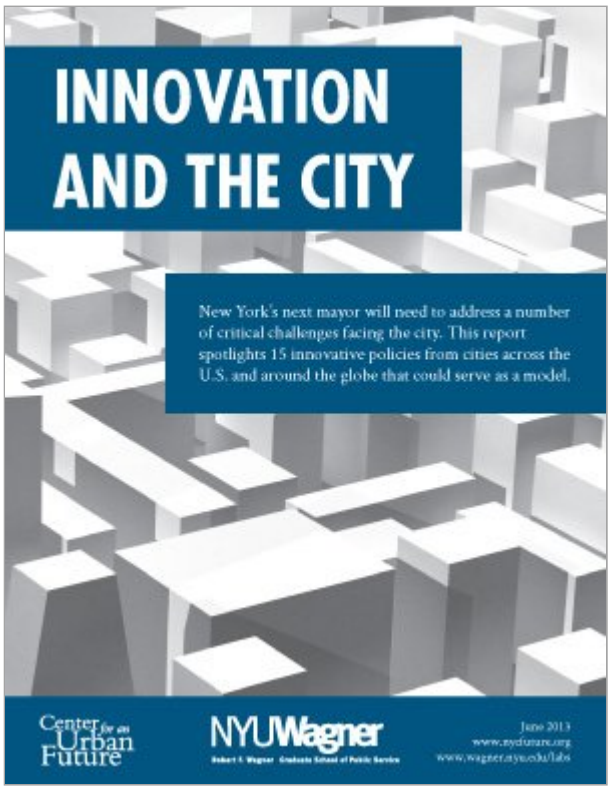
- July 2013

Innovation and the City



Report - June 2013

Innovation and the City

New York's next mayor will need to address a number of critical challenges facing the city. This report spotlights 15 innovative policies from cities across the U.S. and around the globe that could serve as a model.

by Neil Kleiman, Adam Forman, Jae Ko, David Giles and Jonathan Bowles

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With Washington trapped in budget battles and partisan gridlock, cities have emerged as the best source of government innovation.

Nowhere is this more visible than in New York City.

Since taking office in 2002, Mayor Bloomberg has introduced a steady stream of innovative policies, from a competition to recruit a new applied sciences campus and a far-reaching sustainability plan, to micro-apartments and a first-in-the-nation

Office of Financial Empowerment. Some reforms have been more successful than others, and some more widely embraced by New Yorkers, but these policy innovations have undeniably reshaped city government, improving service delivery and sparking economic growth.

Yet for all of Mayor Bloomberg's achievements, many problems will remain when he exits City Hall at the end of the year. To successfully address these challenges, the next mayor will have to be as ambitious, experimental and innovative as his or her predecessor.

And just as Mayor Bloomberg drew inspiration from cities around the world, the next mayor needn't reinvent the wheel. Aswe detail in this report, cities across the country and around the globe—from Chicago and Denver to Seattle and London—have pioneered a number of innovative government initiatives. The best of these reforms have clear potential for replication in New York.

Over the last six months, researchers at the Center for an Urban Future and NYU Wagner interviewed nearly 200 policy experts in cities across the country and around the globe, looking for game-changing reforms that have proven effective in other cities, that are scalable in New York and that the next mayor could implement. This report, "Innovation and the City," presents 15 of the most promising reforms—from San Francisco's bold plan to establish a $50 college savings account for every kindergartener in public school, to Boston's pioneering approach to remaking the 311 system for today's smartphone age and London's ambitious experiment with crowdfunding for public infrastructure projects.

Mayoral transitions present a unique opportunity to develop new and innovative policy ideas. As Mayor Bloomberg hasnoted, a mayor must have the courage to fail in order to see what works. Yet once in office, this failure is less tolerated. Politicians are expected to get it right the first time, right out of the gate.

This effort—which we have referred to as the Mayoral Policy Lab—aims to invigorate the cycle of innovation and experimentation. Providing a new twist on the election cycle debate, we offer the New York City mayoral candidates a menu of practical policy ideas drawn from the most inspired policies in the most vibrant cities around the country and the world. If cities are our "laboratories of innovation," our research provides rigorous policy "experiments," offering novel, proven and scalable reforms that can improve, and possibly transform, the city.

This policy lab has been rooted in a unique partnership: the Center for an Urban Future, one of New York's leading think tanks, paired with NYU Wagner, a public service graduate school known for blending theory and practice. The entire effort has been supported by Citi, whose work through Citi Community Development and the Citi for Cities initiative is focused on fostering urban innovation throughout the world.

More than a casual scan, we developed a rigorous and unique vetting process. In fact, we know of no other attempts to systematically curate innovative reforms and customize them for a new City administration. Our research methodology operated much like a funnel: broadly identifying new ideas at first, systematically winnowing them down, and then carefully tailoring the final slate of reforms to New York's needs and character. The process is more precisely captured below.

In the first phase, we cast a wide net, interviewing roughly 200 policy experts from outside of New York. This includedcurrent and former mayors and chiefs of staff in cities around the world, as well as leading thinkers from philanthropic foundations, policy institutes, corporations, labor unions and advocacy groups. We also reviewed hundreds of articles, policy briefs and books reporting on noteworthy innovations.

The result was a first cut of 120 policies meriting a closer look. To gauge their feasibility in New York, we assessed these ideas with policy experts from around the five boroughs, many of whom are veterans of city government. As anticipated, we found the vast majority of our initial ideas either unworkable in New York or already being implemented by the Bloomberg administration. This left us with 20 promising reforms that both complemented and could be brought to scale in New York's unique policy terrain.

In our final phase, we selected a group of 40 leaders from the city's business, philanthropic and nonprofit sectors. At two expert roundtables held in late March 2013 at NYU Wagner, this brain trust provided input on our ideas, outlining how to improve some and recommending others be eliminated entirely.

The feedback from these convenings resulted in a final list of 15 policies, all of which are laid out in detail in this report. It is a wide-ranging collection of reforms road-tested and retrofitted for New York. Some ideas are grand in scale: a citywide evaluation system for all nonprofits in London, and the introduction of digital badging to provide alternative credentials for non-academic skills acquisition. Others are simply good management tools, providing a platform for continued innovation. The Denver Peak Academy, for instance, provides innovation training to line-level agency staff, and the Chicago Loan Fund supports extended agency collaboration to stimulate efficiency and cost-savings.

The innovations are not listed in a particular order, as we believe each will appeal to different needs the city will face. Collectively, these ideas provide a roadmap for the next mayor, addressing key challenges and helping to ensure that New York remains effective and efficient in a period of declining federal support.

