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An Urban Revival Grows in Brooklyn

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Big money is flowing into cities across the U.S. Can it do the right thing by Brooklyn and other urban areas?

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Booming voice, big smile, Brooklyn accent. Who was this short, gray-haired guy with so much energy, making so much noise? At first, I couldn't quite place him. Then it hit me. Of course, it was Marty Markowitz. There was a time when the opening of an envelope didn't happen in Brooklyn without an appearance by Markowitz, who served as borough president from 2002 to 2013. So really, it made perfect sense that on a gray January day Markowitz would be attending the ribbon-cutting ceremony for the recently renovated Kings Theatre, in Brooklyn's Flatbush neighborhood. The borough's most gregarious booster would not miss this.

One of the biggest, most glamorous movie theaters in America when it opened in 1929, the palatial Loew's Kings Theatre was central to Flatbush community life. After it closed in 1977, the theater stood vacant, a symbol not only of its own demise but of a neighborhood, borough and city in decline.

Plan after plan to save the theater failed. Markowitz, now 70, made the project a cornerstone of his election campaigns. “I lived in Flatbush for many years, and I happened to believe that because of its beauty the theater was worth saving, for now and for future generations,” he told me. “We didn’t use to call it Loew’s; we called it Lowey’s. I didn’t know it was pronounced ‘Loew’s.’”

It wasn’t until late in his second term that Markowitz was able to put together the necessary coalition of city and community support, government funds and private investors. By 2012 they had raised $95 million for a comprehensive restoration that would return the theater to its former glory. Salvation would come not a moment too soon: The building was in a terrible state of disrepair. Two days before construction was set to begin, Superstorm Sandy blew the roof off.

The Kings Theatre had its official opening on February 3, with a sold-out concert by the legendary Diana Ross. But the ribbon-cutting ceremony was held a little less than two weeks before that, attended by many of those who had made the renovation a reality — and me. In addition to Markowitz, there was Brooklyn’s current borough president, Eric Adams, as well as Alicia Glen, deputy New York City mayor for housing and economic development, and Margaret Anadu, a managing director in Goldman Sachs Group’s Urban Investment Group. Founded in 2001 and previously headed by Glen, who formerly worked at Goldman, UIG was the largest investor in the Kings Theatre renovation.

UIG, which is now headed by Dina Powell, has committed $4 billion to revitalize underserved communities, including $1.9 billion in New York. Goldman is part of a growing group of investors, entrepreneurs, business leaders, academics, not-for-profits and policymakers seeking to solve the problem of urban poverty. They are using the tools of capitalism and capital markets to tackle social issues like affordable housing, unemployment and access to credit — often in hopes of turning a profit. This interest in building better communities comes at a time when cities across the U.S., and in many parts of the developed and developing worlds, are undergoing a revival. But not all the cash and capital moving into cities is concerned about those already living there. The bitter aftertaste of the subprime mortgage crisis is a reminder of what can happen when capitalism gets it wrong.

In January, Prudential Investment Management published a white paper identifying the “mega-trend” of urban expansion as “important new investment opportunities for institutional investors.” The Newark, New Jersey–based asset manager identified four particularly fruitful themes: urban infrastructure, which the McKinsey Global Institute has estimated will need at least $50 trillion of investment over the next 15 years; real estate, with the stock of global institutional-grade real estate expected to expand from $30 trillion in 2012 to $70 trillion by 2030; consumer goods and services, as personal consumption grows to exceed $40 trillion by 2020; and the agriculture supply chain, with demand for food projected to grow by as much as 70 percent over the next 35 years.

To see that something is going on with cities, any urban dweller need only look around. From where I live, in Fort Greene, Brooklyn, I can stand on my roof deck and watch the borough’s downtown skyline change. Giant condo and rental apartment units are rising into the sky. My kitchen window overlooks the back of a derelict brownstone, recently purchased for $2.25 million by an investment manager and his family. Big money has come to Brooklyn. The Pennsylvania State Employees’ Retirement System recently lent $140 million to the developers of 66 Rockwell, a 42-story apartment block that is one of the buildings transforming my skyline. The Atlantic Yards development, one of the largest and most controversial building projects under way in the borough, has capital from both a Russian oligarch and China.

