RESEARCH REPORT

Preserving Communities Along the Purple Line

Year 3 Evaluation of the JPMorgan Chase PRO Neighborhoods Grant

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June 2023

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Acknowledgments

This report was funded by Enterprise Community Partners as part of a JPMorgan Chase PRO Neighborhoods award. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

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We thank our technical reviewer, Mark Treskon, and our partners at Enterprise Community Partners, National Housing Trust, and the Latino Economic Development Center for their time, insights, and careful review of the findings presented in this report.

Executive Summary

In 2019, the Purple Line Equitable Transit-Oriented Development Collaborative (Purple Line Collaborative) received a JPMorgan Chase (JPMC) PRO Neighborhoods award. With this grant, the Purple Line Collaborative focused on lending to develop and preserve affordable housing and small businesses along the Purple Line—a light rail line being built in the Maryland suburbs of Washington, DC, to connect communities in Prince George's and Montgomery Counties. The Purple Line Collaborative comprises three community development financial institutions (CDFIs): Enterprise Community Partners (Enterprise), with support from its CDFI, the Enterprise Community Loan Fund; the National Housing Trust (NHT), which manages the Purple Line Capital Pool; and the Latino Economic Development Center (LEDC).

Over the life of the three-year grant (three and a half years inclusive of an extension period), the Purple Line Collaborative has accomplished the following key objectives across its three priority areas:

- **Develop and expand partnerships, policy, and community engagement in the corridor.** Over the course of the grant, the CDFIs have been active in building relationships with policymakers and other stakeholders throughout the corridor. These relationships have yielded numerous important policy wins, including increased public financial support for affordable housing development and preservation in both Prince George's and Montgomery Counties and improved renter protections in Prince George's County.
- **Preserve and develop affordable housing.** The National Housing Trust deployed loans to create 394 units of affordable housing (although none as of March 2023), surpassing its goal of deploying loans to create 250 units of affordable housing. NHT has deployed loans to preserve 452 units of affordable housing, including 370 in year 3, which is below its stated goal of deploying loans to preserve 750 units of affordable housing.
- **Provide loans and technical assistance to small businesses.** LEDC has preserved 241 small businesses, including 81 in year 3, surpassing its overall goal of preserving 210 businesses. In addition, 199 jobs were retained over the life of the grant, including 95 in year 3, nearly meeting LEDC's goal of retaining 210 jobs. Finally, 24 small-business loans were disbursed (17 with JPMC funding), including four in year 3 and during the extension period, all with JPMC funding.

This report provides an evaluation of the collaborative's progress toward its equitable development goals from January 2022 to March 2023. The Purple Line Collaborative's JPMC grant was extended by six months through June 2023 to allow the CDFIs more time to reach their lending goals. In order to publish this report within the time frame of the grant, we did not capture metrics from Q2 2023, the second half of the six-month extension period, in our evaluation. However, based on conversations with Collaborative members, it is unlikely that lending, technical assistance or policy activities during the final three months would significantly change the conclusions made in this report.

As the PRO Neighborhoods grant winds down, all three CDFIs expect to remain active in equitable development efforts along the Purple Line corridor. The Purple Line Capital Pool is a revolving fund, meaning that NHT will continue to issue loans using funds that have been repaid by previous borrowers even after the grant period ends. In addition, Enterprise anticipates closing two additional deals along or related to the Purple Line corridor while also continuing to support a policy environment conducive to equitable development. Likewise, LEDC plans to continue its advocacy work and continue building on its expansion into Prince George's County.

Preserving Communities Along the Purple Line

A major focus for urban transportation stakeholders across the United States is connecting metropolitan neighborhoods to public transit and incentivizing high-density, mixed-use development near transit stations. Policies designed to achieve these goals, referred to as transit-oriented development (TOD), include upzoning, tax-increment financing, payments in lieu of taxes, and upgrades to public infrastructure.[1] In essence, TOD involves policies such as public investments and regulatory exemptions that are intended to incentivize private market real estate investments in transit corridors. Maryland's Purple Line, a 16.1-mile light rail line slated to open in 2027, is a significant opportunity to bring new TOD to the state's two most populous counties. However, without an explicit equity focus, the line and ensuing development may induce cost-of-living increases that would price out long-time residents and small businesses.

TOD brings numerous benefits to metropolitan areas. By locating housing and economic development infrastructure near transit, these policies can reduce reliance on cars, which are the primary source of urban air pollution and are estimated to be the source of 15.4 percent of American anthropogenic carbon emissions.[2] Additionally, TOD can increase transportation accessibility and reduce transportation costs, making transportation more efficient and accessible to low-income residents (Nahlik and Chester 2014).

Despite the overwhelming benefits of TOD, there are equity issues related to how benefits are distributed in practice. Rapid, easily accessible transit has long been a top priority for city dwellers and commuters in choosing where they live. The value that current and potential city residents place on transit is reflected in the so-called transit premium, or the increase in property value associated with proximity to public transportation. A 2008 study conducted by the Center for Transit-Oriented Development found that, although estimates of the transit premium vary widely and by property class, "in most cases the impact of transit is estimated to be positive," with the property value premium for apartments ranging from up to 4 percent in San Diego to 45 percent in Santa Clara County (CTOD 2008).

As a result of this increase in land value, new public transit developments tend to attract private investors looking to capitalize on the coveted asset. This new investment is often deeply beneficial to communities with new transit infrastructure, as the scale of capital infusion is often transformative.

Beyond the improved transit connectivity, families see more funding flow into local systems, existing landowners see more value accrue to their properties, and residents benefit from the proliferation of more commercial services and amenities.

Nevertheless, without careful planning, the private investments that follow public transit development can push out low-income residents and businesses. In a study focused on Canada's three largest cities—Toronto, Montreal, and Vancouver—researchers found "statistically significant and positive relationships between exposure to urban rail transit stations and the likelihood that CTs undergo gentrification" in Toronto and Montreal, with no statistically significant relationship in Vancouver (Grube-Cavers and Patterson 2015). A 2018 study examining light rail construction in Denver, Colorado, found that in racially diverse neighborhoods, the share of Black and Hispanic residents fell after construction of the new transit line (Bardaka et al. 2018). Research has shown that people affected by displacement experience higher rates of hypertension, preterm birth, psychological stress, and depression (CDC 2013; Huynh 2014; Morenoff et al. 2007). In other words, long-time residents not only experience displacement as a result of transit-associated gentrification and exclusion from many of the benefits of public transit construction but also can experience significant adverse outcomes in terms of their physical and mental health.

In response to these challenges, municipalities and community development practitioners working in transit corridors have adjusted their focus to promoting *equitable* transit-oriented development (ETOD). The Strong, Prosperous, and Resilient Communities Challenge (SPARCC)—a multiorganization initiative to champion just, equitable development in regions across the United States—describes ETOD as "[a] policy, process and a development form that facilitates equitable development serving the needs of existing community residents and stakeholders, especially the most vulnerable."[3] At its core, ETOD is a planning approach to transit corridor development that centers existing community stakeholders in decisionmaking processes and supports the ability of community members with low incomes to stay in place and receive a just share of the benefits produced by transit development. ETOD involves many of the same policy tools associated with TOD but deploys them in ways that also promote racial equity, anti-displacement, and community wealth building.[4]

As with any policy effort, there are systemic challenges with successfully implementing ETOD. One challenge is that traditional lenders and developers typically lack the specialized expertise needed to successfully execute equitable development projects (EDPs). EDPs differ from mainstream development projects in a few distinct ways, namely that EDPs often require subsidy to be financially feasible. For example, the cost of building and maintaining a rent-restricted affordable apartment building typically exceeds the revenue developers can expect to raise from renters paying below-market-rate rents. These developers must pursue subsidy to fill this gap, which is typically referred to as gap financing.[5] Over the past several decades, the United States has developed a complicated array of gap financing options, which vary dramatically in size, type, and terms. Some gap financing comes in the direct form of grants or loans from public trust funds or philanthropy, but the majority comes through indirect forms of funding such as tax credits or cost reductions such as tax exemptions. Because of a lack of adequate funding, these sources are highly competitive to obtain. Furthermore, it is generally impossible for EDP developers to obtain all their needed gap financing from one source, requiring EDP developers to seek out multiple sources of gap finance. To complicate the process further, providers of these funding sources may impose restrictions that can potentially conflict with restrictions set by other funders. With these complications, obtaining gap financing is a complex, time-consuming task that requires highly specialized staff.

Community development financial institutions (CDFIs) are specialized lenders well-suited to provide the lending expertise necessary to support EDPs. CDFIs are mission-oriented financial institutions that obtain subsidized capital[6] to provide low-cost financing to communities that have been excluded by traditional financial institutions (e.g., communities with higher shares of people from marginalized racial or socioeconomic backgrounds). Previous research has identified that CDFIs are well-positioned to coordinate financing for ETOD efforts (Edmonds 2018). At their best, CDFIs are nimble, embedded in the communities they serve, and have the capacity to provide needed technical guidance and structure tailored financial products to meet the unique needs of equitable community development projects. Their main limitation is that their lending capacities pale in comparison with those of mainstream lenders. But given their position in community development ecosystems, CDFIs are well-equipped to draw investments from mainstream public and private funders, manage transactions between community-based organizations and mainstream funders, and advocate for equitable policy development. Because of their capabilities and mission-driven goals, many CDFIs have taken the front seat to drive ETOD forward in cities across the country, including in Denver, San Francisco, Seattle, and Los Angeles (Edmonds 2018).

In late 2019, JPMorgan Chase awarded three CDFIs a $5 million, three-year Partnership for Raising Opportunities (PRO) Neighborhoods grant to support their efforts to bring ETOD to the Purple Line corridor. This report documents our evaluation of the impacts of this grant and the work of the three CDFIs, which together form the Purple Line Equitable Transit-Oriented Development Collaborative (referred to as the Collaborative, or PLC, in this report). This report is the third and final entry in a series of reports evaluating the performance of the CDFIs' activities under this grant (Edmonds et al. 2020; Bogle et al. 2021).

BOX 1

Community Development Financial Institutions in the Purple Line Equitable Transit-Oriented Development Collaborative

- **Enterprise Community Partners**, with the Enterprise Community Loan Fund serving as its CDFI, is a nonprofit organization that aims to make home and community places of pride, power, and belonging for all. It develops and deploys programs and supports community organizations, advocates for policy at every level of government, and invests capital to build and preserve affordable rental homes. It also owns, operates, and provides resident services for affordable communities. For more than 40 years, Enterprise has built and preserved 662,000 affordable homes and invested $53 billion in communities.
- **The National Housing Trust Community Development Fund** is an expert in preserving affordable housing, ensuring that privately owned rental housing remains affordable and sustainable. Using the tools of real estate development, finance, policy advocacy, and energy solutions, NHT is responsible for preserving and producing more than 37,000 affordable homes in all 50 states, leveraging more than $1.2 billion in financing.
- **The Latino Economic Development Center** equips Latinos and other underserved communities in the Washington, DC, and Baltimore metropolitan areas with the skills and financial tools to create a better future for their families and communities. Participants in LEDC's programs learn how to buy and stay in their homes, join with their neighbors to keep rental housing affordable, and start or expand small businesses.