But New York is not the only city that can benefit from this inventory of innovation. Los Angeles and Minneapolis will be electing new mayors, and municipal leaders everywhere are facing significant challenges. We hope these ideas will inspire innovation throughout the country, in 2014 and beyond.

Idea 1: Updating 311 | Boston & Chicago
Idea 2: Kindergarten to College Savings | San Francisco
Idea 3: Innovation Loan Fund | Chicago
Idea 4: Peak Academy | Denver
Idea 5: Project Oracle | London
Idea 6: Spacehive | London
Idea 7: Zero Waste | San Francisco
Idea 8: Digital Badging | Philadelphia, Providence & CHicago
Idea 9: Budget Savings Commission | Chicago
Idea 10: Open Data | Seattle & San Francisco
Idea 11: City ID Prepaid MasterCard | Oakland
Idea 12: Accessory Dwelling Units & Basement Conversions | Seattle & Santa Cruz
Idea 13: Prize-linked Savings | Michigan
Idea 14: Immigrant Export Initiative | Los Angeles & Chicago
Idea 15: Commuter Tax Benefit | San Francisco
Expert Participants

IDEA 1: UPDATING 311

Boston & Chicago • A More Responsive, Transparent & Participatory 311

INNOVATION IN A NUTSHELL

311 services in several cities are leveraging open source data and the capabilities of mobile computing to better serve residents and increase accountability among government agencies.

KEY COMPONENTS

- Open source data available for independent developers to create innovative software programs
- Real-time updates on the status of requests
- Mobile apps that allow government workers to both access and close out cases while remaining in the field

BENEFITS

- Enables residents to view the status and location of service requests in real-time
- Encourages private tech-sector innovation
- Improves government agencies' response times

Though the Bloomberg administration built one of the first and highest performing 311 systems, the platform for the smartphone era is being created outside of New York.

Boston, Chicago, San Francisco and Washington, DC are distinguished by the quantity and quality of their 311 open data.By adopting a standardized Application Programming Interface (API) protocol, they have granted programmers access to an interactive data set, allowing them to not only read the data but also submit queries and new information. This enhances the functionality of their software and increases interoperability so that apps developed for one of those cities can be easily adapted to another.

When cities farm out innovation to private developers, they save money and stimulate business development in the civictech sector. Chicago's "Service Tracker," for instance, was developed by programmers from Code for America. It allows residents to monitor the status of their service requests at every stage of the process—from inspection, to inter-departmental hand-offs, to completion—and receive email updates along the way.

In Boston, the Department of Innovation and Technology and the Office of Urban Mechanics work with innovators frominside and outside of government, helping them incubate and scale their ideas. Citizens Connect, Boston's version of 311, has been a primary beneficiary. Its Twitter account uploads all open service requests to its feed and posts updates when cases are closed. Its smartphone app—the first in the country and still the most emulated—allows users to read recent submissions, look at accompanying pictures and even view their location on a map. The "City Worker" app allows government employees to access service requests while they are in the field and officially close out cases without ever returning to the office. Service requests are directly routed to the nearest work crew from the responsible department, automatically and efficiently assigning responsibility.

In New York, a heavily curated 311 Twitter account serves mainly as a resource for parking regulations rather than for information on service requests. The City's smartphone app does not allow users to see others submissions, either on a map or as a running tally of recent requests.

And while there is much to learn from peer cities, New York also faces unique challenges. An astounding 22 percent of the city's population has limited English proficiency, yet only 3 percent of 311 calls are handled in foreign languages. With service distribution and worker deployment both reactively and proactively informed by 311 data, low call volumes from this group can lead to systematic exclusion.

A 311 system that leverages the full power of the Internet and mobile computing would build on the old system to further increase the effectiveness of government services and inform decision making among agencies. 311 data and analytics have

already allowed city agencies to proactively and efficiently deploy a wide variety of services and programs targetting noise abatement, disease control and pothole repair efforts, among many others. As the 311 API ecosystem matures, programmers envision apps that allow for more meaningful forms of citizen engagement, enabling residents to collaborate with one another and city agencies when planning streetscapes, parks and other neighborhood amenities.

IDEA 2: KINDERGARTEN TO COLLEGE SAVINGS

San Francisco • Fostering a College-Going Culture & Allaying Rising Tuition Costs

INNOVATION IN A NUTSHELL

The City of San Francisco is funding the country's first universal college savings account program for all of its public school kindergartners. The initiative will foster a college-going culture and alleviate rising tuition costs.

KEY COMPONENTS

- A public-private partnership with Citi, which manages the accounts, and local community partners, which raise money to match city funds
- Seed money from the City for all new kindergarten students and twice as much for those who qualify for free and reduced lunch
- City and private contributions are retracted if students do not use them for college-related expenses before the age of 25, but can, of course, keep anything they added to the account along the way

BENEFITS

- Incentivizes kids to go to college
- Provides funding for ever-rising tuition costs
- Exposes under-banked families to mainstream banking system

In San Francisco, the "Kindergarten to College" program (K2C) is helping school kids attend college without accruingmassive debt. Funded through a public-private partnership, the program kick-starts college funding for all public school students. It is the first of its kind in the nation.

Launched in 2010 and fully scaled in 2012, the City allocated $190,000 from general funds to support the program, which now has about 8,000 accounts, with 4,700 new accounts each year. Every city public school kindergartner receives a "seed" deposit of $50 dollars into their account to start. Low-income students who qualify for free and reduced lunches receive an additional $50 dollars. To incentivize families to contribute to the account, K2C offers private sector matches. A pool of funds raised by community partners EARN and The San Francisco Foundation is used to match family deposits dollar-for-dollar up to $100. An additional $100 will be added for those who enroll in monthly automatic deposits. In total, low-income families who enroll in the program and make monthly automatic deposits of at least $100 will receive as much as $300 in return.

At a time when four-year college degrees have become the standard requirement for almost any well-paying job, K2C could provide a critical leg up for struggling families in New York. Individuals with a four-year degree can expect to earn twice as much as those without one, but rising tuition costs are putting those degrees out of reach for low- and middle-income families. Between 2008 and 2011, the average net cost of attending college increased by 4.6 percent, while the national student loan debt increased to nearly $1 trillion. In New York, where 72 percent of school children receive free and reduced lunches, many kids aren't even considering college, let alone saving for it.