The not-for-profits that typically have made up the support network for at-risk communities in inner cities are being forced to adapt. “Not-for-profit institutions historically played the last-man-standing role, holding things together,” says Gary Hattem, president of the Deutsche Bank Americas Foundation and head of Deutsche’s community development finance group. “Now they are playing a role that is trying to secure a future for low-income people in neighborhoods” that are under development. He adds that many nonprofits “are trying to harness market forces themselves” in ways that are beneficial to their causes.

The Brooklyn Community Foundation changed its name and tax status in 2009 so it could take outside-donor money, and announced it would concentrate its fundraising and grant-giving on Brooklyn. “We can’t stop gentrification; we can look to see what the impact is and influence it," says foundation president Cecilia Clarke. "The real asset is the community, and gentrification fragments that." One of the foundation's current tasks is talking to local developers to learn whom it can work with to achieve its objective of helping the local residents.

Clarke joined the Brooklyn Community Foundation in 2013. During the first six months of 2014, the organization embarked on an extensive listening tour, conducting discussions with close to 1,000 Brooklyn residents from all neighborhoods and walks of life. The intent: to learn what was most needed in the community and how the foundation could play a role. It also moved to an office in 1000 Dean Street, in economically depressed Crown Heights; the building itself is part of an effort to revitalize that neighborhood.

In the section of Brooklyn called DUMBO, which stands for Down Under the Manhattan Bridge Overpass, home furnishing store West Elm sells a line of merchandise branded "Made In Brooklyn." The borough has become a brand evoking urban cool, a place of artisanal foods and handmade soap. It's no coincidence that Etsy, an online marketplace for artists and crafters that is about to have its IPO, is also based in DUMBO; small businesses are at the heart of Brooklyn's success. In Fort Greene we have a wealth of locally owned restaurants, coffeehouses, groceries, wine shops and book and clothing stores. The multitheater complex that makes up the Brooklyn Academy of Music (BAM) provides culture and entertainment, offering everything from movies to opera, ballet and live music.

{BrightcoveVideo}

Brooklyn's success builds on its long history of diversity and creativity. From the longshoremen of Red Hook to the American Manufacturer Co. of Greenpoint, Brooklyn was a city with thriving middle and lower classes. The battle today is between those seeking to turn the borough back into a hub for manufacturing and entrepreneurship and those looking to develop Brooklyn Inc., a theme park for the wealthy.

Like many Brooklyn residents, I have celebrated the arrival of locally owned supermarkets selling costly kale even as I've felt an underlying tug of anxiety, sometimes rising to the point of alarm, over gentrification — the process by which cities are transformed by an influx of wealth that displaces existing residents and communities. Gentrification of Brooklyn is not new. It goes back at least 26 years, to when African-American film director Spike Lee released his hit movie *Do the Right Thing*, about racial tensions in Brooklyn's Bedford-Stuyvesant section. The problem is hardly unique to New York City's most populist borough; metropolises from San Francisco to London are grappling with similar issues.

In New York, Bill de Blasio was elected mayor on a promise to reduce the divide between the city's haves and have-nots. Critical to his efforts is an ambitious affordable-housing plan. In a speech he gave in Fort Greene last May, de Blasio rolled out a ten-year plan, committing $8.2 billion of public funds, which he said would transform New York. Such city-led affordable-housing initiatives, however, have many critics, who fear they are merely a license for developers to take over poor communities. Furthermore, a growing body of research and experience shows that housing alone will not be enough to bridge the divide.

This story began in part because I wanted to better understand what was happening around me. What I discovered right on my doorstep was a whole ecosystem looking to build a better Brooklyn, from the Brooklyn Navy Yard, which is seeking to create local jobs, to the Pratt Institute, an academic hub for innovative ideas around the question of urban development. I also found businesses and investors looking to play a positive role, not just in booming cities like New York but in more-troubled metropolitan areas, like Detroit and New Orleans, that still have major economic obstacles to overcome.

"There has been a real groundswell of interest around investing in healthy cities," says John Goldstein, co-founder of Imprint Capital, a San Francisco–based advisory firm that specializes in so-called impact investing — investments that pay attention to their environmental and social impact as well as their financial return. As a group, impact investors are largely made up of high-net-worth-individuals, foundations, family offices and religious institutions, but Goldstein says many of the investment opportunities, and the investment approach, are not limited to those prioritizing mission over profit.

