

## **Frequently Asked Questions**

### **Who is Social Compact?**

Social Compact is a nonpartisan, national not-for-profit research organization based in Washington D.C. dedicated to changing the discourse around underserved and undervalued urban communities; shifting the focus from negative perceptions and deficiency-oriented statistics that encourage continued disinvestment to raising awareness of community strengths and opportunities through its DrillDown analytic tools in order to stimulate investment and inform effective revitalization strategies for the benefit of current residents. Grown out of the financial services industry, Social Compact's current board is a diverse coalition of national business leaders from banking, insurance, real estate, and development industries. A national expert in urban market metrics and alternative indicators, Social Compact has developed a set of strategic partnerships with industry and technology leaders such the International Council of Shopping Centers, ESRI, and SAS, in order to deliver enhanced analytics.

### **Why is Social Compact working in Detroit, and what are they doing?**

Working with the City of Detroit's lead business attraction agency, the Detroit Economic Growth Corporation (DEGC), Social Compact is helping to implement information-led retail attraction and retention strategies in Detroit's communities and commercial corridors. DEGC is repositioning its retail attraction efforts to focus on strategic neighborhoods, including those in the greater downtown, demonstrating the greatest market strengths in order to support high quality retail development in Detroit. The tools developed by Social Compact will ensure that these retail investment efforts will appropriately capture opportunities where conventional analytic tools have undervalued the strengths of Detroit's neighborhoods.

### **What does the DrillDown mean for Detroit?**

Detroit development practitioners now have a new tool to use to attract investment to the city. The DrillDown shows that many Detroit neighborhoods currently demonstrate the market potential to support high quality retail. The DrillDown indicators can be used by the city, retailers, real estate brokers, developers, community development agencies, and other stakeholders to better understand market opportunities in Detroit.

These DrillDown findings represent the beginnings of a multi-year program designed to equip Detroit with high-quality information illuminating the nature of market potential and opportunities. As the program unfolds, the information available to investors will improve, becoming richer and more nuanced.

### **Why is Detroit's DrillDown credible?**

Detroit's Drilldown is based on a mix of numerous, current municipal and commercial data that describe current conditions in cities including tax assessment records, utility consumption and payment information, consumer credit bureau reports, home sale and construction activity records; therefore DrillDown findings are based on data rather than

predictive models. In contrast, conventional market analyses rely on decennial U.S. Census data to make projections of around population growth, development activity, and wealth. Consequently, it is more difficult for conventional estimates to capture the dynamic change happening in urban areas.

### **How has this approach been successful in other places?**

Social Compact has conducted DrillDown studies in twelve U.S. cities including Chicago, IL; Cincinnati, OH; Cleveland, OH; Detroit, MI; Houston, TX; Jacksonville, FL; Miami, FL; New York, NY; Oakland, CA; Santa Ana, CA; and Washington, DC. In each of these cities, municipal government agencies, developers and community development organizations have used the information to attract investment.

Following release of the DrillDown findings in Harlem, a national bank established two new branches and three ATMs in the neighborhood and launched an aggressive and successful small business lending program for local entrepreneurs. A local developer in Houston, TX, used the DrillDown findings there to support the decision to redevelop a 750,000 square foot retail mall and attract tenants. The redevelopment of the mall was the first new construction in inner-city Houston in 50 years, currently enjoys 100% occupancy, created 2,000 jobs, and ranks as one of the city's busiest retail centers. In Washington, DC, the DrillDown formed a key component of the city's wider campaign to attract quality retail to Washington's underserved markets. The DrillDown findings helped spur the development of DC USA, a 550,000 square foot shopping and entertainment complex that will feature a mix of national and local retailers.

In addition to this round of work in Detroit, Social Compact is currently working in Baltimore, MD; Fort Worth, TX; Kansas City, MO; Los Angeles, CA; Louisville, KY; San Francisco, CA; and Tampa, FL.

### **Who supported this work?**

DEGC serves as the project lead and coordinator of the work plan around the Social Compact DrillDown program. The first phase of Social Compact's work in Detroit has been made possible through the generous support of Kresge Foundation and the Community Foundation of Southeast Michigan. Additionally, DEGC's business attraction efforts are supported by Detroit Renaissance, Hudson-Webber Foundation, and Kresge Foundation.