As Anee Barr, the K2C program manager, notes, the program also benefits underbanked parents by creating a bridge into the financial mainstream. In New York, where more than 800,000 residents have no bank account, this could prove as valuable as incentivizing college.

While acknowledging the benefits of K2C, one senior New York City official expressed concern about the cost of theprogram. He worried that scaling it to a city with over 1.1 million public school students would prove prohibitively expensive. Cathie Mahon, a former city official and current CEO of the National Federation of Community Development Credit Unions, however, thinks the expense could be overcome if agencies are savvy about pooling matching funds. The program is almost tailor-made for private sector matches, and if any city is well positioned to take advantage of financial industry resources, it's New York. According to Mahon, several federal funding streams could also be tapped.

The City could use federal dollars from the Assets for Independence Funding and Gear Up programs targeting middle school and high school students. Introducing matching funds at different stages in a child's educational career, rather than providing all the money up front as San Francisco does, would provide an incentive to stay in school. Federal dollars could fund students from financially strapped families while private sector matching covers the rest. Or, instead of universal matching, the initial bank deposits could go exclusively to students who qualify for free lunches.

However the program is structured, the benefits are clear: improving college affordability and assisting the under-banked.

IDEA 3: INNOVATION LOAN FUND

Chicago • Loan Fund Seeds New Ideas at the Agency Level

INNOVATION IN A NUTSHELL

Chicago's multi-million dollar, revolving loan fund surfaces the most promising new ideas generated within city agencies—ideas intended to pay for themselves within five years through marked improvements in service delivery.

KEY COMPONENTS

- The City budget office works with a committee of mayoral aides to vet agencies' loan applications
- Agencies must prove major savings or revenue increases are in the offing; otherwise, the funds will be sliced from their budget
- Cross-agency proposals are strongly encouraged and eligible for larger awards

BENEFITS

- Loans cultivate, support and advance reforms that germinate at the agency level
- The Mayor's Loan Committee lets City Hall scope out ideas with potential applicability and impact citywide

There's often a feeling in government agencies that employees could generate cost savings and innovation if only anyone would listen.

The City of Chicago has responded by creating a modern-day suggestion box.

After Rahm Emanuel became mayor in 2011, he tasked the City's budget office with developing a $20-million, pooled loan fund to support promising ideas proposed by agencies. There are few parameters for idea submissions, except that the proposal has to pay for itself, substantively improve services, and under no circumstances lead to the hiring of additional

staff. Within five years, if the idea doesn't pay for itself, the sponsoring agency will see the costs carved out of its budget.

The early results of the project are encouraging. In the first budget cycle, a dozen ideas bubbled up, and four received funding. One was a $900,000 loan to the Departments of Public Health, Consumer Protection and Business Affairs to support a new effort to reduce the black market sale of cigarettes. The effort provides cash rewards to citizens reporting illegal tobacco sales and is expected to pay for itself within three years through increased cigarette tax revenue.

About $240,000 has been assigned to the Department of Buildings to ease the city's notorious inspection delays. The loan will move the agency from a manual process of scheduling inspections to a fully automated system that saves time for the applicant and the Buildings Department. The plan is to expand the new system to meet all of the city government's inspection scheduling needs.

Managing the City's new loan application process doesn't cost the city any money. All projects are tracked by the budget office. To guide the process, the Mayor created a Loan Committee composed of senior aides and advisors, including the City's chief financial officer, chief of policy, chief operating officer, and the director of the Bloomberg Innovation Delivery Team. The Committee reviews proposals and signals whether they should be advanced. It provides feedback to applicants, approves final submissions and oversees the creation of progress reports. Cross-agency projects, eligible for larger loans, are actively encouraged. And automations or innovations pioneered by one agency have been launched as pilot projects for scaling up across city government (as in the case of the Buildings Department's new inspection scheduling system).

The Committee also identifies proposals that may not generate enough savings to be eligible for a loan, but are worth pursuing and can be funded through other means.

Taken together, the loan process surfaces agency-level innovations, which then can be interpreted, supported and when warranted, implemented citywide through the work of the Loan Committee.

One issue has cropped up: after the initial wave of applications, the submissions slowed. The City realized that agencies had a lot of potential for innovation, but lacked the bandwidth to generate proposals. To remedy this, the City shifted from requiring full-blown proposals to asking for a one-page initial summary. The summaries are voted thumbs up or down by the Committee, with comments. The streamlined process saves the agency sponsor from investing too much time in an unpromising idea. The mayor has also detailed City Hall staff to assist the agencies in the proposal development process, providing added capacity and critical insight into the Mayor's priorities. Applications are back up, with a dozen submitted so far this year.

New York City's approach to funding innovations and cost savings is comparatively informal. Agencies can, and do,approach the Mayor's Office of Management and Budget (OMB) with proposals, seeking funding.

But there is no loud, continual broadcast of this opportunity, as there is with the Loan Fund, which promotes the loanprogram four times a year. The Loan Fund also provides an effective vehicle for encouraging cross-agency collaboration. And Chicago has aimed for transparency, issuing press releases and celebrating success. Experts in our roundtable discussions emphasized that this last element is critical, and additional recognition, possibly in the form of an annual award from a respected good government group, would be helpful.

New York is well positioned to chart a similar path, given OMB's support for cost-saving proposals, continuous oversight and analysis, and a governance structure that includes a surfeit of deputy mayors with cross-agency portfolios. These are the officials who could make up the core of a pathbreaking loan review committee and loan program for the entire city government.

IDEA 4: PEAK ACADEMY

Denver • Sending Agency Staff to Innovation School

INNOVATION IN A NUTSHELL

Based on the belief that true innovation must be embraced by line-level staff as much as by mayors and agency heads, Denver has launched Peak Academy, an innovation school where city employees can get training, develop new ideas and gain support for new approaches.

KEY COMPONENTS

- Agency managers nominate staff to undergo a five-day training, where they learn performance measurement skills and tools for continuous improvement
- Incentives for supervisors and agency heads are in place to support the work of Academy graduates

BENEFITS

- Innovations developed by the Mayor and department heads are more likely to receive support than resistance at the agency level
- Agency workers themselves are developing new ideas that are being implemented throughout the city

“Culture will eat strategy for lunch every time,” warns David Edinger, Denver’s chief performance officer.

Edinger spent time in the private sector and then worked for the previous mayor. In his governmental role, he saw manygood innovations die inside the agencies in which they were born. As he and other management experts have noted, direct-line workers either wait out reform ideas that they dislike, or simply lack the tools and training orientation to move a promising new initiative to actuation.