"Not every opportunity is going to be appropriate for an investor that needs market rate returns, and often transactions require working with the right partners, be that the not-for-profit sector, government or the labor movement," advises Goldstein. “But especially with the innovations in technology and capital markets that are happening right now, this is a really vibrant and growing sector.”

Michael Chodos, former deputy counsel and chief negotiator at the U.S. Small Business Administration, agrees. “There are real opportunities to invest well in our cities,” says Chodos, who is currently a senior adviser to the Washington-based U.S. National Advisory Board on Impact Investing and director of impact investing at the Beeck Center for Social Impact & Innovation, at Georgetown University. “Capital can build infrastructure. It can provide small loans to businesses and provide good middle-class jobs.”

JPMorgan Chase & Co. estimates that impact investing could become a $1 trillion market. Some of the U.S.’s largest foundations, including the Rockefeller Brothers Fund and the Ford Foundation, are among the key supporters of the impact movement. In June 2012 the New York–based F.B. Heron Foundation made waves when it announced its decision to overhaul its $300 million portfolio to align all of its investments with its philanthropic mission of helping people and communities in the U.S. move out of poverty. “It is Heron’s position that the job of the mainstream economy is to employ people, to have healthy, happy communities,” foundation president Clara Miller says.

Some businesses are changing the way they connect with communities. “People are realizing it’s good business to do well by the people who work for you and the community in which you operate,” says Andrew Kassoy, co-founder of B Lab, a not-for-profit focused on using business as a force for good. It promotes and supports the creation of what it calls B Corporations, companies that have pledged to do well socially, environmentally and financially. The hundreds of entrepreneurs who are starting and running B Corps — people like Dal LaMagna, CEO of Brooklyn-based countertop manufacturer IceStone — believe in working toward a better world.

Other entrepreneurs are figuring out ways to profitably connect poor and inner-city communities to services that they need, such as short-term lending — something people who live paycheck to paycheck often rely on. “The lending ecosystem is developing so rapidly that installment and other alternative lenders are quickly disintermediating the traditional banks,” says Jason Segal, a former managing director at Citigroup and current managing director of

Aldwych Capital Partners, a New York–based boutique merchant bank focused on renewables, resource efficiency and sustainable real estate. “It is amazing how quickly this space is taking off.”

Of course, not all investors are thinking about the transformative nature of their capital. But even those without a social agenda would benefit from being less short-term-oriented. “We are big believers in a long-term investment approach,” says Taimur Hyat, chief strategy officer of Prudential Investment Management, which manages $934 billion. “We do believe that short-termism can have quite negative outcomes. And a lot of these investment opportunities do require a longer-term time frame, as well as a holistic approach to investing that breaks down asset classes.”

Hyat’s worldview is in keeping with the approach that Goldman’s UIG has taken. The group started looking to invest in Brooklyn in 2003, taking its time to get to know the community before making its first investment in 2006. “We spoke to the not-for-profits, local advocates, local government,” says UIG’s Anadu. “We asked, ‘What do people need? How can we, with access to every capital tool in the world, bring that to bear?’” In September, UIG, which historically has managed only Goldman assets, closed on its first outside fund, the $138 million GS Social Impact Fund.

Goldman may have gotten its start early, but it is hardly the only money center bank in the sector. Increasingly, big banks, including JPMorgan, Morgan Stanley and Bank of America Corp., as well as financial institutions like BlackRock and Prudential, are becoming interested in impact and community investing. In February, BlackRock announced it had hired Deborah Winshel, president of the New York–based Robin Hood Foundation, to help run its impact investing group. The mission of Robin Hood, founded in 1988 by hedge fund manager Paul Tudor Jones II: tackling poverty in New York City.

The Brooklyn Navy Yard occupies 300 acres of prime real estate along the East River, with DUMBO to its west and Williamsburg to its east. I visited it this January during a snowstorm, but even on a warm spring afternoon the place would have felt like stepping into another world. The architecture is of an industrial nature and scale rarely seen in today’s New York. There are cranes; large, squat buildings; and, undoubtedly, dry docks. With the exception of the visitors’ center, the yard is accessible only by passing through a security check, so about the only people there are workers in boots and overalls. Big trucks drive by, throwing up slush from under their wheels. David Ehrenberg, president of Brooklyn Navy Yard Development Corp. (BNYDC), the not-for-profit that manages the site, assured me that on a clear day the views across the river toward Manhattan are spectacular.