Source: Purple Line Collaborative.

Evaluation Objectives and Design

This report provides an evaluation of the Collaborative's progress toward its equitable development goals from January 2020 to March 2023. In previous reports, we analyzed the outputs of the grant project in each of the first two grant years. In this final evaluation, we sought to synthesize our findings across the three years of the grant to evaluate the Collaborative's impact on advancing ETOD in the corridor and its potential to continue advancing its ETOD goals beyond the grant. With these objectives in mind, our research questions for this evaluation were as follows:

- How and to what extent has the Collaborative met its annual goals of preserving and expanding affordable housing in the target area **through financing and development**?

- How and to what extent has the Collaborative met its annual goals of preserving and expanding small businesses in the target area **through financing and technical assistance**?
- To what extent has the Collaborative contributed to the development of an equitable development pipeline?
  - How has the Collaborative changed public policies and programs to subsidize and incentivize equitable development in the Purple Line corridor?
  - How has the Collaborative attracted private market funding for equitable development in the Purple Line corridor?
- What effects have the Collaborative's activities had on identified equity issues in the area?
- How have CDFIs adjusted to the ongoing pandemic and delays in Purple Line construction?
- What will the next 5 to 10 years of efforts to increase housing and small-business security in the corridor look like after the conclusion of the PRO Neighborhoods grant?

Study Design

For this evaluation, we collected and analyzed performance metrics reported by the Collaborative and qualitative interview data with stakeholders in the Purple Line corridor.

As part of its grant agreement with JPMorgan Chase, the Collaborative reported quarterly on predefined performance metrics related to its equitable community development work. In this evaluation, our team had access to data reported between the start of the grant and Q1 of 2023. The grant, initially slated to end in Q4 2022, was extended through June 2023.

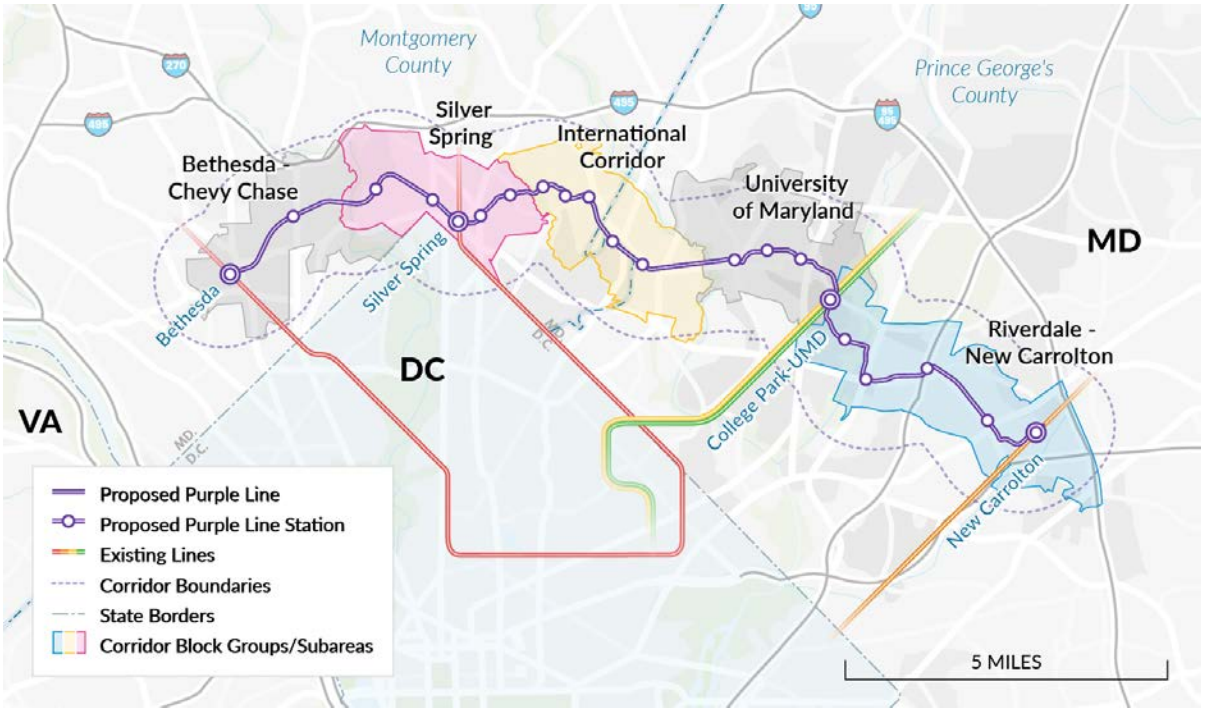
Our team selected interviewees through a snowball sampling method: we interviewed the CDFIs in the Collaborative on their progress and identified relevant stakeholders, including elected officials, administrative officials, and community-based organizations. In total, we conducted nine interviews. We analyzed these interviews for general themes, documented perspectives on the Collaborative's ETOD progress, and validated objective information shared.

Background

The Purple Line is a 16.1-mile, 21-station light rail transit line under construction in Prince George's and Montgomery Counties in Maryland.[7] The Maryland Transit Administration (MTA) is overseeing construction of the Purple Line, which will run through the Maryland suburbs of Washington, DC, from Bethesda to New Carrollton. The Purple Line will connect riders to the Red, Green, and Orange lines of the Washington Metropolitan Area Transit Authority's (WMATA) Metrorail system. WMATA operates a network of six heavy rail transit lines that provides transit between Washington, DC, and surrounding areas. Figure 1 illustrates where the Purple Line is located in the DMV area and the planned locations of the line's transit stations. The Purple Line corridor includes the communities within 1 mile of future light rail stations.

FIGURE 1

Map of the Purple Line Corridor



Source: Urban Institute.

Construction for the Purple Line began in 2017 and was slated to conclude in 2022, but in September 2020, the MTA's construction contractors halted work and withdrew from the contract because of delays and disputes with the state government. In November 2021, the MTA hired a new general contractor and signed a contract with them in April 2022, adding $1.46 billion to the originally planned $2 billion construction cost.[8] With construction timeline revisions, the Purple Line is expected to begin service in mid-2027.[9]

Political and Social Demographics of the Corridor

One of the goals of the Purple Line is to improve east-west transit service for Maryland residents in the DMV area and to provide more connections to the region's existing Metrorail and MARC commuter lines. Given its planned stations, the Purple Line will connect undercapitalized, low-income areas to high-opportunity areas and catalyze investment in the communities traversed by the Purple Line. The Purple Line corridor cuts across two political geographies—Prince George's and Montgomery Counties—both with differing histories, assets, and challenges (see the counties' borders that run through the Purple Line corridor in figure 1). Table 1 below provides demographic information on the census tracts that are fully or partially in the Purple Line corridor, broken out by county.

Eleven of the Purple Line's 21 stations will be in Prince George's County. The county, which features 29 of the nation's 49 majority-Black, high-income census tracts,[10] has long been recognized as a symbol of Black wealth, but Prince George's County had a majority-white population for most of its post–Civil War history, with 91 percent of the county's residents being white as recently as 1960 (Census 1966). The county's Black population increased dramatically during the 1970s and 1980s, however, as Black DC residents left the city and moved into the surrounding suburbs (Clagett 1988), driven in part by the lower cost of housing.[11] By the 1990 Census, Prince George's County was 51 percent Black, up from 38 percent the decade prior.[12] Although the Black population has remained roughly steady since the 2000s, at around 62 percent, the county has seen significant growth in its Hispanic population in recent decades. Rising from 7 percent of the county's population in 2000, more than 21 percent of the county's residents identified as Hispanic or Latino in 2020—a share even higher in the county's Purple Line tracts (44 percent), which are located within 1 mile of the proposed Purple Line route. Compared with the rest of the county, the Prince George's County Purple Line corridor is lower income (median household income of $86,994, compared with the county average of $71,380 median household income), less Black (63.4 percent to 30 percent), and features a much larger Hispanic/Latino population (44 percent to 20.4 percent).

Compared with Montgomery County, Prince George's County features high, though still insufficient, levels of naturally occurring affordable housing. However, owing in part to its historic affordability, leaders in Prince George's County have been less active in creating a robust set of housing affordability tools.[13] Additionally, because a smaller share of the county's units have affordability commitments, affordable housing may be more at risk and residents may face greater displacement pressures.

Ten Purple Line stations are in Montgomery County. In addition to being Maryland's most populous county, Montgomery County is also one of the nation's wealthiest, with a median household income of $115,394—ranking 16th in the United States in 2020.[14] Much like Prince George's County, Montgomery County has undergone significant demographic change throughout its history. Historically, the county has been majority white, with 65 percent of the population identifying as white in the 2000 Census. The county rapidly diversified between 2000 and 2010, led by substantial increases in the proportion of Hispanic (12 percent to 17 percent) and Asian (11 percent to 14 percent) residents. As of the 2020 Census, Montgomery County was one of the most racially and ethnically diverse counties in the country, with 40.6 percent of residents identifying as non-Hispanic white, 20.5 percent identifying as a Hispanic or Latino, 18.1 percent identifying as Black or African American, and 15.3 percent identifying as Asian American or Pacific Islander.[15]

With a longer history of housing affordability challenges, and thus the corresponding, sustained political will to resolve them, Montgomery County has a comparatively well-established set of housing affordability tools. Among these tools is the 1973 Moderately Priced Housing Law, "believed to be the country's first mandatory, inclusionary zoning law that specified a density bonus allowance to builders for providing affordable housing."[16] Still, 15 percent of households in Montgomery County's portion of the Purple Line corridor are cost burdened, compared with 11 percent in Prince George's County. As in Prince George's County, wealth in Montgomery County is unevenly distributed. This uneven distribution is prominent along the Purple Line corridor, with the Bethesda census–designated place boasting a median household income of $172,873, compared with a median household income of $117,816 across all of the county's Purple Line corridor census tracts.

TABLE 1

Demographics of Purple Line Corridor Tracts

Estimate	All Purple Line corridor tracts	Montgomery County census tracts	Prince George's County census tracts
Total population	221,122	108,713	112,409
White	88,518 (40%)	60,143 (55%)	28,375 (25%)
Black	57,679 (26%)	24,428 (22%)	33,251 (30%)
Asian	14,291 (6%)	7,479 (7%)	6,812 (6%)
Other race	53,008 (24%)	11,953 (11%)	41,055 (37%)
More than one race	7,626 (3%)	4,710 (4%)	2,916 (3%)
Hispanic	69,926 (32%)	20,424 (19%)	49,502 (44%)
Non-Hispanic	151,196 (68%)	88,289 (81%)	62,907 (56%)
Immigrant (born outside the US)	78,066 (35%)	31,876 (29%)	46,190 (41%)
Spanish speaker	57,764 (26%)	16,136 (15%)	41,628 (37%)
Average median tract income	$96,080	$117,816	$71,380
Poverty	24,719 (11%)	9,417 (9%)	15,302 (14%)
Households paying >30 percent of income toward housing costs	28,959 (13%)	16,435 (15%)	12,524 (11%)
Total housing units	74,661	45,317	29,344
Renter-occupied housing units	41,843 (56%)	26,254 (58%)	15,589 (53%)
Owner-occupied housing units	32.818 (44%)	15,589 (42%)	13,755 (47%)

Source: Authors' tabulations of American Community Survey 2015–19 five-year estimates.

Notes: Census tracts in Purple Line corridor, as defined by the Purple Line Corridor Coalition, are those within 1 mile of the Purple Line. Average median census tract household income values are inflation adjusted to the 2019 Consumer Price Index.

ETOD Efforts Along the Purple Line: The PLC and the Purple Line Corridor Coalition

Before JPMorgan Chase awarded the PRO Neighborhoods grant to the Collaborative, two of the three CDFIs—Enterprise Community Loan Fund and LEDC—had been working in the corridor to support low-income residents and small businesses in advance of the Purple Line's opening. Enterprise supported a community-based effort organized by CASA, a Latino advocacy and human services nonprofit, to address the substandard housing conditions at the Victoria-Bedford Station Apartments and to secure an agreement to ensure community benefits as the Purple Line is constructed. In part, these efforts led to the formation of the Purple Line Corridor Coalition (PLCC), which is led by the University of Maryland's National Center for Smart Growth. The PLCC's goal is to break down natural silos in ETOD efforts along the corridor by facilitating connections and collaboration between government policymakers, community-based organizations, philanthropies, the CDFIs of the Collaborative, and other community development actors in the corridor. As the PLCC developed, Enterprise and LEDC took on active leadership roles in the coalition, taking on roles on its steering committee and spearheading two of the coalition's goal areas around housing and small-business preservation.

Through the PLCC, Enterprise, CASA, LEDC and others pursued additional sources of capital that could be brought to bear to advance their shared ETOD goals in the sector. Before the PRO Neighborhoods grant, the National Center for Smart Growth led a team of PLCC partners, including Enterprise and LEDC, to pursue a JPMC Advancing Cities grant. Though unsuccessful, the process encouraged partners to continue to seek collaborative funding opportunities, and the applicants received feedback that their application was a better fit for the PRO Neighborhoods Program. At the same time, Enterprise participated as an implementation partner with Kaiser Permanente in the Center for Community Investment's (CCI) Accelerating Investments for Healthy Communities (AIHC) cohort program. AIHC is a technical assistance engagement designed for hospital systems to design strategic contributions, monetary and otherwise, toward equitable development efforts. Through this engagement, Enterprise and PLCC partners applied the concepts from CCI's Capital Absorption Framework by creating the foundations for an investment pipeline of equitable development projects and building influence in the enabling environment to support the success of the pipeline.[17]

During the CCI engagement, Enterprise and LEDC applied for the PRO Neighborhoods grant. According to Enterprise, their participation in the AIHC engagement laid a strong foundation for their team's internal planning and helped build visibility and connections to external partners to launch the grant. Because one of JPMorgan Chase's explicit goals for the program was to catalyze the flow of mainstream public and private capital to achieve equitable development goals, Enterprise and LEDC recruited the National Housing Trust (NHT) during the grant application process. Enterprise and LEDC saw that NHT's expertise and niche capacity to provide unsecured predevelopment loans would be a valuable resource for affordable housing developers and that the grant would enable NHT to expand and develop a lasting lending presence in the corridor.

Collaborative Progress During Years 1 and 2

In late 2019, JPMorgan Chase awarded the three CDFIs the PRO Neighborhoods grant—a three-year, $5 million grant for the grantees to advance ETOD in the corridor. The outcome goals for the grant were to build or preserve at least 1,000 affordable housing units and preserve at least 200 existing small businesses in the corridor. The CDFIs and JPMorgan Chase also sought to build out the corridor's gap financing infrastructure to streamline the financing process for EDPs. As previously discussed, the need for gap financing is the key difference between the process of typical development projects and EDPs, and often represents the most challenging, time-consuming step to completing these kinds of projects. Informed by the AIHC program, the Collaborative sought to obtain financial commitments to ETOD from the corridor's public, private, and philanthropic stakeholders. With established commitments, EDP developers would have more easily accessible sources of gap financing, enabling the development of more EDPs on shorter timelines. Thus, through the grant, the Collaborative sought to prepare the corridor with the resources and infrastructure needed to advance ETOD.

Unfortunately, the PLC's year 1 grant activities were affected by the beginning of the COVID-19 pandemic and the ensuing public health response. In light of the challenging economic conditions, the Collaborative members pivoted away from lending to providing technical assistance, building connections with stakeholders across the corridor, and advocating for increased government assistance for small businesses and residents with low incomes. Even with this tactical pivot, the CDFIs did not abandon its goals for year 1. LEDC did not deploy any JPMC loans to small businesses because of the general lack of financial security among small businesses, instead focusing on deploying the unprecedented amount of grant funding from federal pandemic relief appropriations. NHT closed on two predevelopment loans: one for the Hillwood Manor rehabilitation project, a 96-unit affordable housing development in Takoma Park, and one for an array of small property redevelopment projects in the corridor, two of which will create new affordable homeownership opportunities.

In 2021 (year 2 of the grant), the CDFIs continued to respond to the unexpected realities of the pandemic. The Montgomery Housing Partnership, a mission-oriented developer active in Montgomery County, advanced the Hillwood Manor rehab project by taking out NHT's loan with $12 million in Low-Income Housing Tax Credit (LIHTC) financing provided by Enterprise housing credit investments. Additionally, Enterprise and NHT continued to advance affordable housing policy advocacy in the corridor. Through the CCI cohort engagement, Kaiser Permanente made investments in the Collaborative's efforts, supporting the hiring of a consultant. The consultant's role has been to coordinate the PLCC Housing Accelerator Action Team's (HAAT) efforts to build an investable pipeline of housing development projects along the corridor and to provide technical assistance to developers interested in projects along the corridor. On the small-business side, LEDC deployed 22 small-business loans and continued to expand technical assistance to small businesses. In addition to continuing to help small businesses recover from the economic challenges brought on by the pandemic, LEDC began to target its services to the growing number of small businesses facing setbacks because of the Purple Line construction delays. Box 2 provides a case study on a group of these small businesses. After identifying the need for more funding to support these businesses, LEDC partnered with a state elected official to advocate for the Maryland state government to allocate relief funds.

BOX 2

Effects of Transit Construction Delays on Bonifant Street Businesses

Bonifant Street is a dense commercial street in downtown Silver Spring. Given that it is one of the existing urban commercial areas along the planned Purple Line, stakeholders expect that Bonifant Street will be one of the key areas to face significant gentrification and displacement pressures after the transit line is completed. But with the pandemic and construction delays, displacement has already spiked. A Montgomery County elected representative reported:

> [Bonifant Steet] is ground zero for every single one of these discussions about supporting diverse local businesses. It's immigrant and [people of color–owned] small retail, there's a wig shop, barber shop, nail salon, tiny African and Thai restaurants all stuck up there. And the whole damn street is blown out. It's gashed out with barrels and the parking is messed up, utilities have been going in and out because of the construction. There was a winery that went under…an Ethiopian bodega too. It's a ticking time bomb. Concerns among these business owners are not about what's going to happen in six years when the Purple Line opens, it's about 'Are we even going to last through this construction?'

Bonifant Street has been a key site where LEDC and other community partners have focused their lending and technical assistance to stem the losses in revenue among businesses affected by the Purple Line's construction delays.

Year 3 Progress Toward Equitable Development Goals

This report provides an update on the Collaborative's progress in the third and final year of the grant. The Collaborative made significant progress toward deploying grant funding into equitable development projects. Their efforts to shape the enabling environment in the corridor also coalesced to achieve a number of major policy wins. Additionally, the CDFIs reinforced and expanded critical connections with policymakers and built trust among community stakeholders, positioning themselves to continue advancing ETOD and supporting Purple Line communities beyond the grant's completion.

Because of pandemic-related setbacks, the Collaborative was not on track to meet some of its targets by the originally planned grant closeout in December 2022. As a result, JPMorgan Chase granted the Collaborative a no-cost extension to June 2023, providing an extra six months to finish deploying grant capital and make further progress toward their outcome goals.

Despite the lessening impacts of the COVID-19 pandemic over the past year, other barriers have impeded the CDFIs' progress. Property owners have continued to hold on to their properties in the face of ongoing construction delays, meaning that real estate availability remains low and progress on developing and preserving affordable housing units has been slow. Despite this challenge, the lending CDFIs made substantial progress toward their housing preservation goals in year 3 of the grant. Small businesses have been reticent to take on debt coming out of the pandemic, so lending activity has been below the targets set at the start of the grant. All in all, while the CDFIs have shored up the corridor's capacity to support small businesses and residents with low incomes, they have not met all of their outcome targets defined at the beginning of the grant. In the following section, we go into more detail on the CDFIs' progress in year 3, picking up from where our year 2 report left off and referencing previous accomplishments to provide a cumulative description of what the CDFIs achieved.

Stabilizing and Building Affordable Housing

In year 3 of the grant, NHT and Enterprise continued to work toward their goal of preserving 750 units of affordable housing and creating an additional 250 affordable units; as part of the PLCCs overarching goal of ensuring "no net loss" of affordable housing units along the Purple Line corridor. Figure 2 displays the logic model used to guide the CDFIs' lending approach to housing in support of the Collaborative's equitable development goals.

FIGURE 2

National Housing Trust and Enterprise Community Partners' Logic Model

Goal: preserve and expand affordable housing in the target area through financing and development

Annual outputs: loans to eligible developers along the Purple Line; creation of new affordable units and preservation of affordable housing

Impact on local housing market: overall increase in supply of high-quality housing affordable to households currently living in corridor (those earning 60% of area median income or less)

Community impact: limited involuntary displacement of residents with low and moderate incomes from the Purple Line corridor

Source: National Housing Trust and Enterprise Community Partners 2022.

The CDFIs continued the dual-track approach identified in previous years. On the first track, depicted in the logic model above, CDFIs directly financed affordable housing development and preservation efforts , including through the use of funds sourced through or leveraged from the JPMC PRO Neighborhoods grant. On the second track, the CDFIs worked to change the enabling environment for affordable housing, pushing for greater state and county investments in affordable housing financing and stronger renter protections.

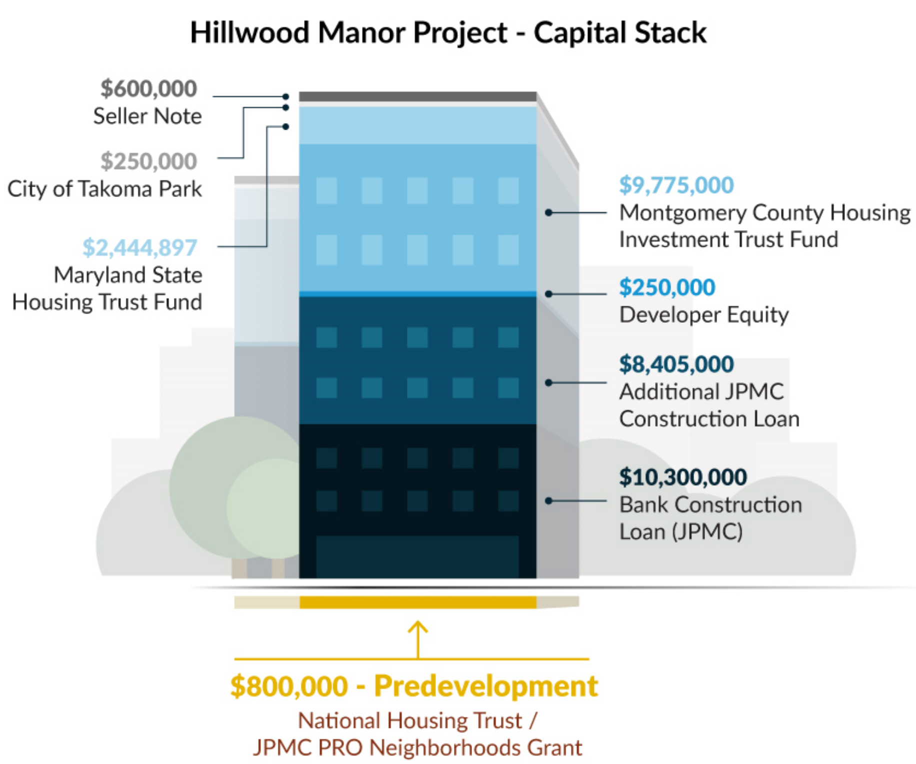
OVERALL PERFORMANCE

In the third year of the grant, the CDFIs achieved significant successes in affordable housing preservation. With loans to the Parkside Terrace and Rollingwood Apartments (both issued in December 2022), the CDFIs helped preserve 370 units of affordable housing—more than 80 percent of their total throughout the entire grant period. Through December 2022, the CDFIs disbursed $5,489,127 of PRO Neighborhoods funds, supporting the preservation of 452 affordable units (60.2 percent of their 750-unit goal) and the creation of another 394 new affordable units, surpassing their 250-unit creation goal. Despite operating in a lending and development environment heavily affected by the pandemic and the ensuing public health response, the lending CDFIs issued loans to create or preserve 846 units of affordable housing, approaching their overall goal of 1,000 affordable units. In addition to funds disbursed directly, the CDFIs' lending has been used to attract other investments, with Purple Line Capital Pool–supported projects leveraging an additional $104,772,800 in financing.

The importance of leveraging additional financing underscores the complexity of affordable housing development. While the CDFIs were able to offer low-interest loans, which are attractive to developers because they reduce total borrowing costs, these loans typically accounted for only a small portion of total financing. On the Hillwood Manor project, for example, NHT's initial $800,000 loan was used to leverage an additional $31,940,250 of investment, including from public entities such as the City of Takoma Park and Montgomery County's Department of Housing and Community Affairs. Figure 3 depicts the sources of financing for the Hillwood Manor project, and NHT's lending during the grant period is summarized in table 2.

FIGURE 3

Sources of Financing for the Hillwood Manor Project



Source: Urban Institute.

TABLE 2

NHT Lending Activity over the Course of the Grant

Q1 2020 to Q1 2023

Project name	Date closed	Affordable units created or preserved	Loan amount	JPMC PRO Neighborhoods dollars disbursed	Dollars leveraged on project
Hillwood Manor Apartments	October 2020	81 preserved	$800,000	$800,000	$31,940,250
320 Lincoln Avenue	April 2021	1 preserved	$420,000	$407,310	$375,000
Headen Spring	June 2021	290 created	$125,000	$36,250	–
Garland Ave	August 2021	2 created	$490,000	$357,060	$245,000
Sligo Apartments	October 2021	102 created	$2,223,000	$1,288,506	$4,912,550
Parkside Terrace	December 2022	87 preserved	$3,250,000	$1,600,000	–
Rollingwood Apartments	December 2022	283 preserved	$2,000,000	$1,000,000	$67,300,000
Total	–	452 preserved; 394 created	$8,508,000	$5,489,126	$104,772,800

Source: National Housing Trust lending data.

FINANCING MISSION-ORIENTED DEVELOPMENT

Even with the affordable housing financing successes described above, the CDFIs remain short of their year 3 goals for loans deployed and affordable housing units preserved. Although they surpassed their overall goal of creating 250 units of affordable housing—ultimately creating 394 units throughout the life of the grant—the CDFIs did not create any new affordable units through March 2023. The operative challenge is still, to quote one CDFI interviewee, "getting money out the door." CDFIs reported lower-than-anticipated demand for their loan products despite offering favorable loan terms. Interviews surfaced two main reasons for the lower-than-anticipated demand. First, there has been lower deal volume than expected throughout the corridor. Second, among the transactions that were completed along the corridor, many either did not support the PLC's no–net loss goal (i.e., the deal would not support long-term affordability) or were not appropriately sized for NHT's or Enterprise's loans to enter the financing equation.

The primary barrier to the CDFIs meeting their financing targets has been a lack of deal volume throughout the Purple Line corridor. Regardless of cause, an interviewee noted plainly that "actual projects needing capital have not been as active as we anticipated." Both lending CDFIs noted that the lingering effects of the pandemic were still influencing the area's real estate market. In a continuation of trends identified in last year's report (Bogle et al. 2022), interviewees also noted that prolonged Purple Line construction delays may be incentivizing corridor property owners to continue holding on to their properties in anticipation of a significant rise in property values.

The pandemic, obviously, has been the major factor. And I do get the sense still that the delay in the Purple Line itself is also cost prohibitive. There's been the sense that landlords are 'hugging' their properties, convinced they're going to triple in value when the Purple Line is actually working. And the fact that the Purple Line is so far away, still, is not helping anything. And so, we've seen minimal interest or desire for capital. It hasn't been a terms issue; we just haven't seen a ton of need.
—CDFI interviewee

Even when deals materialized along the corridor, they were frequently poor candidates for Purple Line Capital Pool loans—either too large for the CDFIs' lending resources to have a meaningful impact or inconsistent with the PLCs equitable development mission. In general, according to a CDFI interviewee, loans from the Capital Pool "primarily focus on predevelopment lending—that's what's needed for projects to actually get off the ground—as well as acquisition financing or construction financing," with loans offered at 3 percent interest for five years or less. However, despite offering favorable loan terms, the CDFIs reported that the real cost savings associated with their loan products were often not impactful in the context of the "$90 or $100 million deals that are like 600 units," characterizing deal flow along the Purple Line corridor.

The 600 units at Victoria-Bedford, I think, sold for $90 million…If you have $15 million of 1 percent money, or 3 percent money, [in predevelopment lending] for 5 to 10 years, that probably really changes the economics of the deal [in a way that is compelling]. But $2 to $3 million [for a] $90 million [deal], I think it's seen as a headache.
—CDFI interviewee

The inability to finance larger deals was not unexpected, with the CDFIs articulating a theory of change explicitly focused on "offering hard-to-find, game-changing capital for a certain type of project." Specifically, the CDFI interviewee went on to explain, "Our hypothesis was, if you can give somebody $2 million, or 3 percent money for 10 years, it probably helps them buy a 20-unit building." Rather, the surprise was the lack of movement in the small, multifamily sector—the prototypical "20-unit building[s]" in question. While the lack of movement may have been surprising, there are well-established structural barriers to preserving small- to medium-size multifamily buildings. For instance, research finds that the common combination of high upkeep, smaller cash reserves, and individual-level ownership "make small-scale, privately owned affordable housing unattractive to large-scale investors, which in turn makes adequate property maintenance difficult."[18] Overcoming these barriers in a local context often requires sustained, coordinated efforts from local stakeholders. In Chicago, for example, a network of community organizations led by Communities United and Neighborhood Housing Services of Chicago created the Chicago Flats Initiative (CFI), a coalition "focused on preserving two- to four-unit buildings throughout Chicago."[19] While there are programs in the DC region designed to support small- to -medium-size multifamily building preservation, such as DC's Small Buildings Program,[20] a CDFI interviewee contended that there was not "a very active force on the ground trying to develop and preserve this kind of housing."

Beyond deal size, interviewees also reported that prospective lending candidates often did not align with either the mission of NHT's Community Development Fund, which is "committed to providing access to flexible financing for the preservation and creation of affordable housing,"[21] or that of the broader PLCC, which aims "to ensure the Purple Line light rail creates a place of opportunity for all who live, work, and invest in the corridor."[22] In concrete terms, mission-aligned deals would involve either long-term commitments to preserving affordability or meaningful investments to improve building conditions, offsetting long-term deferred maintenance common among the corridor's affordable housing stock. Unfortunately, one CDFI interviewee reported the opposite, speaking from the vantage point of a hypothetical property owner.

It's very hard for anyone to see how [owners] go anywhere with a property that's not in great shape when the market-rate owners who are making offers on deals are doing one of two things: they're either maintaining slummy conditions and are okay with that, which we aren't, nor are the developers we're working with; or they're anticipating significant rises in rent, which is [against] the whole point of what we're doing.
—CDFI interviewee

Much like challenges related to deal size, the misalignment between prospective deals and the PLC's mission is symptomatic of larger issues in affordable housing financing—specifically, the economic realities of affordable housing development. Because of their lower operating incomes (on account of lower rents), it is often more challenging for developers to raise the capital necessary to get affordable housing projects off the ground. The affordable housing financing gap, or the difference between "the amount a building is expected to produce from rents and the amount developers will need to pay lenders and investors,"[23] is the principal financial barrier to developing affordable housing, as projects cannot be developed until this gap is closed. Underscoring the challenging market conditions facing affordable housing development in the corridor, a study assessing the feasibility of inclusionary zoning requirements in the Prince George's County section of the Purple Line corridor found that the required affordable units would create an *additional* feasibility gap between revenue and operating costs (HR&A Advisors, Inc. 2020). That is, lowering rents on some units to comply with inclusionary zoning requirements would reduce revenue enough to make an entire project financially nonviable. This gap would come on top of an existing feasibility gap for Purple Line corridor developments, with the authors finding that market-rate developments (i.e., those without affordability restrictions) in the Purple Line corridor have a baseline feasibility gap typically filled by public subsidy.

PARTNERING WITH LOCAL GOVERNMENTS AND CATALYZING PROGRESSIVE POLICY CHANGE

In addition to directly financing affordable housing development and preservation, the PLC CDFIs have also worked to change the enabling environment for affordable housing, partnering with local jurisdictions to provide technical assistance or implementation support and, where appropriate, advocating for policy changes. In the third and final year of the PRO Neighborhoods Purple Line grant, the CDFIs formed new partnerships with Purple Line corridor jurisdictions and achieved a number of policy wins. In Montgomery County, which has higher housing costs along the corridor but a greater breadth of affordable housing and anti-displacement tools, a PLC member was selected to lead the county's new Affordable Housing Opportunity Fund, while other Collaborative members successfully advocated for changes to the county's payments in lieu of taxes program and the creation of a new affordable housing preservation fund. In Prince George's County, which has historically weaker affordability protections but contains three-quarters of the corridor's affordable housing stock (PLCC 2019), collaborative members advocated for major changes to two of the county's most important affordability tools and supported the passage of a rental housing inspection bill inspired by conditions along the Purple Line.

MONTGOMERY COUNTY

In March 2022, Montgomery County announced the opening of a $14 million Affordable Housing Opportunity Fund, with NHT selected as fund manager through a request-for-proposal process. The fund, with a focus on providing "short-term loans to acquire and preserve affordable housing," offers similar terms to those offered by NHT's revolving Purple Line loan fund and includes "proximity to a transit corridor[24]" as a priority factor in loan consideration.

The PLC has also been active in Montgomery County from a policy advocacy standpoint. In 2021, policy staff at Enterprise, along with other stakeholders, suggested that the county's Department of Housing and Community Affairs (DHCA) modify its existing payments in lieu of taxes program, with abatements issued on a case-by-case basis at the discretion of the housing director, to instead have automatic triggers based on affordability thresholds. After presenting DCHA with the financial implications of the policy change, which could increase the efficiency of county funding fourfold, the office favorably assessed the feasibility of the proposal internally. And, in December 2021, the Montgomery County Council passed Bill 26-21, establishing "a 100 percent payment in lieu of taxes for a housing development owned or controlled by the Housing Opportunities Commission (HOC) or a nonprofit housing developer with at least 50 percent of the dwelling units affordable to households earning 60 percent or less of area median income."[25]

The PLCCs Housing Action Accelerator Team, chaired by Enterprise and co-led by NHT, notched another policy win with the creation of Montgomery County's Preservation of Naturally Occurring Affordable Housing Fund, complete with a $40 million allocation. The creation of the fund, included in Montgomery County's FY 2023 capital budget, reflects the HAAT's recommendation of "increasing housing trust funds in both counties," and, in the words of one interviewee was "[something] we have advocated for for at least three full years."

Actually seeing a dedicated source of local revenue that is explicitly intended to help preserve housing [in Montgomery County] that is market-rate affordable today—[housing] that [currently] has no protections, has no subsidies for low income and vulnerable residents…I'm extremely proud that we all stayed in the course in order to see it come to fruition.
—PLC interviewee

PRINCE GEORGE'S COUNTY

Enterprise has been engaged in a multipronged policy advocacy effort in Prince George's County, both before and during the PRO Neighborhoods grant. In addition to long-standing advocacy from the Enterprise Mid-Atlantic policy team, Enterprise Advisors and Enterprise Mid-Atlantic were heavily involved in the creation and implementation of the county's Comprehensive Housing Strategy report, titled *Housing Opportunities for All*. Following publication of the report, the Prince George's County Council unanimously adopted CR-16-2019, establishing the Housing Opportunities for All (HOFA) workgroup. The workgroup was charged with "assisting the County with setting priorities and implementing the Comprehensive Housing Strategy Report."[26] Partially owing to the significant overlap between PLCC HAAT leadership and the HOFA workgroup, there was substantial alignment between the workgroup's recommendations and those of the coalition. This alignment was evident in the county's new investment in its Housing Investment Trust Fund and in the funding and broadened application of its right of first refusal (ROFR) program, with both programs being priorities in the HAATs Housing Action Plan and hailed as major accomplishments in the HOFA workgroup's third and final annual report.

Building on efforts detailed in the year 2 report, Prince George's County has continued to expand its housing affordability efforts. In June 2022, Council Bill CB-004-2021 took effect, with 20 percent of the county' recordation tax (which nets, on average, $46 million to $53 million annually) or no less than $10 million allocated toward the county's Housing Investment Trust Fund. The fund, initially established in 2012, "supports the development of new construction, rehabilitation and preservation of existing workforce and affordable housing."[27] While not specific to the Purple Line, interviewees considered the dedicated source of funding a major policy win.

The county has also continued to implement its ROFR program, including using the newly strengthened program to support affordability along the Purple Line corridor. ROFR policies allow designated entities, typically governments or nonprofit organizations, to "acquire private property as long as [they match] the price of any third-party offer" (Damorsch 2020). In addition to its role in the CHS, Enterprise has also continued ongoing engagement with county leaders. Specifically in relation to ongoing support for the ROFR program, a CDFI interviewee described engaging "joint creative problem-solving" with county officials.

Yes, they asked for [technical assistance]. Yes, they asked for ideas and best practices from other places where we had them. But we also were making things up in real time, which I say is a positive…Not being cavalier about it, but saying, 'There is no manual for this part—what is the outcome we want to achieve? Let's engineer backwards and figure out how we're going to get there.'
—Enterprise interviewee

In March 2021, the county assigned its ROFR rights for Hamilton Manor Apartments (which is not in the corridor) to NHT Communities, which purchased the property in August 2021. The Prince George's County Department of Housing and Community Development was also involved in the sale of the Bedford Station Apartments and Victoria Station Apartments (Victoria-Bedford), whose poor conditions were covered extensively in local media and in Urban's year 2 report, assigning its ROFR rights to a DC–based developer that purchased the 587-unit property in May 2022.

As important as the HOFA workgroup was as a venue for policy advocacy, it is also emblematic of the PLCCs relationship-building efforts before and during the grant period—relationships that would further catalyze progressive policy change along the corridor and the throughout the county. The passage of CB-18-2022, which requires more frequent inspections for 10-or-more-unit rental buildings depending on their age or tax status, is one concrete outcome of those relationships. Inspired by conditions at Victoria-Bedford Station apartments, Councilmember Dannielle Glaros sought to change the rental inspection regulations in Prince George's County. Building on connections made from the HOFA workgroup, the councilmember then reached out to policy staff at one of the CDFIs, requesting information on similar policies in other jurisdictions and, ultimately, provided support in drafting the legislation. When Councilmember Glaros introduced the bill, members of the HAAT leadership team agreed to testify on its behalf.

Small-Business Preservation

While the Collaborative's small-business preservations efforts were affected by the pandemic and the construction delays, it has nevertheless surpassed its original target for small businesses preserved. Throughout year 3 and the extension period, the Collaborative has continued to provide financial and technical services to corridor small businesses and build up the finance infrastructure to connect entrepreneurs with subsidized capital.

RECAP OF YEAR 1 AND YEAR 2 PROGRESS

As documented in the year 1 and Year 2 reports (Edmonds et al. 2020; Bogle et al. 2022), in response to the abrupt disruption to commerce created by the pandemic and the subsequent public health emergency, small businesses along the corridor adjusted their operations, including a pivot to e-commerce, to stay afloat. LEDC supported businesses in adapting to these challenges through their financial and technical assistance activities. After government restrictions relaxed and commercial activity began to recover, continued low profit margins related to the pandemic and the Purple Line construction delay further eroded small businesses' resilience.

LEDC had mixed success in mitigating these effects in year 2 (Bogle et al. 2022). With their continued focus on racial equity, LEDC worked to connect undercapitalized businesses—particularly those owned by Hispanic/Latino residents, many of whom speak Spanish as a first language—with pandemic-related assistance and to advocate for those in contract with bad actor commercial landlords. Due to economic volatility, corridor small businesses avoided taking on debt, so LEDC's lending activity slowed. Thanks to the unprecedented small-business federal relief funding Congress appropriated, LEDC was able to shift its focus to deploying relief grants. As a result, LEDC exceeded its outcome target for business preservation in 2021.

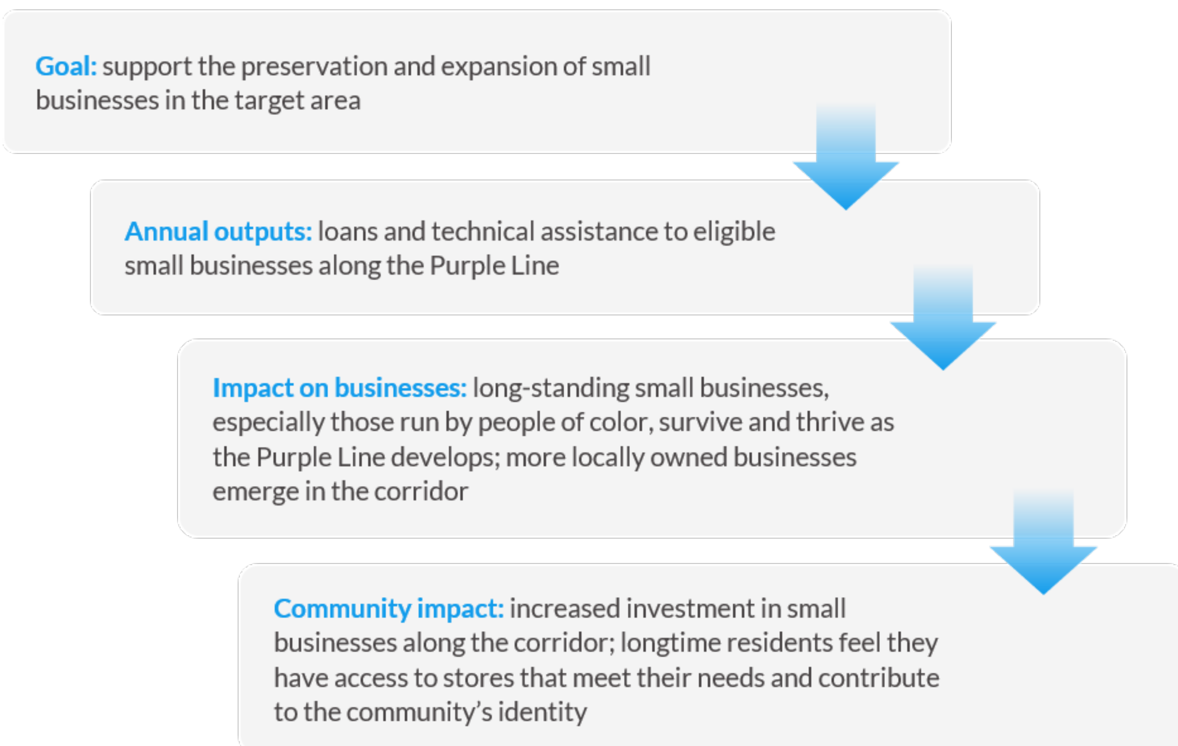
In terms of its efforts to expand access to small-business capital, LEDC worked with state Del. Jheanelle Wilkins to introduce the Transit Safety and Investment Bill. This bill was designed to appropriate state funding for small businesses affected by the construction delays but faced a temporary setback when Gov. Larry Hogan vetoed the bill (Bogle et al. 2022). The legislature subsequently overrode the governor's veto, however, and the act became law at the end of 2021. We discuss LEDCs role in supporting the TSIA and implementing some of its provisions in the following section.

OVERVIEW OF PERFORMANCE

LEDC's goal in the Purple Line corridor is to preserve small businesses, particularly those owned by people of color and individuals with low incomes. LEDC's core activities toward this end involve deploying loan and grant capital and providing technical assistance to small businesses. For the purpose of this grant, LEDC's outcome goal was to preserve at least 210 small businesses, yielding an approximate quarterly target of 17.5 small businesses preserved. Their logic model is illustrated in figure 4. In year 3 of the grant, LEDC accomplished its small-business preservation goal and made significant progress toward its secondary goal of supporting the retention of 210 jobs throughout the corridor.

FIGURE 4

LEDC's PRO Neighborhoods Grant Logic Model



Source: Latino Economic Development Center.

Compared with years 1 and 2, small-business lending was slower in the grant's third year. In 2022, LEDC issued two loans totaling $30,700 to small businesses in the corridor, including one located in the

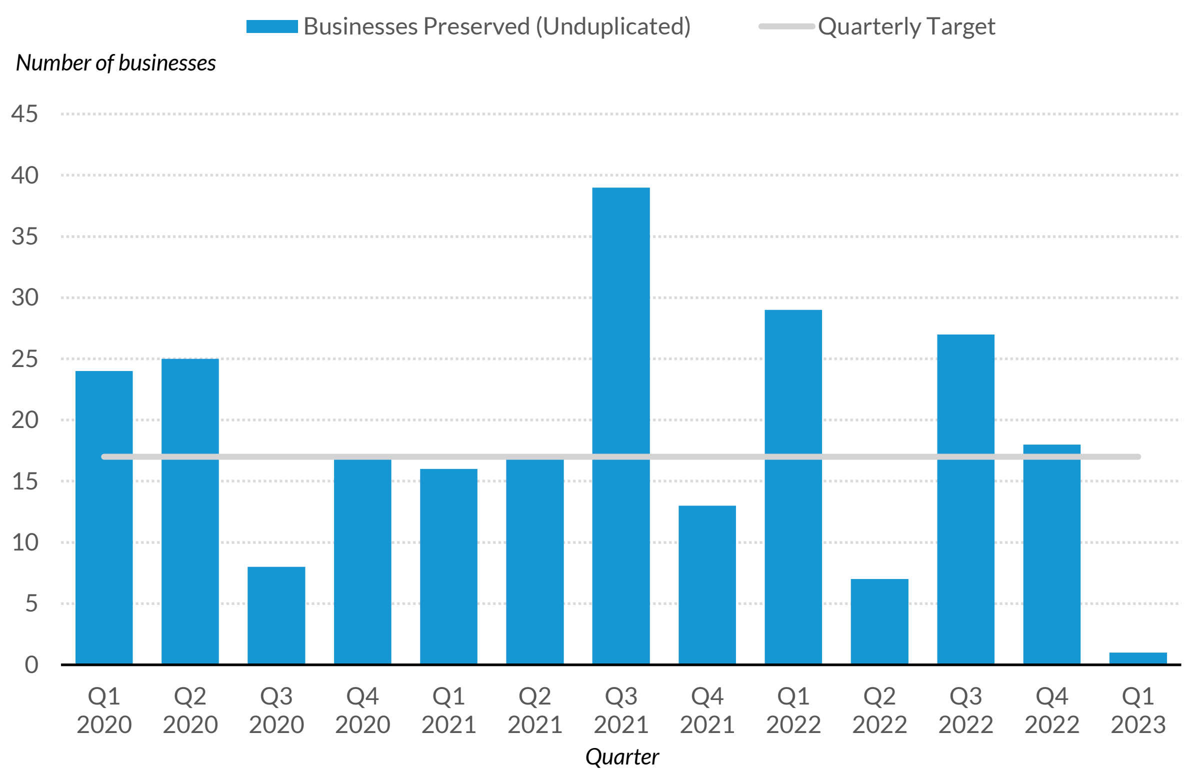
Bonifant Street corridor highlighted in box 2. During the extension period, LEDC issued an additional two loans totaling $300,000, bringing its year 3 and extension period lending total to $330,700. The four loans issued in year 3 and the extension period, all with JPMC money, compare with a combined 22 loans issued during the prior two years of the grant.

In addition to supporting small businesses through lending, LEDC also aims to preserve corridor small businesses by providing technical assistance. In year 3 of the grant, LEDC reported reaching 81 unduplicated new clients, in line with its performance in years 1 and 2, where it reached 74 and 85 new small businesses, respectively. As depicted in figure 5, LEDC surpassed its quarterly small-business preservation target in all but one quarter in year 3. With this consistent effort, by the end of year 3 and the extension period, LEDC had deployed loans or technical assistance to preserve 241 small businesses along the corridor, surpassing its original goal of 210 businesses preserved.

FIGURE 5

Small Businesses Preserved over the Course of the Grant

Per quarter, Q1 2020 to Q1 2023



Source: Latino Economic Development Center 2023.

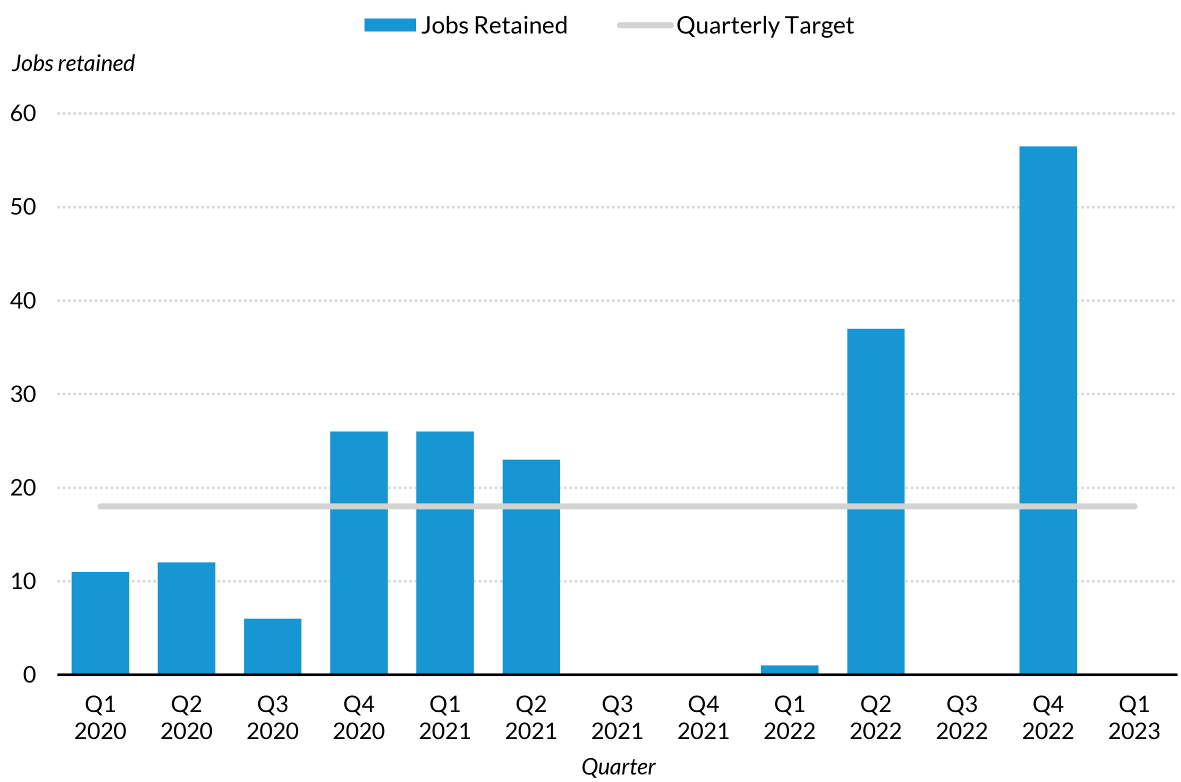
Notes: LEDC's parameters for small-business preservation include small businesses it helped preserve through its loan deployment, grant deployment, and technical assistance programs.

In addition to its primary goal of preserving 210 small businesses along the corridor through lending and technical assistance, LEDC also aimed to support the retention of 210 jobs. In year 3, LEDC reported preserving 95 jobs—nearly as many as the organization reported supporting in years 1 and 2 combined (104). As depicted in figure 6, following a slow first quarter, LEDC exceeded its quarterly jobs preserved target in each subsequent quarter (Q3 outputs are included in the Q4 total). Through Q1 2023, LEDC reported preserving 199 jobs, approaching its goal of 210 jobs preserved.

FIGURE 6

Jobs Retained over the Course of the Grant

Per quarter, Q1 2020 to Q1 2023



Source: Latino Economic Development Center 2023.
Notes: Q4 2022 includes jobs preserved in Q3 2022. LEDC's parameters for jobs retained include jobs it helped preserve through its lending, grant making, and technical assistance services in the Purple Line Corridor.

Table 3 presents LEDCs small-business preservation and job retention metrics in annual form.

TABLE 3

Annual Outcome Metrics, 2020 to 2023

Year	Businesses preserved	Jobs retained
2020	74	55
2021	85	49
2022	81	95
2023	1	0
Total	241	199

Source: Latino Economic Development Center

Note: Businesses preserved is an unduplicated count of new clients.

SUCCESSES IN YEAR 3

In year 3, including the extension period, LEDC has made leaps forward in its efforts to preserve small businesses despite continued poor market conditions caused by the pandemic and construction delays. LEDC reported the following high-impact achievements:

- expansion of its technical assistance program to Prince George's County
- passage of the Transit Safety and Investment Act
- funding allocations for small-business preservation in both Montgomery and Prince George's Counties

EXPANDING INTO PRINCE GEORGE'S COUNTY

LEDC identified the expansion of services into Prince George's County as one of its top achievements during this grant. Before the start of the grant, LEDC was based solely in Montgomery County and provided loan and technical assistance to small businesses within the county's jurisdiction. LEDC used grant funding to grow its staff and operations and expand into Prince George's County. Government officials reported that LEDC went to great lengths to connect its programming with ongoing small-business support efforts in the area.

The timing of LEDC's expansion into the county was fortunate, occurring as the pandemic began to financially squeeze small businesses. At the time, the county government was seeking to distribute low-interest loan funding to small businesses in the area, but administrators were having difficulty soliciting loan applications from the county's large population of Hispanic- and Latino small-business owners. LEDC stepped in to aid the Prince George's County government, as one county representative described.

[LEDC] was very helpful in supporting to distribute [the county's] funding for [small] businesses, through working with Financial Services Corporation First…which is kind of like our quasi bank, county bank. [FSC First] are not the best in dealing with the Latino community. They don't have anybody that is Spanish speaking, which is reflective of a systemic issue in the county's ability to deal with Latinos. We were able to bring LEDC, who had the cultural sensitivity and the cultural competency to work with the population and help them access the money available to them…Once that funding ran out, then that created a link between LEDC and the businesses where they could employ the systems that were provided by JPMorgan Chase.
—Prince George's County elected official

LEDC lent its expertise to connect Hispanic- and Latino-owned businesses with government assistance at a critical time. By repairing this kink in the county's small-business assistance pipeline, LEDC improved the program's impact and built new relationships with the county's small businesses. This expedited LEDC's process of establishing its service programs in the county and deploying PRO Neighborhoods–funded loans.

CONTINUED ADVOCACY FOR THE TRANSIT SAFETY AND INVESTMENT ACT

LEDC and its advocacy partners organized around the Transit Safety and Investment Act (TSIA) to channel state funding to support small businesses affected by the Purple Line construction delays, adding to the Collaborative's efforts to activate funding in the corridor for equitable development. These construction delays have continued to cut into the bottom lines of small businesses in the corridor over the past year. A Prince George's County elected official described the situation as such:

Basically, construction has torn up entire streets all over the place. In the worst places, it's closed down entire streets. Sometimes crosswalks on both sides of the street [are closed]. It's made walking around the area dangerous, and it's been like this for a while, just a state of construction purgatory…For small businesses that are already sort of barely making it, it's really hurting them. Like a coffee shop that you might stop at on your way—that street is closed down, so they're getting less traffic as a result, and they're getting really hurt.
—Prince George's County elected official

The pandemic and the construction delays separately would have destabilized small businesses in the corridor—together, their effects have been devastating. Although these businesses received government funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and other pandemic relief sources early on, these small businesses needed additional funding to weather the sustained impact of the construction delays. This was the impetus for LEDC to partner with a group of state delegates to introduce the TSIA. Maryland's legislature voted to override the governor's veto of the TSIA in December 2021, appropriating $2 million in state funding over a two-year period for the Purple Line construction zone grant program to support small businesses affected by the construction delays.[28]

Elected officials from the Purple Line corridor discussed that the TSIA initially faced a great deal of opposition because there was a common perception that the state had already made significant investments in the Purple Line corridor with the transit line, and there was little precedent to allocate relief funding to support businesses through the construction process of a large state investment. LEDC contributed heavily to changing these perceptions by advocating for the appropriation of unprecedented aid to ease the dire economic conditions these businesses were facing. One elected official described the important role LEDC played in the passage of the bill:

When I was advocating for the bill, LEDC identified business owners to testify, which was hugely helpful. And LEDC testified as well, which was also hugely helpful since they are more on the ground and see what's going on. They really structure themselves in a way to be at the table.
—Maryland elected official

LEDC contributed to these advocacy efforts by providing state policymakers with insight into the state of small businesses along the corridor, using its position as an intermediary between small-business owners and policymakers to communicate the need for relief funding. This demonstrated LEDC's value to policymakers, in not only providing resources to small businesses but also informing the design of more effective public policy.

That said, given its success in supporting small businesses in Montgomery County and in disbursing Prince George's County's pandemic relief funding, the TSIA grant program administrators in both counties selected LEDC to disburse the funding to small businesses. A Montgomery County official spoke to the rationale behind the county's selection of LEDC:

[LEDC] have become a trusted partner in Montgomery County. They were the entity that made the most sense to become the financial fiduciary for the fund. They know the businesses more than the county does. So, the county would have struggled to put out the money, but LEDC was able to do that.
—Montgomery County elected official

This was a major policy win that LEDC contributed to throughout every step of the process. Because of LEDC's involvement in the policy design, advocacy, and implementation, our interviews indicated that the organization has developed a strong reputation among corridor policymakers as a highly capable CDFI with deep connections to small businesses in the corridor. Thus, the JPMC grant enabled LEDC to catalyze state government investments that are aligned with the Collaborative's ETOD goals.

CHALLENGES IN YEAR 3

Despite these successes, LEDC has continued to face challenges deploying JPMC loan capital and was behind in achieving its performance target in this regard. LEDC reported that businesses' appetites for debt financing is still low, as it was in year 2 (Bogle et al. 2022). It also reported that many clients it interacts with are solely seeking out grant funding to pay off their past-due obligations from earlier in the pandemic. This indicates a need for more grant funding and refinancing options to preserve small businesses in the corridor.

LEDC reported that its loan programs are not equipped to refinance these loans, but it has made exceptions in extreme circumstances where clients were past due on loans that put their business or personal assets in danger. Because of the dire circumstances many clients are reportedly experiencing, LEDC has relaxed its underwriting requirements (such as credit score floors or collateral requirements) and now provides loans at zero percent interest. LEDC reported that this has increased loan disbursement, but more flexible capital is needed to help small businesses recover from the effects of the pandemic and construction delays.

By expanding its lending and technical assistance services in Prince George's County and stepping in to support county governments with distributing relief funds, LEDC has built relationships with small-business communities in the corridor and developed a local presence as a trusted CDFI with the technical capacity to advocate for and implement progressive policies to preserve the corridor's small businesses. While it was not able to meet all of its lending goals with the grant funding provided by JPMorgan Chase, LEDC is well-positioned to continue organizing efforts across the corridor to advance small-business preservation beyond the grant.

Next Steps for ETOD Work

Even as the PRO Neighborhoods grant winds down, all three CDFIs expect to remain active in equitable development efforts along the Purple Line corridor. On the housing side, NHT explained that it will "maintain an active presence in offering hard-to-find, game-changing capital for a certain type of project," with the admission that it has yet to see many of those projects thus far. NHT also expects that changing borrowing conditions will aid that effort. Between April 2020 and February 2022, the Federal Reserve interest rate was kept at or below .10 percent. In March 2022, the Federal Reserve began increasing interest rates to combat rising inflation, with rates reaching 4.5 to 4.75 percent by March 2023.[29] As borrowing costs increase for housing developers, NHT's ability to offer loans at a fixed 3 percent interest rate may be increasingly valuable. In addition, Enterprise Community Loan Fund has continued to look for lending opportunities to leverage its balance sheet and invest at least $5 million in projects that increase or preserve affordable homes near the Purple Line. As of May 2023, the CDFI has two opportunities in its pipeline to meet this commitment: a $4 million acquisition loan for a mixed-income development in downtown Silver Spring and a line of credit to the Prince George's County Housing Authority. The project in Silver Spring builds on a previous relationship with a developer who is a person of color, and of the project's 81 units, about half would be affordable to households earning between 50 and 60 percent of the area median income. Financing for Prince George's County Housing Authority would enable them to pursue for-sale affordable homes on land that the housing authority already owns near the Purple Line.

From a policy advocacy standpoint, Enterprise's policy team is advocating for changes to Maryland's Qualified Allocation Plan, which governs the allocation of LIHTC subsidies, to "push [affordable housing] preservation as a viable option in projects coming to the state for low-income housing tax credits." In addition, the PLCC's HAAT team is in the process of identifying policy priorities guided by its 2023–2027 Housing Action Plan—the PLCC's guiding housing document. The list of priorities is expected to be finalized in late September, pending review by the full HAAT and the PLCCs steering committee.

On the small-business preservation side, LEDC no longer sees zero net loss of businesses as a realistic goal. While it plans to maintain the goal for zero net loss, LEDC also intends to focus on supporting small-business relocation. Over the grant period, LEDC's client engagement has been driven by significant outreach efforts. Going forward, the organization hopes to become a widely known resource along the corridor, such that they are approached by clients and less outreach is necessary. In addition, LEDC hopes to develop a small-business advocacy arm within the organization—currently, LEDC contributes to this work through external organizations, such as the PLCC, but sees a need for greater in-house advocacy. In September 2022, LEDC hired an advocacy manager who will lead advocacy and develop strategies to engage with partners and legislators. One planned focus of that advocacy is strengthening commercial renter protections in Prince George's County, with LEDC noting that widespread predatory landlord-tenant relationships are a challenge for the county's small businesses.

Lessons Learned

Over the course of this grant, grantees have come away with several lessons that are broadly applicable to community development stakeholders across the country working in regions undergoing transit-oriented development. These lessons should be applied to improve the equitable distribution of benefits from associated spikes in community investment.

Although $5 million is a small pool of capital relative to the volume of investments routinely made by the public and private sectors, the three-year grant term reflected an understanding that the processes involved in deploying capital to catalyze investment and creating an enabling environment for equitable development take time. PLC CDFIs and other community stakeholders familiar with the PRO Neighborhoods grant lauded JPMorgan Chase for the combination of the grant size, flexibility, and length of time provided in the grant terms. The CDFIs' efforts to both create a pipeline of equitable development projects and shape the enabling environment to advance ETOD in the corridor could not be accomplished overnight. The interrelated but distinct processes of sourcing community development projects in need of catalytic financing, underwriting the loan or equity to be provided, and executing the deals is arduous and time consuming, with the predevelopment process alone potentially taking between three and five years to complete (LISC Bay Area 2019). Similarly, shaping the enabling environment for equitable development requires a different form of capital—social capital—that includes building connections with residents, business owners, other community development stakeholders, and policymakers, which also takes time to develop. While the CDFIs had an established presence in the corridor, both through the PLCC and otherwise, the CDFIs were able to expand their relationships and lines of influence over the three-year grant period. Enterprise served as a consultant for the HOFA workgroup for the Prince George's County Council, using this role to help the county reform its right of first refusal policy and to dedicate permanent funding for affordable housing development and preservation. NHT was selected to manage Montgomery County's Affordable Housing Opportunity Fund. LEDC advocated with state policymakers to pass the TSIA and managed the distribution of small-business relief funding. The three-year term of the PRO Neighborhoods grant gave the CDFIs the time to realize these accomplishments. Philanthropies seeking to support ETOD should explore providing grants with extended term lengths to deepen their impact.

Additionally, convening community development stakeholders from across sectors regularly is critical to promote coordination of efforts and identify new opportunities for partnership as circumstances evolve. The CDFIs noted that regularly occurring PLCC meetings were an important venue for connecting cross-sector stakeholders with a shared focus on housing affordability, supporting dialogue that may not have otherwise occurred. For example, one CDFI reported that through these meetings, senior-level housing officials in Prince George's County and Montgomery County were able to meet and exchange notes, providing information and support to one another to advance their ETOD efforts. The meaningful exchanges facilitated by the PLCC were impactful and informed policymaking and program strategy, occasionally even leading to formal partnerships. In addition to building peer-to-peer relationships, these meetings also supported relationship-building between the CDFIs and policymakers, with interviewees reporting that Enterprise's involvement with the PLCC, and the HAAT specifically, strengthened the organization's existing relationship with leaders in Prince George's County. For these reasons, coalition building across sectors with regular convenings is crucial.

With their expertise in financing equitable development, CDFIs should continue their policy education efforts. Financing equitable development projects involves a level of complexity and challenges far beyond that of traditional private sector development. Equitable development projects, whether they are affordable housing developments or low-interest loans to small businesses, not only need to meet financing requirements, such as ensuring sufficient revenue to cover debt obligations, but also need to provide social benefits, usually in the form of below-market-rate products. To provide these subsidies, CDFIs work through numerous channels to obtain gap financing, which is often limited in supply and spread across numerous programs.

With their expertise on such a technically complex process and knowledge of the scale and types of capital resources needed to achieve shared equitable development goals, CDFIs can serve as a valuable resource to policymakers. Even when policymakers share the same equitable development goals as CDFIs, they may not know the policy approaches necessary to achieve them. Policymakers we interviewed spoke at length about the invaluable role CDFIs played in consulting them on their policy strategies, in some cases delving into the minutiae of proposed lending program requirements. Although policy education is not CDFIs' primary focus, this feedback indicates that they could expand their impact by dedicating more resources to providing technical assistance to mission-aligned policymakers and supporting their policy efforts through advocacy.

This was also another key benefit of the PRO Neighborhoods grant. Practitioners often do not have the time to engage in policy education and development with policymakers. Grant funding to support these efforts can be extremely valuable, ultimately leading to public policy that is more closely aligned with real-world practice.

Finally, coordination between transit authorities, local government agencies, and community-based organizations to mitigate the negative impacts of construction is paramount. In interviews with elected officials of districts in the Purple Line corridor, many felt that the Maryland Department of Transportation (MDOT), which was responsible for overseeing construction, and other state officials did not adequately prepare for the effects of transit construction on Purple Line communities. As described above, the Purple Line construction, prolonged by delays, significantly altered the built environment of communities and reduced foot traffic for businesses. In 2017, Purple Line Transit Partners, the firm responsible for the overall Purple Line project, published a business impact minimization plan acknowledging that "construction will affect hundreds of small businesses along the corridor to varying degrees" (Purple Line Transit Partners 2017). However, according to a public letter written by LEDC and addressed to MDOT and the MTA, "The Plan requires reviewing and updating to reflect the profoundly changed economic landscape of 2023."[30] An elected official also shared that they believed MDOT did not have a well-articulated plan for mitigating construction impacts and, as a result, the official called MDOT frequently on behalf of community residents to have issues addressed. To improve the equitable implementation of transit construction projects, transit authorities and relevant government agencies should incorporate mitigation planning and funding into their budgets and work closely with CDFIs and other community-based organizations when implementing ETOD strategies.

When discussing efforts to allocate state funding to support small businesses affected by the construction, elected officials discussed early opposition to these efforts from other state officials. They attributed this opposition to the perception that, while businesses were suffering in the short term during construction, the Purple Line represented a significant investment that would eventually benefit local businesses. However, as demonstrated through the CDFIs' work supporting small businesses, construction effects are likely to disproportionately harm minority-owned businesses. Generally having tighter reserves and fewer resources, these businesses face a greater risk of being pushed out of the market before they can access the benefits generated by an operational Purple Line. Thus, mitigation resources should be used proactively, and with an equity lens, to provide financial and technical assistance to undercapitalized small businesses.

Conclusion

In total, the Collaborative's PRO Neighborhoods grant activities reflect tremendous feats of adaptation and a strong commitment to driving mission-oriented change. As of this report, the Collaborative has surpassed its small-business preservation goal and approached its job retention goal. Similarly, the group surpassed its affordable housing creation goal by a wide margin and neared its overall affordable housing goal, despite operating within a constrained housing environment. Additionally, the Collaborative successfully secured funding commitments to seed a robust community investment pipeline in the corridor, which will propel the PLCC's efforts to equitably develop the corridor as investment in the area rises.

The Collaborative's successes underscore the importance of taking a multifaceted approach to equitable development. While direct lending was a key aspect of the Collaborative's approach and vital to its impact, the group's policy advocacy and education efforts have set the stage for long-lasting, positive changes in the local policy environment for equitable development. From successfully advocating for an automatic payments in lieu of taxes program in Montgomery County to helping reactivate Prince George's County's right of first refusal program, the Collaborative's policy efforts represent durable changes that will persist long after the conclusion of the grant.

Notes

[1] "Transit-Oriented Development," Federal Transit Administration, accessed May 25, 2023, https://www.transit.dot.gov/TOD.

[2] In 2020, transportation accounted for 27 percent of carbon emissions in the United States. Light-duty vehicle use accounted for 57 percent of these transportation carbon emissions. For more information, see https://www.epa.gov/greenvehicles/fast-facts-transportation-greenhouse-gas-emissions.

[3] "Equitable Transit-Oriented Development," SPARCC, accessed May 25, 2023, https://www.sparcchub.org/pathways-to-prosperity/etod/.

[4] "Equitable Transit-Oriented Development," SPARCC.

[5] The term "gap financing" in real estate can also refer to an interim (bridge) loan to bridge short-term cash flow problems. While this usage is also relevant in the equitable development sector, it is not used in this report.

[6] See box 1 (Community Development Financial Institutions) in the Year 2 Evaluation of the PRO Neighborhoods Purple Line Collaborative report (Bogle, Gwam, Park, and Nunna 2022).

[7] "Purple Line," Maryland Department of Transportation, Maryland Transit Administration, accessed May 25, 2023, https://www.purplelinemd.com/.

[8] Katherine Shaver, "Maryland's Purple Line Construction Faces Another Seven-Month Delay," *Washington Post*, January 20, 2023, https://www.washingtonpost.com/transportation/2023/01/19/purple-line-maryland-delays/.

[9] "Overview," MDOT MTA Purple Line, accessed May 25, 2023, https://www.purplelinemd.com/04rna87dhc9c0gs9y.

[10] "High-income" is defined as households earning more than twice the median national household income ($63,000 in 2018, not adjusted for inflation). DW Rowlands, "Prince George's County's Belt of High-Income Majority Black Census Tracts Really Is Unique," Greater Greater Washington, November 6, 2020, https://ggwash.org/view/79489/prince-georges-countys-belt-of-high-income-majority-black-census-tracts-really-is-unique.

[11] Lawrence Feinberg, "Prince George's Surpasses D.C. in Population," *Washington Post*, November 15, 1980, https://www.washingtonpost.com/archive/politics/1980/11/15/prince-georges-surpasses-dc-in-population/bee082f3-b599-4c6f-af28-9c684bc281f4/.

[12] D'Vera Cohn and Richard Morin, "The Dispersion Decade," *Washington Post*, July 21, 1991, https://www.washingtonpost.com/archive/politics/1991/07/21/the-dispersion-decade/3a64a0b8-032f-44b2-ab74-42d1889a2cee/.

[13] For a list of affordable housing policy tools in Prince George's County, see "Prince George's County," HAND, accessed May 25, 2023, https://hit.handhousing.org/jurisdictions/pg.

[14] Authors' analysis of US Department of Agriculture Economic Research Service county-level dataset: Unemployment and median household income for the U.S., States, and counties, 2000–2021.

[15] Montgomery Planning Research and Strategic Projects Division, "County Demographic Trends: Presentation to the Montgomery County Council," January 24, 2023, https://www.montgomerycountymd.gov/COUNCIL/Resources/Files/2023/County_Council_Demographic_Presentation_1-23-23.pdf.

[16] "DHCA MPDU > History of the MPDU Program," Montgomery County Department of Housing and Community Affairs, accessed May 25, 2023, https://www.montgomerycountymd.gov/DHCA/housing/singlefamily/mpdu/history.html.

[17] See https://centerforcommunityinvestment.org/resources for more details on the Center for Community Investment's Capital Absorption Framework. Essentially, CCI's framework advocates for community development stakeholders to focus on (1) identifying and defining shared priorities among partners; (2) organizing a community's development projects (its "demands for community investment capital") to create a well-orchestrated pipeline of projects oriented to achieving shared priorities; and (3) shaping the enabling environment—their communities' public policies and programs, data collection, analysis, and dissemination, its connectedness, collective skillsets, and perspectives of its stakeholders—to support the success of the community's development initiatives. This framework rests on the underlying assumption that one-off community investments do not deliver transformative change to a community; instead, communities achieve transformative change when stakeholders act in concert with one another to synergistically meet their communities' complex needs.

[18] "Preserving Affordable Rental Housing: A Snapshot of Growing Need, Current Threats, and Innovative Solutions," US Department of Housing and Urban Development Office of Policy Development and Research, accessed May 25, 2023, https://www.huduser.gov/portal/periodicals/em/summer13/highlight1.html.

[19] "Chicago Flats Initiative," Neighborhood Housing Services of Chicago, accessed June 25, 2023, https://nhschicago.org/chicago-flats-initiative/.

[20] The DC Small Buildings Program provides funds for key repairs to owners of affordable housing of 5 to 20 units.

[21] "Lending | National Housing Trust," National Housing Trust, accessed May 25, 2023, https://nationalhousingtrust.org/our-work/lending.

[22] "About Us," PLCC, August 3, 2017, https://purplelinecorridor.org/about/.

[23] Rebekah King and Ethan Handelman Ethan, "Technical Appendix to The Cost of Affordable Housing: Does It Pencil Out?" Urban Institute and the National Housing Conference, July 2016, https://apps.urban.org/features/cost-of-affordable-housing/cost-of-affordable-housing_technical-appendix.pdf.

[24] "Affordable Housing Opportunity Fund," Montgomery County Department of Housing and Community Affairs, accessed May 25, 2023, https://www.montgomerycountymd.gov/DHCA/housing/multifamily/affordable_housing_opportunity_fund.html.

[25] Montgomery County Council Bill 26-21.

[26] "Housing Opportunities for All Workgroup," Prince George's County Council, accessed May 25, 2023, https://pgccouncil.us/628/Housing-Opportunities-For-All-Work-Group.

[27] "Housing Investment Trust Fund," Prince George's County, Maryland, accessed May 25, 2023, https://www.princegeorgescountymd.gov/4270/Housing-Investment-Trust-Fund.

[28] "Transportation - Maryland Transit Administration Funding and MARC Rail Extension Study (Transit Safety and Investment Act)," Maryland General Assembly, June 1, 2021, https://mgaleg.maryland.gov/mgawebsite/Legislation/Details/hb0114?ys=2021RS&search=True.

[29] "Federal Funds Effective Rate," Federal Reserve Bank of St. Louis, July 1, 1954, https://fred.stlouisfed.org/series/FEDFUNDS.

[30] Letter written by Javier Rivas, on behalf of the Latino Economic Development Center, to the Maryland Department of Transportation and the Maryland Transit Authority, March 31, 2023, https://web-extract.constantcontact.com/v1/social_annotation_v2?permalink_uri=https%3A%2F%2Fconta.cc%2F3oT33z7&image_url=https%3A%2F%2Fmlsvc01-prod.s3.amazonaws.com%2Fc92dfebb001%2F53cb5050-3654-4406-a385-25ed0e4df60a.png.

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