## **How are the Detroit DrillDown indicators derived?**

**HOUSING UNITS, POPULATION, HOUSEHOLDS:** The DrillDown assembles a list of residential addresses from municipal and proprietary tax assessment records, municipal building permit records, utility hookups, and credit bureau records. Households, or occupied units, are determined by multiplying the total number of residential addresses by the vacancy rate, determined through analysis of utility usage records, at the block group level. Total population is calculated by multiplying the number of households by the average household size and adding this number to the population in group quarters. Average household size is provided by the census and population in group quarters is provided at the block group level by Claritas 2006. Based on experience in Miami, FL, Social Compact would like to test household size through a series of neighborhood surveys.

**INCOME:** Unadjusted household income estimates are derived in a series of calculations. First, a count is made of the number of individuals per income bracket, as determined by the three credit bureau income estimates. Then, the average income at the block group level is calculated by applying the Bureau of Labor and Statistics Consumer Expenditure Survey's estimated average income for individuals within a particular income range (projected from 2004 to 2006) to the income distribution determined. The third calculation adjusts the income estimate to account for *informal economic activity*. By weighting the following eight proxies, the DrillDown estimates the monetary value of unregulated economic activity: household with income below \$30,000; difference between household income and household expenditures; the percentage of households with no credit record; the percentage of utility payments made in cash; the number of nontraditional financial service providers per household and per acre; the difference between estimated housing costs and real home values; and the percent foreign born population. Median of the income distribution averaged from the three income ranges provided by the credit bureau data.

**IRS ADJUSTED GROSS INCOME:** The change in IRS adjusted gross income serves as an indicator of neighborhood income change. The percent change in adjusted gross income reported for each neighborhood is extrapolated from 1998 and 2004 zip code level data available from the Internal Revenue Service (IRS). The 1998 values are adjusted for inflation to 2004 dollars. The zip code level data is adjusted to different geographies by weighting the number of returns to the Census 2000 households at the blockgroup level.

**NEW HOMEOWNERS AVERAGE HOUSEHOLD INCOME:** The average income of new home buyers compared to Census 2000 average household income is an additional indicator of neighborhood change. New homeowners average income is derived from tract-level home loan data provided by Home Mortgage Disclosure Act (HMDA), 2003-2005. Average incomes are from all home purchase loans for 1-4 unit structures for owner-occupancy (not rental or second home) between 2003 and 2005.

**MEDIAN HOME SALE VALUE:** Median home sale value is calculated using property transaction data from property sales and proprietary and municipal real estate data over an 18 month period.

**BUILDING RECORDS:** New construction and rehabilitation (additions, alterations, repairs) is assessed using municipal building permit records for the period of time between January 2000 and December 2006.

**HOUSEHOLDS WITH NO CREDIT RECORDS:** A proxy for underbanked households, a percentage of households without any associated record in any of the three credit bureaus.

**AGGREGATE EXPENDITURES:** Through an analysis of average consumer spending by income ranges based on the most recent Consumer Expenditure Survey conducted by the Bureau of Labor and Statistics, Social Compact calculates aggregate consumer expenditures (retail and otherwise). The Consumer Expenditure Survey categories are then translated into North American Industry Classification System (NAICS) codes.

**FINANCIAL INSTITUTIONS:** Traditional financial institutions include banks and credit unions based on listings from the Federal Deposit Insurance Corporation (FDIC), 2007. Nontraditional financial institutions include check cashers, pawnshops and payday lenders, based on listings provided by InfoUSA.. Average distances are calculated from the blockgroup centroid to the nearest establishment within two miles of the study area boundary.

**INFORMAL ECONOMY:** See explanation included within the description of Income above.

**SOURCES:** Acxiom Corporation, 2006; Claritas, 2006; Consumer Expenditure Survey 2004; Equifax Corporation, 2006; Experian Corporation, 2006; ESRI Business Analyst; Federal Deposit Insurance Corporation, 2007; First American Real Estate Information Services Inc, 2006; Info USA, 2006; Internal Revenue Service (IRS), 1998, 2004; Home Mortgage Disclosure Act (HMDA), 2003—2005; Social Compact Analysis, 2006; U.S. Census Bureau, Census 2000; U.S. Department of Labor, 2004; City of Detroit municipal data.