President John Adams authorized the establishment of the Navy Yard in 1801. During World War II, at the height of its productivity, the yard had 70,000 people working 24 hours a day, making it the largest employer in the borough. In 1966 then–secretary of Defense Robert McNamara closed the Navy Yard; overnight 10,000 people were out of work.

I've been interested in cities ever since I specialized in American Studies, first as an undergraduate at the University of East Anglia, in Norwich, England, and then at New York's Columbia University. I wrote my graduate thesis on the work of Weegee, a New York–based sensationalist photographer who chronicled "the naked city" of the '30s, '40s and '50s.

The closing of the Brooklyn Navy Yard coincided with a loss of manufacturing jobs in inner cities across the U.S. and the mass migration of the more affluent, white city residents to the suburbs, leaving behind a poor, largely minority population with diminishing employment opportunities. When the cities emptied out, what remained was a network of community banks, development corporations, religious institutions, activists and not-for-profits. Cultural centers also played an important role in helping inner cities: BAM, established in 1861, became a crucial institution with a social as well as a cultural mission.

The death of America's cities did not happen in a vacuum. People noticed. Politicians noticed. In 1964, president Lyndon Johnson passed the Economic Opportunity Act, a cornerstone of his War on Poverty. As part of that act, New York senator Robert Kennedy, with help from senator Jacob Javits and New York City mayor John Lindsay, drew up federal legislation that created the Special Impact Program, which was "designed to have a major impact on unemployment, dependency, and community tensions in urban areas with a large concentration of low-income residents," according to a 1973 report to Congress. Brooklyn's Bedford-Stuyvesant was chosen as the first site for community investment. This led to the formation of the Bedford-Stuyvesant Restoration Corp. and the Bedford-Stuyvesant Development and Services Corp.

The Ford Foundation was among the first funders.

The old reports on the Bedford-Stuyvesant project make for arresting reading. The problems are very much the same as today's: how to create good jobs, how to attract outside capital and business, how to build and restore housing. But the magnitude of New York's economic and social problems were such that the program faced significant headwinds and "fell well short of its goals," according to the 1973 report.

Throughout the 1970s, America's inner cities continued to decay. Conditions were exacerbated by an economic recession, strained municipal budgets and the growing problems of drug addiction, gang violence and rising crime rates. By 1975, New York was on the verge of bankruptcy. Shut out of the credit markets, the city was only able to stay afloat with the help of the federal government and New York City's pension funds, which invested more than a third of their assets in the municipality's securities.

One of the many community groups to emerge in Brooklyn during this time was Flatbush Development Corp., which is still active today. "The purpose of that group, like many other groups across the city, was to address the effects of urban ills that had presented itself in the area — namely, urban flight, disinvestment and redlining," says Markowitz, who by the 1970s was active in New York politics. "Banks were no longer investing in properties anymore or giving loans."

The fortunes of U.S. cities began improving in the 1990s, with better police enforcement, a booming economy, effective community-building efforts, public investment and public-private partnerships all playing a role. By the time I arrived in New York for graduate school in 1998, the city was thriving.

By then Wall Street had joined the game. Changes in bank regulations, looser lending standards and the explosion of securitization (thanks in part to the growth of government-sponsored enterprises Fannie Mae and Freddie Mac) resulted in a boom in mortgage lending across the U.S. — including to those who could not afford their mortgages. If banks had been absent before, they were suddenly very present. The mortgage market collapse that began in 2007 affected the entire country, but it hurt the poor the most. By the first quarter of 2009, 60-day mortgage delinquency rates in Brooklyn were at 6.7 percent, compared with a national average of 5 percent and just 2.4 percent in Manhattan.

The saga of Atlantic Yards is a much-favored topic among Brooklyn residents. It's like asking Bostonians about the Big Dig, the most expensive and overbudget highway project in U.S. history. And if Marty Markowitz is a hero to some for his work shepherding the Kings Theatre renovation, he and other politicians associated with the Atlantic Yards development have been criticized for supporting that project.

The Atlantic Yards site is a 22-acre plot of land by the Atlantic Avenue train and subway terminal on the border between Fort Greene and Park Slope and includes a 8.4-acre pit, owned by the Metropolitan Transportation Authority, that was the Vanderbilt Railyards. The area has long been a prospect for development. In the 1950s it was proposed as the site for a new Brooklyn Dodgers stadium. New York City's top urban planner at the time, Robert Moses, rejected the idea, and the Dodgers left for California. Various other proposals came and went until 2003, when Bruce Ratner and his development company, Forest City Ratner Cos., arrived on the scene.