When Mayor Michael Hancock took office in 2011, he had grand reform plans of his own, and tapped Edinger to help lead them. The initial thinking was for the City to implement a version of CitiStat, a notable data-driven approach to accountability and reform that began in Baltimore and has been replicated widely. But Edinger was clear with the mayor that such ambitions would never reach their full potential without everyone who worked for the City embracing a culture of innovation Reform cannot be cooked up at the senior level and pushed down, he said; it has to take root throughout the city, from entry-level workers all the way up to department heads.

To spread such a culture, the Hancock administration created the Peak Academy, the City’s first-ever innovation school. The Academy is staffed by two analysts from the budget office who teach all the classes. No money is spent on the courses, since the Academy has adopted an off-the-shelf performance improvement curriculum called Lean, used internally by many corporations.

Each participant is encouraged to generate new ideas at the training itself and bring them back to his or her home agency. This practice has already led to the implementation of dozens of common sense cost-saving reforms. In one session, staff from the police, 911 and license departments realized that manually inputting alarm permit data was wasting time, leading to missed data and needlessly costing the city thousands of dollars. In a few days at the Academy, they charted an automated and coordinated approach, which went into effect this summer. And, eight colleagues at the City’s human services agency realized that their myriad contracts with nonprofits lacked clarity of purpose, data and expectations. The workers created consistent, cross-silo forms and procedures. They have also instituted an Open House for community groups, a forum that provides a friendly opportunity to meet with providers and reduce contract misunderstandings.

Edinger and his team are adamant about continuing to support front-line staff on these and future endeavors. For those who

receive training, agency management raises and promotions are now tied to the number and quality of innovations advanced by their employees. Additionally, ideas are profiled monthly on a public website. And the mayor himself is prompted by Edinger to nudge agency heads about recent Academy grads, asking them what reforms the mayor can expect to see from them.

Neither New York, nor any city we could identify, has anything quite like a Peak Academy. Denver's experiencedemonstrates that such a school creates cross-currents of fresh thinking and reformer energies. The mayor and his managers' reinvention plans are now reaching a more receptive audience at the agency level. Meanwhile, line-level staff members are advancing reforms big and small within their departments, increasing morale.

A well-equipped workforce will be a huge issue in New York as tens of thousands of employees face retirement. Experts at the Mayoral Lab roundtable sessions noted that a Peak Academy-like approach could work well in New York to address issues of morale, improving retention of younger workers. But it would have to be retrofitted for the scale and scope of the Big Apple. To do this, roundtable participants recommended partnering with an established institution such as Coro or the City University. And they stressed that in New York there must be buy-in and strong support from organized labor, which was not the case in Denver.

There was general agreement that a Peak Academy enterprise that empowers New York's public workforce will be crucial in the years ahead. As in Denver, the key is fostering an internal culture of innovation that can immediately take root and receive support for creating a better city.

IDEA 5: PROJECT ORACLE

London • Measuring Impact in Human Services

INNOVATION IN A NUTSHELL

A mayoral-led consortium of foundations and universities in London is moving all nonprofit youth organizations toward consistent, academically rigorous evaluation measures, a revolutionary turn away from the norm in performance monitoring of social service providers. The new system will for the first time enable the city to gauge and compare the relative progress made by publicly funded entities who work with disadvantaged teens and families.

KEY COMPONENTS

- Rather than forcing evaluation on nonprofits, the mayor introduced a uniform and easy-to-use evaluation systemwithin a supportive environment
- Every participating nonprofit receives subsidized training and is matched with university professors and college students. Successes are celebrated through inter-agency competitions and cash prizes

BENEFITS

- A common framework for assessment allows the public and philanthropic sectors to determine which social service programs are working, while allowing nonprofits to analyze what's making a real difference and what needs to be addressed operationally

When London Mayor Boris Johnson took office in 2008 with a promise to lower youth crime, he asked his top aides toidentify the best youth services programs. The aides confessed that London—like every city in the world—really didn't know for sure. Most organizations just did not measure impact.

Paucity of data is a fact throughout the human services field. Systems such as child care, child welfare and youth services provide lifelines and enrichment, often serving the most troubled and disadvantaged. Yet as Johnson found out, the success of these programs—unlike road construction or crime fighting—is less than concrete and exceedingly difficult to measure.

Johnson decided he had to solve this. He assigned a top lieutenant to the project who consulted with experts around the world. Based on this research, a five-level “standards of evidence” framework was created. The framework—dubbed Project Oracle—is cumulative, meaning that it is necessary to get one and then two of them right before advancing to higher levels. Level one is a basic theory of change—a simple articulation of the organization’s goals, which remarkably few nonprofits have. Level two is a straightforward evaluation plan. From there, additional levels become increasingly thorough in their ability to measure impact.

With the framework in hand, the issue of how to get buy-in from youth organizations came up next. First, the mayorconverted an advisory board of London grantmakers and academics into a governing consortium for the entire effort, tapping the expertise of a wide range of stakeholders and leaders dedicated to both performance measurement and nonprofit success.

The consortium devised a bundle of supports and incentives. All nonprofits can access highly subsidized training in evaluation methods. And there are also lively evaluation competitions featuring cash prizes. But probably the biggest support has been a connection to local universities for any participating nonprofit. Local colleges make students available as onsite project managers and data collectors, while professors offer technical assistance.

Another key aspect of the Project Oracle approach is the openness to organizational creativity. There is a common framework that ensures data are tracked and results are reported, but within that, groups can design their evaluation in vastly different ways. So organizations that already have a plan or want one that is unique to them still fit within the broader Oracle framework.

Nearly 100 organizations have signed up, and Ruth Puttick at Nesta, a London policy outfit evaluating the consortium program, noted, “This is the only citywide evidence-generation campaign of its kind anywhere in the world.”

New York is well positioned to initiate a similar citywide evaluative effort. Major city-based grantmakers such as Robin Hood and the Edna McConnell Clark Foundation base their giving on strict adherence to evaluation and outcomes. And some nonprofits, including the Harlem Children’s Zone, have developed sophisticated internal accountability systems. Still, these nationally recognized organizations make up a tiny fraction of the larger field of nonprofit organizations under government contract.

On the public side, the Bloomberg administration has moved the needle. City Hall’s main program evaluation mechanism,the HHS Accelerator System, for the first time is tracking the vast array of City service contracts. Though a big step forward, it stops well short of a full effort to measure impact. Another notable initiative is the Mayor’s Center for Economic Opportunity (CEO), a mayoral-controlled entity that uses a mix of City and foundation dollars to develop and rigorously assess new human service programs. The difference is that CEO is a vehicle for new programs, not existing ones.

Taken together, these initiatives position New York to launch an effort akin to Project Oracle. The city is home to strong, metric-committed philanthropies; City Hall has created the building blocks for consistent tracking and evaluation; and there is a wide range of universities throughout the boroughs. What New York needs is a common plan and a commitment by the City and nonprofits to work together.

IDEA 6: SPACEHIVE

London • Crowdsourcing Capital Projects

INNOVATION IN A NUTSHELL

Using a new crowdsourcing website, the funding of capital projects—bridges, gardens, community centers—is being transformed throughout the United Kingdom as communities develop and jointly fund major new projects with local government.

KEY COMPONENTS

- An easy-to-use internet platform with government matching funds is available for community-generated capital ideas

BENEFITS

- Cities fund capital projects without additional debt
- The process generates community interest and a sense of public ownership
- Some projects may garner enough community support to be achieved without any government investment

New York City commits an average of $6.8 billion yearly to major capital projects. Unlike the City's yearly expense budget, the capital budget is primarily funded through long-term bonds. Overall, the City's capital budget is relatively robust. New York's bond rating is high, allowing the City to issue debt at low interest rates and fund many projects at once. But as in many cities, the capital program has room for improvement. The City's capital expenditures exceed its funding commitments by about $1.4 billion annually, and the City is projected to incur greater imbalance in years to come. At the same time, the City's capital funding process remains somewhat insular. Community Boards submit requests to the mayor and their borough president, but the power of allocation still remains in the hands of relatively few government officials.

Several cities in the United Kingdom have begun to transform their capital processes. Rather than allowing projects to be determined chiefly by city and regional agencies, these cities are turning to their local communities for ideas. And rather than relying solely on government, they are opening the way to receiving private, individual and philanthropic dollars to match public sector allocations.

This radically different approach is being propelled by a London-based start-up called Spacehive. Launched two years agoas the world's first "funding platform for public space projects," Spacehive is modeled on the pioneering crowdfunding site Kickstarter. The difference—and it's a big one—is that Spacehive is focused on the civic sector, building close relationships and full-on partnerships with local governments in the UK.

Using the website, any organization or individual can propose a new capital project or new use for a public space, and raise funds to launch it. To ensure its viability and success, a project only gets a green light when its funding target is met.

Additionally, Spacehive is closely attuned to the complexities of planning and capital funding. Project risk management, contract frameworks and funding verification are all built in to the platform, and no project advances without required planning and regulatory permissions.

Spacehive has invested a great deal of time in meeting with regional officials to explain the workings of the website and its potential utility. The result has led to a spate of projects that originated at the community level, as well as other endeavors in which individuals or businesses have stepped up to support government-initiated works.

In High Wycombe, a private entrepreneur proposed a capital project to create a business incubator. Given its popularity on Spacehive, both the national and local government authority pledged one-third of the needed funding. In Wales, the government struggled for eight years to secure funding to build a community center. Utilizing Spacehive, the remaining $55,000 was quickly raised, assisted by celebrity and corporate support.

This is only the beginning of what may amount to an "inversion of the capital process," according to Spacehive CEO Chris

Gourlay. The company is in the final stages of drafting full-partnership agreements with UK governments to create a new capital program. Under it, a local government authority would dedicate a sizeable portion of its capital budget in advance to match worthy projects.

Under this model, a New york City agency could potentially carve out a set percentage of its capital budget to support crowdsourced projects. Communities would be able to draft projects and raise funds. Once a threshold of, say, $1 million in private capital was reached, a full government match would be triggered. Government would get not only the benefit of local creativity and ownership, but also private funding from individuals, foundations and businesses toward specific projects.

Clearly, many issues need to be addressed, including how best to vet proposals. But New York is already fertile ground for civic-oriented initiatives. The City Council Participatory Budgeting process allocates small amounts of Council funds for community projects. But capital projects funded by crowdsourcing can be an avenue to even greater heights, allowing communities, companies and government to fund and create new public spaces jointly, working hand in hand to improve existing infrastructure.

IDEA 7: ZERO WASTE

San Francisco • A Comprehensive Approach to Increasing Recycling & Improving Waste Management

INNOVATION IN A NUTSHELL

San Francisco introduced its Zero Waste program in 2002. Progress has been swift. From 1990 to 2010, recycling rates rose from 20 percent to 77 percent. Recent waste management reforms have targeted retail, packaging, consumption, public events, government procurement and construction and debris.

KEY COMPONENTS

- The 2002 Zero Waste Resolution sets explicit goals: 75 percent landfill diversion by 2010 and zero waste by 2020
- SF Environment drafts an annual zero waste strategic plan
- Relentless policy experimentation and incremental reform
- Permanent no-bid, no-franchise-fee contract with Recology, a private garbage collection and resource recovery company

BENEFITS

- Dramatic increase in recycling rates
- Dramatic reduction in methane emissions from landfills
- Each category of waste is directed to its economically optimal disposal route, increasing recycling revenue for government, business and developers

A meager 15 percent of New York City's household waste is recycled, ranking it 16th among 27 major American cities. This environmental and managerial shortfall comes at a substantial expense. New York's disposal costs have risen dramatically in the past two decades, from $81 million in 1991 to $320 million in 2011. Each year, the city's Department of Sanitation trucks log 40 million miles hauling 2.9 million tons of garbage to remote landfills. Emissions from transport and landfills equate to 679,145 metric tons of greenhouse gas, equivalent to the annual emissions of 133,000 cars.

In San Francisco, the nation's leader in waste management, recycling rates have reached an extraordinary 77 percent. This achievement is not simply the product of Pacific Northwest progressive culture, but of strategic, multidimensional, and long-

term planning. Much of San Francisco's success stems from the city's Zero Waste Goal, passed by the San Francisco Board of Supervisors in 2002. It established an unambiguous mission: 75 percent landfill diversion by 2010 and zero waste by 2020.

The Zero Waste Goal was the catalyst for a succession of new policy initiatives, each of which has played a role in bringing up the recycling rate. The policies, orchestrated by the city's Department of Environment, are generally divided into a handful of fields: production and packaging, consumption, public and private disposal, government procurement, and construction and debris. Policies are rolled out incrementally, conscious of their interplay. This long-term strategy now amounts to a collection of pragmatic and effective reforms: The city banned styrofoam and plastic shopping bags in all retail establishments, including grocery stores; food-service ware and packaging in restaurants, coffee shops, food courts, and cafeterias must be recyclable or compostable, including napkins, paper bags, wooden coffee stir sticks and beverage cups and lids; all public events must be stocked with sufficient recycling and compost receptacles and staffed by trained waste liaisons to assist and direct residents and tourists; Yellow Pages distributors must obtain opt-in agreements from all residents before delivering phone book directories; and a cigarette litter abatement fee of $0.20 per pack was established to recover the cost of collecting and deterring cigarette litter on city streets, sidewalks and parks.

To exploit its procurement leverage and bully pulpit, the San Francisco city government directed its most stringentregulations inward. A Zero Waste coordinator was designated at every city department location. All City agencies are required to purchase approved green products with recycled content, to refrain from purchasing bottled water and to reduce paper usage, setting small margins as a default on all government computers.

In what is credited as the major contributing factor to San Francisco's high rate of recycling, former mayor Gavin Newsom introduced the Construction and Demolition Debris Recovery Ordinance in July 2006. In the first year alone, registered facilities diverted an additional 26,000 tons of mixed debris, a 25 percent increase. As of 2012, the Department of Building Inspection approved 210 Demolition Debris Recovery Plans tailored to individual projects, achieving diversion rates of 65-99 percent.

Not all of San Francisco's policies, of course, are easily replicable. Legal enforcement of recycling and composting as well as pay-as-you-throw disincentive programs—foundational components in each of America's high performing cities (San Francisco, Seattle, Portland, and Los Angeles)—is poorly suited to New York's housing stock. In Seattle, for instance, the gap between recycling rates in single-family and multi-family housing is staggering: 71 percent versus 30 percent. Coordinating between landlords and residents is expensive, time-consuming and rife with hostility. In New York, where only 16 percent of residents occupy single-family homes (compared to 49 percent in Seattle and 33 percent in San Francisco), this is a major hurdle. The problem is exacerbated by New York's almost complete lack of alleys, leaving inadequate space for multiple, waste-specific dumpsters. A more borough-specific approach would be necessary in New York, reserving recycling and composting requirements and pay-as-you-throw programs for less dense neighborhoods.

But while a comprehensive waste management model must consider New York's unique terrain, Department of Sanitation studies have rightly designated San Francisco as the most comparable American city. For instance, their retail, packaging, consumption, public event, government procurement and construction and debris reforms are not dependent on geography and housing stock—making them highly replicable.

Earlier this year, Mayor Bloomberg announced a goal of doubling the city's recycling rate to 30 percent by 2017, and rolled out plans to add 1,000 new recycling containers on city streets and ban styrofoam packaging from stores and restaurants. This is a great first step, but the next mayor will have to execute these plans. In doing so, they should aim higher and follow San Francisco's lead in overhauling its waste management system.

IDEA 8: DIGITAL BADGING

Philadelphia, Providence & Chicago • Creating an Alternative Assessment System for Out-of-School Programs

INNOVATION IN A NUTSHELL

Philadelphia, Chicago and Providence have all begun to introduce digital badging initiatives that allow students both inside the K-12 system and outside to earn credentials for skills they learn in a wide variety of educational settings, from digital tools workshops at public libraries to art classes at museums.

KEY COMPONENTS

- A system of badges designating recognized programs or skills
- A digital portfolio, or "backpack," that the student can control and curate like a resume
- The development of curricula at schools, workforce development agencies and even community colleges that recognize and build off the badge system

BENEFITS

- Provides an alternative assessment system that recognizes progress outside of traditional institutional learning
- Incentivizes the development of talents and skills that too often go unrecognized in the K-12 school system and other institutional contexts

Digital badging is already an established credentialing method in the tech sector. A wide variety of badges issued by event organizers, online learning environments (so-called Massive Open Online Courses or MOOCs), and other educational providers are widely recognized by employers in the industry. In fact, according to many industry insiders, a Khan Academy badge designating proficiency in a coding language like Python will carry even more weight with Google and other tech companies than traditional four-year computer science degrees. Philadelphia, Chicago and Providence have all recently unveiled initiatives that apply this model in different ways to out-of-school learning for youth.

Philadelphia's badging system, called Digital On-Ramps, is being implemented by the Philadelphia Academies in conjunction with the city's primary youth development agency, the Philadelphia Youth Network. It already includes several online courses and will eventually grow to include face-to-face programming in both the youth development and adult education systems. By contrast, Providence's badging system is being implemented primarily through that city's school district, as a way of broadening and standardizing afterschool programs. Chicago, meanwhile, is unveiling a program this summer called the Summer of Learning that uses badges as a way of incentivizing youth to participate in summer programs at a wide variety of providers, including city libraries, schools and museums.

Though new and still untested outside the rarefied world of tech, using a badge system to recognize accomplishments outside of school could be a powerful way to encourage passions in kids even when they are struggling in school or have dropped out altogether. Chris Lawrence, director of the Hive Learning Network in NYC, which provides programming in the digital arts to kids in afterschool programs and issues badges to participants who achieve milestones, says that many of the kids he sees who excel in Hive programs are often failing in school. The badges give them something to strive for, and they legitimize accomplishments in settings that don't feel like school, he says. But they could also be so much more than that if they were more widely recognized by educational providers and employers. A more established "marketplace" for badging, says Lawrence, would open up opportunities for kids to take their learning to the next level with another educational provider or even an internship.

Cities have a huge role to play in creating this larger marketplace, but they don't have to define all the parameters from the top down in doing so. A school district or youth development agency shouldn't necessarily create its own system of badges, which could result in a walled garden, but encourage a wide variety of third parties to begin issuing badges and then choose how to honor them in school and city-sponsored development programs. The digital portfolios, or "backpacks," should also

utilize open source software that kids can take ownership of and even curate to show off skills and accomplishments that they want to market.

City agencies like the Department of Youth and Community Development could also work with employers like Google, IBM, Con Ed, Verizon and Time Warner to develop standards for which badges they will accept in internship and job applications (perhaps as a part of the city's Summer Youth Employment program). And the city's community college system could lend even more legitimacy to certain badges by developing curricula, even in remedial classes, around kids' accomplishments in areas like digital media, technology and the arts.

With over 172,000 disconnected youth and one of the lowest GED attainment rates in the country, digital badging couldprove to be a powerful tool in New York. It could help the city better leverage all the educational programming happening among community-based organizations and other nonprofits (libraries, museums, etc.) and ultimately increase the effectiveness of its own youth development efforts.

IDEA 9: BUDGET SAVINGS COMMISSION

Chicago • Private Firms Develop Mass Budget Savings

INNOVATION IN A NUTSHELL

A coalition of Chicago's top corporate consulting and law firms crafted a $100-million budget-savings plan for the incoming mayor—at no cost.

KEY COMPONENTS

- A nonprofit intermediary coordinated the team of senior partners
- All ideas were tested for legal, fiscal and political feasibility
- The final product was a professional presentation that was easy to understand and implement

BENEFITS

- The plan taps the private sector for knowledge, skills and results.

Government bloat is a familiar lament. Rare is the truly constructive suggestion of exactly how to cut costs without sacrificing vital municipal services.

In Chicago, however, the city's business community provided just that. As part of a larger transition plan, a coalition of partners from the city's major consulting and law firms drafted a realistic blueprint for cutting $100 million from the city budget, and revenue ideas for millions more. In 2001, newly elected Mayor Rahm Emanuel wasted no time in implementing the proposals, and in the first 100 days saved taxpayers an estimated $50 million.

The process leading to the corporate blueprint was developed by the Civic Consulting Alliance, a 27-year-old organization established to coordinate corporate firms to help further City Hall's top priorities through pro bono engagements. Its approach is relatively simple: the Mayor develops reform plans, and Civic Consulting assembles senior partners to further the goals through traditional business analytics, research and strategy. Over the past five years, Civic Consulting estimates that $75 million in billable hours have been dedicated to revamping the local community college system, reforming local policing strategies and establishing the Chicago area's first regional planning board.

Unlike other projects, the latest cost-saving blueprint was launched during a municipal transition and brought to the mayor-

elect as the transition was being completed.

As with all its projects, Civic Consulting avoided lengthy planning meetings, promptly matching the right firms and executives to a variety of assignments. A.T. Kearney was charged with developing a full financial model for the City and assessing real cost drivers. The exercise exposed structural deficit challenges, and included a review of all outstanding City labor and vendor contracts to identify wiggle room for savings in the months and years ahead. Deloitte examined other cities' financial models. Another firm looked at revenue opportunities, and Mayer Brown examined legal issues surrounding the emerging savings and revenue proposals. Each firm dedicated two to three people who worked full time for nearly five months, while Civic Consulting convened biweekly coordination meetings, assigning six staff members to the project.

The proposals focused on long-needed fixes. One led to the reorganization of trash collection routes according to the street grid rather than to aldermen's traditional political considerations. This simple, if previously political, reform will save the city tens of millions annually.

Probably the biggest savings, though, will come from the overhaul of the City's purchasing activities. Based on the blueprint, the City now uses a "spend cube" to analyze citywide contracting and payment data. It lets City managers know not only how much was spent and when, but with which vendors and in which categories of goods and services. The analysis highlights opportunities to consolidate contracts or negotiate with vendors, and suggests other actions that offer the potential for significant savings. Most government entities rarely engage in cross-agency cooperation of this kind, let alone citywide coordination in purchasing (e.g., one department buys its computers from Lenovo, another from Dell). In the first year alone, the "spend cube" analysis saved the City millions of dollars.

Chicago has also begun to coordinate its purchases with surrounding Cook County, from street salt to janitorial functions.

On the revenue side, Chicago's corporate partners suggested developing an Infrastructure Trust, building on an ideapursued by the White House called an infrastructure bank. A new nonprofit subsidiary was established that uses pooled debt from local banks to build or repair infrastructure that has difficulty receiving financing through the municipal bond market. Mayor Emanuel set this up within a year of taking office. It is now a national model for fostering locally subsidized building.

New York is well positioned to pursue the corporate coalition model. Civic Consulting has received foundation support to establish an office in New York. Additionally, the City, through the nonprofit Partnership for New York City, has a tradition of tapping consulting firms to generate strategic plans for mayors. The Civic Consulting model could move this mode to the next level, assembling senior partners from corporations. As in Chicago, the next mayor of New York can use this approach to create major savings and revenue-generating models.

IDEA 10: OPEN DATA

Seattle & San Francisco • A More Transparent, Inclusive & Collaborative Government

INNOVATION IN A NUTSHELL

Convinced that open data does not just improve the transparency of government, but governance itself, Seattle and San Francisco have used open data to spur inter-agency information sharing and encourage participation from parties outside of the public sector.

KEY COMPONENTS

- All agencies, including the police, release data on a tight timeline
- Data is routinely updated and accessible via affordable and widely available software
- Open data offerings and formatting are harmonized with other cities

BENEFITS

- A more transparent and inclusive government
- Improved coordination and information sharing between City agencies
- Spur economic development in the civic-tech sector

Governance is impossibly complex. With scores of agencies administering thousands of programs for millions ofconstituents, it's little wonder that residents, businesses, politicians and public employees struggle to comprehend and reform their government. In recent years, open data has emerged as the newest and perhaps most promising remedy, allowing residents to monitor their government, activists and hacktivists to participate in governance, and public agencies to collaborate and share critical information.

According to Mike Flowers, head of New York's Office of Policy and Strategic Planning, sharing data "is not a technological issue, it's a bureaucratic issue." The most complex and intractable urban problems demand inter-agency coordination. Youth violence is not just an NYPD issue. Homelessness is not just a DHS issue. Both necessitate collaboration with HRA, DOE, ACS, SBS's workforce development office, DCA's financial empowerment office, and many others. Opening data to one another (while simultaneously opening it to the public) is critical to this collaboration. Former Seattle chief information officer Bill Schrier found the most frequent users of an agency's open data are other city agencies.

NYPD, the second-highest staffed agency in the city and surely the most ubiquitous, occupies a pivotal role in authorizing and empowering New York's most needed inter-agency partnerships. Unfortunately, their transparency and willingness to share information has been underwhelming. Where Seattle provides real-time 911 calls and redacted police reports along with mapping capabilities and Twitter updates, the NYPD is curiously absent from the City's generous open data offerings. With crime data so central to understanding and resolving New York's most pressing challenges, this lack of transparency is not just civically irresponsible, it also hamstrings the work of numerous city agencies and nonprofits.

And police data is not the only issue. While New York's 2012 open data legislation is the envy of many cities, its 2018 implementation timeline "reflects government's general inability to move at the speed of technology" according to Stephen Romalewski, an open data advocate and the director of the CUNY Mapping Service. In February 2013, under pressure from the Office of the Public Advocate, the City released Department of Health and Department of Consumer Affairs data on small business inspections and fines. The City of Chicago published a similar data set two years prior.

Beyond good governance, open data reform is a key component of economic development. A recent study found that half a million jobs have been created around mobile and web apps. In New York, the diversity and volume of open government data has helped nourish several of these start-ups. But those companies can only flourish if the data is accurate, accessible, and routinely updated. San Francisco CIO Jay Nath, for instance, is working to ensure that application developers can access data in multiple formats, such as CSV, XML or JSON. When New York's Department of City Planning releases data that can only be downloaded in prohibitively expensive software, it is what Presidential Innovation Fellow Phillip Ashlock would call "hidden in plain sight."

As the civic-tech sector evolves, harmonization between cities will grow increasingly important. When data structure is standardized, developers needn't customize their apps for individual cities. This stimulates participation from programmers around the country as well as larger, more sophisticated companies who typically ignore app contests because submissions

only reach a limited audience and are not easily monetized. New York took an important step when it collaborated with San Francisco and Yelp to standardize its food inspection data. Regrettably, it has been slower to adopt the newest Open311 protocol currently operating in over 40 cities worldwide.

NYC is already a leader in open data. Now it must become the leader. The benefits are clear: greater transparency and accountability to residents, increased collaboration between agencies, and improved economic prospects for our growing, but still nascent tech sector.

IDEA 11: CITY ID PREPAID MASTERCARD

Oakland • Municipal Identification & Debit Card

INNOVATION IN A NUTSHELL

Oakland has unveiled a new city government ID card with a novel debit card feature. Designed to assist low-income, "underbanked" individuals, it offers ease-of-access to reputable banking and government services.

KEY COMPONENTS

- Mayoral support and coordination
- Fair rates of interest and fees
- Well-devised application processing and ID card distribution
- Extensive public awareness campaigns

BENEFITS

- The underbanked are guided toward formal banking practices that encourage savings and help them avoid predatory financial practices
- The card also provides a free or low-cost alternative to other forms of government-issued ID, like a driver's license

Earlier this year, Oakland Mayor Jean Quan launched a city-level identification card program. While cities such as Los Angeles; Washington, DC and New Haven issue city-level government identification cards, Oakland is the first to meld a debit card feature into the municipal ID.

There is great need for such a vehicle. Underbanked residents either 1) do not engage in standard, recognized money-management practices or 2) engage in informal banking practices, whether legal or illegal. The reasons are many (e.g. cultural, legal, etc.), but the consequences are near-universal: People living in underbanked communities are left out of everyday transactions in which a debit/credit card is the most safe common vehicle and sometimes is required. The underbanked individual also misses out on the convenience of ATMs and cannot manage his or her expenses online. Moreover, the underbanked are more vulnerable to predatory lenders and card vendors that charge exorbitant interest rates and fees.

Oakland's Municipal ID card offers a reliable, government-backed alternative to low-income residents. Created in partnership with SF Global, a card vendor company, Oakland's Municipal ID costs $10-$15, depending on the age of the applicant, and offers transparent fee structures. Although traditional banks offer better rates and fees, the Municipal ID was not created to compete with them or replace them. Rather, the cards were designed as a city government identification card that also include a non-predatory debit card function, encouraging its bearers to enter into formal banking practices. Oakland residents with proof of identification (domestic or foreign) and city residency, can apply in person or via a city website.

Oakland's Municipal ID card program and its dedicated website were launched in March, so the measured benefits and pitfalls have yet to be determined. However, an issue has arisen from concern that Oakland may be distributing government identification to undocumented individuals. In addition to federal immigration legalities, federal privacy issues can be problematic as well. A banking institution's obligation to comply with federal immigration policies can conflict with clients' right to privacy.

While the model is still in development, there are immediate benefits to a wide range of communities. Because Oakland's Municipal ID card was designed primarily for underbanked and immigrant communities, the users of the card are encouraged to steer away from the pitfalls of cash-only based finance. They might be encouraged, too, to increase their participation in the formal economy, and ideally to seek and, when deemed eligible, gain greater access to government social and protective services for themselves and their families.

While immigration issues on the municipal identification issue are unresolved, New York can still move toward adopting such a program. In 2007, the City Council introduced a municipal identification program based on one in New Haven, Connecticut, but the proposal was tabled amid the controversy of undocumented individuals gaining access to government identification. New York still has the opportunity to revisit this idea if Oakland's program is proven to be a success.

New York can minimize controversy by marketing the municipal card as primarily a bank card that includes other city service products (e.g. Metrocard, library card, coupons, etc.), in addition to providing a secondary use as an general ID card of potential value to immigrants and others who could use it to access a variety of services. A substantial number of New Yorkers thus would experience improved access to legitimate government and commercial services and be encouraged, as well, to participate openly and actively in the life of their community. New York has been a trailblazer in addressing the needs of immigrants and if the city decides to implement its own municipal identification card program, it can continue its groundbreaking efforts on behalf of immigrants and potentially make a major impact on the gathering national discussion on immigration policy.

IDEA 12: ACCESSORY DWELLING UNITS & BASEMENT CONVERSIONS

Seattle, Vancouver & Santa Cruz • Helping the Elderly to Comfortably & Affordably "Age in Place"

INNOVATION IN A NUTSHELL

An Accessory Dwelling Unit is a small, self-contained residential structure sharing a lot with an existing house. In Seattle, Vancouver and Santa Cruz, legislation was enacted to permit ADUs on sufficiently sized lots in one- and two-family zones. Building regulations were also relaxed to allow formerly illegal subdivisions to be safely brought to code without facing severe fines.

KEY COMPONENTS

- City Council authorizes Accessory Dwelling Units, mandating minimum lot size and maximum floor area ratio (FAR)
- Department of Planning pre-approves design standards
- Design competitions, targeted primarily for elderly-specific needs, stimulate cost-effective plans

- Manuals and workshops are prepared to help homeowners take advantage of a one-time “grace period” to bring their illegal units to code without penalty

BENEFITS

- Increase the affordable housing stock
- Regulate formerly illegal and unsafe subdivisions
- Allow the growing elderly population to comfortably “age in place”

By 2030, New York City is expected to add an additional 600,000 residents. The elderly will account for two-thirds of this growth. While these figures confirm New York’s increasing appeal and vitality, it raises important questions: Can New York’s housing market keep up with this growth and how will the city accommodate the growing number of seniors who wish to live near family members?

Seattle’s experiment with Accessory Dwelling Units (ADUs) offers an intriguing solution. One- and two-family homes are permitted to build a self-contained residential structure on their lot, provided it does not exceed 800 square feet of interior area and covers no more than 40 percent of the rear yard. