors, Memphis faces several other specific challenges to creating the environment to help household overcome poverty:

- There is a mismatch between the qualifications required for new jobs in Memphis and the experience and education of the low-income population. Education and training are essential elements to increasing workforce participation and wages. For many potential workers, success in the year 2023 will depend on what they learn in Memphis's public schools today.
- Good jobs are often located in places that are not easily accessible to low-income households without cars. Historical transportation and land use patterns, including low residential density, are contributing factors, as are incentives and policies that result in job siting in areas that are not well served by transit. Recent cuts in transit funding, service quality and frequency have exacerbated the problem.
- Memphis continues to face public safety challenges that limit opportunities and investment. Neighborhood crime, limits on job opportunities for ex-offenders, and inefficiencies in the criminal justice system all must be addressed as part of any anti-poverty program.
- While Memphis has many great institutions, including schools, businesses, nonprofits, churches, and philanthropic organizations, its capacity to create and implement new initiatives has been limited. Memphis needs to expand its local institutional capacity to overcome the many challenges it faces.

Assets

Memphis also has many assets on which to build. Housing in Memphis is very affordable, but maintaining that affordability as the economy grows will be essential to ensuring the long-term financial stability of low-income households. Memphis's historical land use patterns create opportunities to return to a modified hub and spoke pattern of development that would reduce transportation needs and further preserve affordability by buffering households from fluctuating fuel prices.

Memphis's economy has several healthy and growing business sectors, including logistics, healthcare, and education which put it in a strong position going forward. Moody's Analytics reports that 10.7% of jobs in the region are in the fields of transportation or utilities, which is nearly three times the national rate of 3.7%. The three employment sectors with the strongest growth in the region according to Moody's were education and health services, construction and professional and business services.

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Manufacturing has been seen as a strength in Memphis; however, in early 2013 manufacturing employment was slightly down on a year-over-year basis, and just 7.5% of jobs in the area are in manufacturing, as compared to 11.4% in Tennessee, indicating some untapped opportunity for growth.

Low costs for many business expenses, including office rent, give Memphis a competitive edge for attracting new investment. Memphis has a significant inventory of vacant industrial and commercial space, as well as land available for development. While occupancy is projected to increase somewhat in coming years, leveraging this available space for new business is a key opportunity that can also reduce job sprawl in the region.

A large part of Memphis's strength is its location. It is a hub of several national transportation networks, and its access to national highway networks, rail networks, the Mississippi River, and air transport corridors are assets that have historically supported the local economy and will continue to do so. For example, investments are currently being made in private freight transportation infrastructure in the region and related logistics businesses are choosing to locate in close proximity to these sites. Some of the investment is aided by Memphis's land availability. Land availability can be sign of problems for a community in terms of vacancy and low density rates that do not support efficient urban living, but it is also an opportunity for investment and growth.

Memphis's most important assets, however, are its people. As a community, Memphis has many entrepreneurial business leaders and a young population that is full of creativity and energy to revitalize the city. The city has a long and storied culture and history of residents innovating in music, transportation and other fields. The musical heritage of the city is unique and draws visitors from all over the world. Finally, Memphis has a strong philanthropic and charitable community that can provide a network for catalyzing change and tackling poverty head on.

Strategies for an Efficient, Equitable & Prosperous Memphis

The Center for Neighborhood Technology (CNT) has identified eight strategies that, taken together, could meet the Center of Prosperity and Empowerment goal when supported by financing and programs to prepare households for opportunity. Success will require effective civic and community leadership over the ten-year period and a good deal of creativity. CNT has described initial projects that can begin to build momentum in the following section. Table 1 summarizes CNT’s initial estimates of the potential income, job creation and anti-poverty benefit of these strategies. These values will be refined as program details are solidified, but the estimates here provide a sense of scale of impact.

Table 1 DRAFT 2023 Poverty Reduction Benefits of Center of Prosperity and Empowerment Strategies

Strategy	Share of \$200 million Income Gap Filled	Jobs Created	Annual Anti-Poverty Benefit (Millions)	Average Hourly Wage
1. Resource Efficiency Jobs	8%	304	\$17	\$26.24
2. Green Infrastructure Jobs	1%	76	\$3	\$18.47
3. Job Access and Placement	36%	2,263	\$73	\$15.47
4. Regional Growth Capture	41%	2,600	\$81	\$15.00
5. Zero Waste Jobs	3%	188	\$6	\$15.00
6. Childcare Jobs	2%	250	\$5	\$9.00
7. Household Expense Reduction	16%		\$32	
8. Prosperity Fund	1%		\$2	
Total	109%	5,680	\$218	\$15.57

1. Resource Efficiency

Energy and Water One-Stop Program

CNT recommends a comprehensive strategy that embraces several efficiency improvements at the building level: energy efficiency retrofits, water efficiency and renewable energy. This can be facilitated through a one-stop-shop approach that treats the entire building as a single system. A one-stop approach would make building improvements easy instead of requiring building owners to navigate a myriad of agencies, programs and incentives—separate, lengthy efforts that require more knowledge than most building owners possess. To assure maximum savings, CNT also recommends a unilateral approach among all building sectors in Memphis—residential, commercial, and industrial.

The following components are included in a one-stop-shop program:

- An **energy assessment/audit** to identify areas that need improvement
- An audit report that provides **recommendations** on the most cost-effective energy and water efficiency investments
- Access to **low-cost financing** options through one or several partnering financial agencies

- Connections to **construction management** to oversee the construction process

Memphis has significant capacity for energy efficiency through Memphis Light, Gas and Water (MLGW), its power producer the Tennessee Valley Authority (TVA), and existing efficiency programs. However, CNT recommends creating an independent implementing entity to enable a focus on efficiency and resource conservation in Memphis. An independent, nonprofit entity can have more flexibility to adapt financing models to respond to opportunities and can partner with existing agencies to make the best use of staff resources.

In addition to building retrofits, CNT recommends pursuing renewable energy installations on appropriate sites and an efficiency audit of MLGW operations with a focus on finding opportunities for integrated management across city assets.

Timeline and Scale

The anti-poverty benefits in 2023 shown in Table 1 were estimated assuming 20% of households and businesses in Memphis receive retrofits by 2023, MLGW achieves a 2% reduction in its operations and maintenance costs, and renewable energy is placed on 2% of the buildings in Memphis. This strategy's largest anti-poverty impact is through the creation of new, green jobs, but it can create significant expense reductions for impoverished households directly through retrofits that are discussed in the Household Expense Reduction Strategy.

2. Green Infrastructure Portfolio Standard

Increased weather volatility and storm severity has increased the probability of costly and damaging flood events in Memphis. Add to this growing regulatory mandates for stormwater management and treatment and the benefits of getting ahead of the curve on stormwater and flooding in Memphis becomes evident.

The City of Memphis should adopt a Stormwater Portfolio Standard of 5% reduction in stormwater runoff in the next ten years. To implement this strategy, the city would make public investments and stimulate private investments to address the costs and problems caused by rainfall (increased costs of processing rainwater in the stormwater system and flooding) through implementing green infrastructure (GI) treatments to absorb water where it falls through plant and soil matter rather than conveying it via pipes, concrete and other mechanisms, into the storm sewer system.

Typical GI treatments used in urban areas include (listed in order of increasing complexity or cost, depending on where it is implemented) street tree trenches, rain gardens, rain barrels / cisterns, downspout planters, green roofs, bump-outs and porous/permeable pavement. The multiple benefits of GI accrue to a range of beneficiaries—from property owners to the stormwater system and the general public. The primary anti-poverty impact of this strategy is through job creation. In general, the skills involved in GI are similar to existing landscaping and general construction occupations, with some job-specific training required.

Memphis has already made many strides in its stormwater management, including with the establishment of its stormwater utility fee. While household bills are modest for stormwater services,

flood damages are not and implementation of a Portfolio Standard is a chance to do something about the risk for the population at large and capture some of the benefit toward poverty reduction.

Timeline and Scale

The anti-poverty benefits in 2023 shown in Table 1 were estimated assuming Memphis achieves a goal of having 5% of stormwater runoff managed by green infrastructure.

3. Job Access and Placement

Memphis has been fortunate since the Great Recession to attract many important new businesses and manufacturers and to have existing businesses expand both facilities and jobs. Most of the city's job centers are currently served by transit, with Pidgeon Industrial Park being an exception. But how well are they served? Recent budget cuts have reduced the frequency of transit service and, therefore, its convenience to workers – as well as to shoppers, students, and others. Moreover, jobs have been steadily dispersing to outlying locations, which may make them hard to reach by transit, bike or foot. Even from some close-in locations, it takes well over an hour to get to work at many major job centers via transit and often requires multiple transfers. These conditions, when combined with personal and family responsibilities, can prove unsustainable or make for an unreliable employee. The rationalization of service proposed in the Short Range Transit Plan would address many of these issues.

There are several options for enhancing transportation access to jobs that are complementary to transit and auto use and that have been tried in other cities with proven results. The basic ingredient is collaboration and contribution by both the public and private sectors. The best of these examples draw on the strengths of each partner:

1. Work with local employers through the Chamber to establish one or more Transportation Management Associations (TMAs) for President's Island and Pidgeon Industrial Park to the southwest of Downtown. There are well over 100 regions with TMAs in the US and many been in place in some cities for over 30 years. Organizers are often MPOs, Business Improvement Districts, or associations of employers that want to address high levels of traffic congestion or need more reliable commuting options such as better transit service, ridesharing or providing a "guaranteed ride home" in case of emergencies. Knoxville's MPO has a program called Smart Trips, which is funded in part by federal highway funds and provides information on transportation options, has a carpool matching service and operates a rewards program for not commuting by auto.

Possible TMA roles include organization of ride-sharing, vanpooling and car-sharing programs, expansion of or better access to transit, and emergency guaranteed ride home service. North Memphis, with the expansion of Nike and Kruger and East of the airport in the Lamar Ave corridor / Hickory Hill area are also ripe to benefit from the creation of TMAs focused on better access to jobs.

2. Demonstrate transit value for all by establishing a TMA showcase and helping fund a special limited-stop service along the Poplar Avenue corridor in conjunction with the completion of the

transit signal pre-emption system. This could be a first step toward the proposed light rail service in the corridor.

3. Make transportation a priority by incorporating transportation commitments in economic development incentive packages for employers. If structured right, these requirements could encourage more downtown development where good transportation access already exists. This in turn would foster opportunity for transit-oriented development (TOD), enabling better value capture from the city's existing streetcar system.

4. Create workforce development, training and support for jobs in the TMA areas and work with employers and job seekers to ensure Memphis's low-income residents are qualified and hired for those jobs.

Timeline and Scale

The anti-poverty benefits in 2023 shown in Table 1 were estimated assuming a strong program to provide low income workers with training, transportation access and placement in new jobs.

4. Regional Growth Capture

The Memphis region has seen significant growth in recent years, and Moody's Analytics forecasts that growth in jobs will outpace population growth in the region in coming years. To channel the benefit of those new jobs toward Memphis, CNT is proposing a comprehensive land use planning review combined with policy changes and new business incubation to create an environment for innovation and investment in Memphis.

Memphis has already embarked on an economic development strategy in the biosciences industry that included the creation of the Bioworks Foundation, but other industries could benefit from this type of focused attention on attracting entrepreneurship and investment. For example, more can be done to ensure Memphis' role as a freight, logistics and, increasingly, manufacturing center for the long term, as well as to enhance the immediate areas where these activities take place.

At the present time, the development of industrial parks and facilities appears to be carried out in two ways:

1. By firms developing their own facilities for their own use; and
2. By major developers on spec or with some, but not all, tenants signed up in advance.

In the case of the latter, the standard building design, often promoted by national associations, may be excessive for the type of use to which the facility is ultimately put. The standard 40-foot ceiling warehouse, for example, is not what the teams repairing Apple computers need. Application of the one-size-fits-all approach to the developing industrial parks in the Aerotropolis or the proposed CN facility in Pidgeon Industrial Park will produce inefficient facilities that will not achieve the maximum development potential.

Land use strategies that direct job development toward denser job centers can help Memphis capture regional growth to benefit households currently in poverty. Higher density and mixed use development generate more local tax revenue and such a change offers a chance to re-plan and integrate transit service improvement as central area land uses change. We recommend a longer range goal of modernizing streetcar service and augmenting it to serve higher density corridors, e.g. to the airport, to the industrial parks, along the newer communities branching off South Main. Such a goal is achievable with more compact development.

Additionally, a review of city policies with an eye toward enabling small-scale entrepreneurship, such as cottage industries and pop-up businesses, will promote innovation and help households design flexible work opportunities that meet their specific skill sets. The early success of the MEMSHOP, established as a public-private partnership by the Fund to Advance Memphis, demonstrates the potential value of promoting entrepreneurship to the downtown and to the individuals involved.

Timeline and Scale

The anti-poverty benefits in 2023 shown in Table 1 were estimated assuming Memphis captures 2,600 additional jobs for workers currently living in poverty. This is 50% of the estimated regional mismatch between job and population growth.

5. Zero Waste

By implementing a “Zero Waste” policy, Memphis can create jobs and reduce costs while addressing the inefficient use of resources that is the fundamental source of the waste stream. A Zero Waste policy sets the goal of sending no waste to landfills or incinerators. Instead, materials are reused, recycled, composted, and reduced at the source. Memphis already has many of the pieces in place to begin implementing a Zero Waste policy, including pay-as-you-throw, single-stream recycling, composting, construction and green building policies. A Zero Waste policy provides a framework goal for the expansion of such programs and the addition of new policies and programs to address untapped waste streams.

Included in the Zero Waste initiative should be an expanded composting system, increased recycling and a building deconstruction policy. Deconstruction of buildings allows for effective reuse of land while preserving valuable building materials, rather than sending them to the landfill. Deconstruction creates jobs, because taking a building apart so its elements can be reused is much more labor intensive than a wrecking ball. It also requires planning and training to ensure the process is safe and hazardous materials, including lead-based paint and asbestos, are properly handled.

Timeline and Scale

The anti-poverty benefits in 2023 shown in Table 1 include 188 new jobs in solid waste management and building deconstruction. Memphis is currently in the midst of renegotiating its waste disposal fees, so it may make sense to delay some aspects of a Zero Waste program until after the current changes are implemented, but policies can be implemented incrementally to start the process of becoming a Zero Waste city.

6. Childcare

Forty-two percent of the people living in poverty in Memphis today are living in female-headed households. Childcare access is a major challenge for all working parents but especially for single-parent households. CNT recommends creating a program to train, finance and support entrepreneurs to become childcare providers. This will expand the pool of quality childcare available to families living and working in Memphis while providing a source of new jobs. On-site childcare centers at businesses or assistance in paying for childcare can be explored with employers as part of the Job Access and Placement strategy.

Timeline and Scale

The anti-poverty benefits in 2023 shown in Table 1 were estimated based on 250 new jobs being created to provide childcare to families that live or work in Memphis.

7. Household Expense Reduction

CNT recommends creating a targeted effort to reduce expenses in households currently living in poverty. *Equity Express* is a CNT-developed curriculum that shows families how to decrease household expenses by up to \$125/month. *Equity Express* approaches expense reduction systematically, with a focus on four actionable areas of household expense that represent 40% of a typical household budget: energy, transportation, communications, and food. CNT makes *Equity Express* available through train-the-trainer methods to allow community organizations to incorporate the curriculum into existing programs and reach a diverse set of participants. Participant surveys are used to track program performance in terms of monthly cost of living reductions.

Individual Development Account (IDA) programs are used around the country to help low-income households save and invest in assets, such as a home purchase or education. Assets are essential to long-term prosperity as they provide households with a buffer from financial shocks and can be leveraged to create new opportunity, such as starting a business. Many IDA programs offer matching programs funded by philanthropic to encourage savings and help households acquire assets faster. Matches are funded by philanthropic organizations, the financial industry, government programs and others. A 2:1 match rate on the \$1,500 average household expense reductions from *Equity Express* would lead to \$4,500 in annual savings for participating households, which is over half of the gap between the average Memphis household in poverty today and the income needed to exit poverty.

Equity Express can also be combined with the Resource Efficiency strategy to provide households the resources and expertise to make significant reductions in their utility bills. By targeting *Equity Express* to non-poverty households, the program can also be used to create expense reductions for moderate- and high-income households who can then be encouraged to share those savings through the Prosperity Fund strategy.

Timeline and Scale

The anti-poverty benefits in 2023 shown in Table 1 were estimated based on the assumption that 21,000 households achieve \$1,500 each in annual expense reductions. The potential benefits of a

savings matching program are not shown in Table 1, but a 2:1 match could create \$4,500 in annual savings.

8. Prosperity Fund

CNT recommends creating a Prosperity Fund to enable voluntary redistribution of a share of the savings created by Center of Prosperity and Empowerment programs for businesses and moderate- and high-income households. The Prosperity Fund could provide funds to poor households in the form of micro-loans for entrepreneurship in the model of the international organization Kiva and others. Micro-loans could be combined with small business incubation to create economies of scale and accelerated learning for business start-ups.

The Prosperity Fund could also be used to provide essential services to workers coming out of poverty, such as transit passes or emergency childcare vouchers. The ultimate use of the funds should be carefully and transparently managed using performance metrics to enable continuous learning, adaptation and a social return on investments. Donations to the Fund should not be limited to the shared savings models proposed here; other philanthropic donations and investments should be encouraged, as well. The Fund could also serve as the repository for income and investment used to finance other Center of Prosperity and Empowerment strategies.

Timeline and Scale

The benefits shown in Table 1 assume 20% of the businesses receiving energy and water retrofits channel 10% of their annual savings to the Prosperity Fund by 2023. It is also assumed that 5,300 moderate- and high-income households participating in retrofits and *Equity Express* direct 10% of their savings to the Fund.

9. Preparing for Opportunity

When a job is available in the area, a Memphian currently living in poverty needs to be ready and able to seize that opportunity. This requires systematic anti-poverty action at many levels.

- Individuals require education, training and transportation access, as well as assurance that basic needs such as health, safety, food, clothing and shelter are met. If there are other barriers to employment, such as ex-offender status, these must be cleared away, as well.
- From the family perspective, childcare and care of sick or disabled family members must be addressed to allow caretakers to seek work outside of the home.
- Employers must be prepared to accept the formerly poor into their workforces, which may include a review of anti-discrimination policies, the creation of incentives and flexible work policies.
- As a community, Memphis must work to site new employment in accessible locations through changes in land use planning and programs to take advantage of vacant and underused land. Existing programs need to be reviewed to increase efficiency and ensure that all qualified households receive the maximum benefit from income support programs, such as the Earned Income Tax Credit. Affordable, high speed broadband internet access needs to be expanded

throughout the city to enable distance learning, internet-based entrepreneurship and telecommuting.

Memphis already has a strong network of social safety net programs that need to be supported and expanded for the Center of Prosperity and Empowerment to succeed. For example, Seedco is using its EarnBenefits program in Memphis to increase benefits enrollment by helping households identify and access programs they are eligible for.

Memphis should expand the efficiency and efficacy of programs through integrated service delivery and electronic benefits records, so that a household that speaks to any one part of the Center of Prosperity and Empowerment network receives the benefits of all applicable programs. The Actionable Intelligence for Social Policy Network is a collaboration of cities created by Dr. Dennis Culhane and Dr. John Fantuzzo funded by the John D. and Catherine T. MacArthur Foundation to improve data integration for government service provision. Memphis should explore connecting with this network to make use of the latest research in efficient benefits provision.

The spatially targeted services and programs Memphis's is proposing for the Vance/Foote Homes neighborhood as part of the Choice Neighborhoods Initiative could be a model for this strategy to prepare households for opportunity citywide. There may also be additional resources available if the federal Promise Neighborhoods program is funded; Promise Neighborhoods would expand the casework approach in Choice Neighborhoods to a systems efficiency approach to help increase the range of benefits available and connect to more potential beneficiaries.

10. Financing Prosperity

Each of the strategies presented here requires investment to achieve poverty reduction goals. In many cases, such as with resource efficiency and job access, the investment is returned over time in the form of reduced expenses for utilities, workforce development and increased income tax revenue. However, the Center of Prosperity and Empowerment's innovations will require mechanisms to tap new sources of funding and investment. To accomplish this, CNT recommends the creation of an independent nonprofit organization that is focused on funding, supporting, and tracking the performance of Center of Prosperity and Empowerment programs.

A review of EDGE and PILOT tax benefits is necessary to assess the best fit for those tools within the new Center of Prosperity and Empowerment framework. For example, possibly trading credits for expanded public services such as dedicated mass transportation or using the credits as a contribution to the Prosperity Fund which could then negotiate the additional transit service needed. Two other potential financing mechanisms are discussed below. Additional financing opportunities are being explored for future drafts of this document.

Social Impact Bonds

Memphis should take full advantage of the growing trend of social impact bonds (SIBs), sometimes referred to as social venture investments or pay-for-success contracting, as a way to solve pressing community challenges. Social impact bonds implement data-based solutions while limiting the risk to

taxpayers if a program is unsuccessful. Success-based contracting presents an opportunity for Memphis to increase the efficiency of government-funded service delivery, reduce costs to taxpayers, and accelerate innovation in ameliorating social problems for high-risk populations.

Rigorous evaluation systems, which determine if pre-agreed upon targets have been reached, can deepen the understanding of which social service programs actually work, and findings can be used to improve services throughout the nation. This learning enables Memphis to spend taxpayer funds more efficiently and scale evidence-based innovative social programs that have been proven to work. As noted, in particular for Memphis, SIBs should be used in the efforts to reduce violence in the communities, shrink recidivism rates, and assist ex-offenders transition into productive members of society.

Public Private Partnerships

Job creation and rebuilding communities are key foci for the Center of Prosperity and Empowerment. As a consequence of the recent economic recession, public investment in infrastructure is again taking the spotlight as a policy priority throughout the nation. While all forms of public sector spending will produce jobs, infrastructure investment is a highly effective catalyst for job creation. In a report, the Political Economy Research Institute estimates that infrastructure investment spending will create about 9,000 total jobs for every \$500 million of new investment spending. There are also millions of taxpayer dollars to be saved through better risk transfer to the private sector.

Some initial projects to evaluate:

- a cross-jurisdictional bridge improvement program to replace, rehabilitate and maintain bridges;
- a state-wide partnership between the Tennessee State Department of Transportation (TDOT), private railroad companies, the four leading cities, and investors to advance the development of high-speed rail passenger service;
- the use of public-private partnerships by the Memphis Area Transit Authority (MATA) for transit-oriented development;
- collaboration between firms with a strong preference for local hiring and MATA for the creation of bus rapid transit (BRT) corridors;
- long-term power purchase City contracts with renewable energy developers to incentivize green businesses to locate nearby;
- use of City-owned land for renewable energy projects, including wind and solar;
- use of underutilized media assets such as the local radio and television stations for greater private partnerships;
- partnerships in the digital advertising spaces on the City's right of way;
- assessment of whether parking garages and spaces are feasible for a PPP structure; and
- a study of the local-area airport system PPP opportunities.