Ratner owned the New Jersey Nets; he wanted to bring the basketball team to Brooklyn. He got a very attractive deal from the MTA for the Vanderbilt Yard site, and $305 million in state and city subsidies. The original $2.5 billion development plan, later raised to $4.9 billion, centered on a 22-acre residential, retail and office complex that would create 10,000 permanent new jobs and 2,250 low- to middle-income apartments. It would be called Atlantic Yards and include a sports arena designed by renowned architect Frank Gehry. Ratner's plan required the removal via eminent domain of existing residents and business owners. Various community groups protested the plans; other groups, with funding from Ratner, endorsed them. Litigation ensued.

By 2008 the project was at a standstill. Ratner was suffering from financial difficulties, Gehry had dropped out, and a new architectural firm had been hired to design only the arena, raising questions about the rest of the development, especially the low-income housing.

I remember watching with friends the 2008 election results come in at Freddy's Bar — a legendary establishment in the Atlantic Yards area. That night the U.S. elected Barack Obama, the nation's first African-American president, himself a former community activist in Chicago. As my boyfriend and I walked home, people were crying and hugging in the streets. Just 18 months afterward Freddy's was forced to close and relocate.

In 2008, even as communities and developers were reeling from the mortgage market collapse, the seeds of a boom in civic growth had already been planted across the U.S. — not least because, as with Atlantic Yards, much of the planning and permits were already in place. In the years that followed, there was a group of extremely wealthy individuals, institutional investors and corporations with cash on hand, ready to make commitments.

Ratner's Forest City became a conduit for the new money flowing in the economy when in September 2009, with the developer facing a funding shortfall, he and Russian oligarch Mikhail Prokhorov announced a deal. Through his company Onexim Group, Prokhorov would take an 80 percent stake in the Nets and 45 percent ownership of the arena, known as the Barclays Center, with an option to buy a further 20 percent of Atlantic Yards Development Co. In return, Prokhorov paid $200 million up front and Onexim was on the hook for, as the statement announcing the deal put it, "certain [undisclosed] contingent funding agreements."

The Barclays Center opened in September 2012. Then in October 2013, Forest City announced that Greenland Group Co., a Chinese state-owned real estate development company, had agreed to buy a majority stake in the 15-tower Atlantic Yards development project. Greenland reportedly paid $200 million for a 70 percent stake and agreed to cover 70 percent of future costs. Atlantic Yards would change its name to Pacific Park. Ratner and his new partners promised to accelerate the timetable for bringing the low-income housing on line. Forest City says that low-income housing was always an important part of the project and that it has worked hard to build strong relationships with the community.

Pacific Park is not Greenland's only U.S. deal. In July 2013 the company invested $1 billion in a downtown Los Angeles development project, purchasing the stake from the California State Teachers' Retirement System. In January the

Shanghai-based development company announced that it would invest $1.8 billion in two London projects. Other Chinese developers active in the U.S. include China Vanke Co., the largest publicly traded residential real estate development company in China, which is a co-investor in a San Francisco project. In September 2012, Chinese residential developer Xinyuan Real Estate Co. announced that it had paid $54.2 million for a parcel of land in Williamsburg, Brooklyn. The deal was the first of its kind for a Chinese firm.

Apartments in Xinyuan's Oosten development started to come on line in September 2014. Amenities include a 24-hour concierge, a roof deck, two pools and a fitness center with spa. A four-bedroom town house in Oosten is currently on the market for $3.63 million; it comes with a private garden and plunge pool. A six-bedroom penthouse is listed at $6.4 million.

This is what critics of gentrification fear: whole urban areas replaced with condos for the very rich. Brooklyn has the leastaffordable real estate market among 475 counties in the U.S. analyzed by Irvine, California–based RealtyTrac.

Williamsburg might boast $6 million condos with custom millwork, but by many measures the borough is still struggling. Nearly half of Brooklyn's residents live below the poverty level, and more than 8,000 children are homeless.

In February 2014, during a lecture at the Pratt Institute, based in Brooklyn's Clinton Hill neighborhood, director Spike Lee went off on what *New York* magazine subsequently described as an "amazing rant" on the topic. "Here's the thing: I grew up here in Fort Greene," Lee said. "I grew up here in New York. It's changed. And why does it take an influx of white New Yorkers in the south Bronx, in Harlem, in Bed-Stuy, in Crown Heights for the facilities to get better?"

Lee described an inflow of wealth pushing minorities out and changing the community. "Have you seen Fort Greene Park in the morning?" he asked. "It's like the motherfuckin' Westminster Dog Show. There's 20,000 dogs running around." (One of those dogs, George, is mine.) The audience member who inspired the tirade had asked if there was a benefit for those long-term residents who had seen so much appreciation in property prices. Lee was having none of it. "But what about the people who are renting?" he asked. "They can't afford it anymore! You can’t afford it. … Williamsburg [people] can’t even afford fuckin’, motherfuckin’ Williamsburg now because of motherfuckin’ hipsters.”

But even hipsters need jobs.

Thirty-five years ago Entrepreneur Dal LaMagna founded Tweezerman, which became well known for its distinctive pink tweezers. LaMagna, who sold Tweezerman to a subsidiary of Germany’s Zwilling J.A. Henckels in 2004 for a reported $57 million, shared equity with his employees so they could enjoy the success of his ventures. In 2004 he invested in Brooklyn-based IceStone — which makes environmentally friendly countertops out of cement, recycled glass and nontoxic pigments — because he liked its mission. LaMagna also thought it could be profitable. Unfortunately for him and the other 80 or so investors, IceStone was not making money. So in 2011 he took over as CEO and CFO.

“I came in to clean up and sell it,” LaMagna says. “Instead, after I got here and saw 39 hardworking employees and a strong brand, I decided not to sell.”

IceStone is a B Corp. “The employees are embedded at every level of the decision making,” says LaMagna, who does not currently draw a salary. IceStone has embarked on a strategy to acquire similar green-building companies and recently purchased the Northeast distribution rights for PaperStone, a Seattle-based business that makes countertops out of paper and stone. LaMagna expects IceStone to be a $50 million company within five years.

B Lab’s co-founder Kassoy spent 16 years in the private equity industry before joining with former Stanford University classmates Jay Coen Gilbert and Bart Houlahan in 2006 to start a nonprofit to support the B Corp movement. Today there are more than 1,200 certified B Corps in 40 different countries and more than 120 industries. To be and remain certified as a B Corp, a business must pass a rigorous assessment that considers the impact of the company on its workers, the community and the environment, as well as its governance practices and the benefits to society of its products and services. B Corps can be anything from financial services companies to manufacturers. The creation of high-quality, durable jobs is central to the ethos of B Lab.

“There is no question that one of the greatest challenges of our time is creating high-quality jobs for low-wage workers and people who up until now have been underserved by the jobs market,” Kassoy says. “That problem is not going to get solved by business alone, but business can play a leadership role in working with government and community organizations to ensure that people have opportunities to get a good education and good training.”

Manufacturing is important. It provides opportunities for workers who are not highly educated to get decent-paying jobs that let them learn a skill and climb the career ladder. The problem with much of the urban development taking place right now is that many of the jobs being created are in retail or service industries, which do not pay very well and offer little opportunity for career advancement.

BNYDC president Ehrenberg explained the importance of manufacturing jobs to me as we sat in his Brooklyn Navy Yard office, overlooking the East River. “If you compare the kind of jobs created in manufacturing and industry to other sectors, there is a huge disparity” when it comes to earning potential, he said.

It’s not just that manufacturing jobs tend to pay better than service jobs — though they do — it is their potential for advancement. In the service economy there tends to be a large concentration of workers at the bottom of the pay scale and a concentration of wealthy people at the top — the business or franchise owners. But there is very little in between and as a result little opportunity for advancement.

BNYDC is tackling the issue of income disparity head-on. Founded in 1981, the not-for-profit promotes economic development and job creation, particularly positions related to industry. Since 2001 the Navy Yard has engaged in an ambitious renovation project. Today it is home to more than 300 businesses, employing a total of 7,000 people. Many of the tenants are small businesses like IceStone and EcoLogic Solutions, another B Corp, which produces environmentally friendly cleaning products for commercial use. The Navy Yard’s anchor tenant is Steiner Studios, a 26-acre film and TV production facility founded by New Jersey real estate developer David Steiner.

Ehrenberg, who grew up in Brooklyn's Park Slope, says a large part of BNYDC's success stems from the relationships it has, and the trust it has built, with the local community. He and his team put a lot of time and effort into recruitment, helping to hire local people for jobs with Navy Yard companies. About a quarter of the 600 people BNYDC has placed in the past three years live in local public housing.

The Brooklyn Navy Yard is currently operating at capacity. Going forward, Ehrenberg says, BNYDC will largely be focused on erecting new buildings instead of renovating existing structures, which will be far more expensive. To date, funding for the Navy Yard has come from a mixture of bonds, tax credits and not-for-profit or impact investment partners, including Goldman Sachs' UIG. BNYDC has $100 million in debt it will need to refinance in the next two years and is starting to look into its capital markets options.

The centrality of good jobs to any successful community development initiative is not lost on nonprofits like the Heron Foundation. CEO Miller says that in the past a lot of her organization's investments focused on real estate. "The thinking was that if you helped someone purchase a home, then that would help them get onto the ladder" to a better life, she says. But in the wake of the 2008 credit crisis, the foundation realized that the social fabric was so damaged that something much more radical was needed, including a greater focus on jobs.

Helping to improve access to credit for economically underserved communities is a key goal of many impact and mission-oriented investors. "Service sector workers deserve access to responsible credit," says Aldwych Capital's Segal. "There is a new crop of start-up lenders that come from Wall Street and Silicon Valley and are using technology to reduce the rate of credit for those Americans" who historically have paid the highest rates. Innovations developed in the field of microfinance by firms such as San Francisco–based Kiva, one of the world's largest microlenders, are now being tested in America's inner cities.

Among the greatest obstacles to having institutional capital invest productively in communities like Brooklyn is the size of deals. Many are small, with high transaction costs. Crowdfunding is one hope for addressing that challenge.

Washington-based Fundrise is bringing crowdsourcing to commercial real estate. Founded by brothers Daniel and Benjamin Miller, Fundrise is an online site that allows individuals and institutions to invest directly in urban commercial real estate development projects.

Fundrise's institutional investors include Ratner's Forest City Commercial Group and Silverstein Properties. Fundrise president Daniel Miller believes that having individuals invest alongside institutions will give communities more control over their destinies. "If you can make an investment that is appealing to institutional investors and individuals in the local community and have it be replicable, that is really powerful," he says.

There is some innovation happening in New York's low-income housing. For Atlantic Yards' first residential tower, Forest City proposed the world's largest modular town, partnering with construction and development group Skanska USA. Such prefabricated housing, which offers the prospect of scalable, affordable design, has long been a dream of the sustainable-architecture community. To build the 32-story tower, Skanska even established a factory in the Brooklyn Navy Yard, but a legal dispute between the developer and Forest City halted the project. As of mid-January, Forest City had taken control of the Navy Yard factory, and work on 363 units of low- and middle-income and luxury housing was under way. The factory currently employs 120 people.

Largely absent from the urban development discussion are U.S. public pension plans. Under the 1974 Employee Retirement Income Security Act, the U.S. Department of Labor has oversight for corporate pension plans and multiemployer funds. Many public plans, though not directly governed by the DoL, either formally or informally follow its guidelines. In 2008 the department put out guidance relating to how and when a plan might make a so-called economically targeted investment. It set a very high, if not impossible, standard, and the knock-on effect has been chilling to pension fiduciaries. If the DoL changed its thinking on this topic, pension plans would be able to directly consider the consequences of their capital for urban development.

Communities, for their part, are trying to take back control by seeking greater influence over the planning process. In recent years the Ford Foundation has switched its strategy from working directly with community foundations to helping groups that are seeking to influence municipal policy. This makes sense: The more say community groups have in the planning process, the more likely they are to approve of the outcome. When I met with the Brooklyn Community Foundation, it was in the process of implementing its new strategy. One of the organization's priorities, president Clarke told me, is youth "and how young people can be leaders in improving their community."

On the final weekend of researching and writing this story, I attended a performance of Eugene O'Neill's *The Iceman Cometh* at the Brooklyn Academy of Music. Being there reminded me how important BAM is to the fabric of Fort Greene, from the people who attend the events to the jobs it provides, the restaurants and shops it helps support and the community outreach work it does. The hope is that Kings Theatre can play a similar role for Flatbush. The restoration project was never just about a theater. Rather, it was about investing in an entire community and bringing life and livelihoods back to the people in it. •

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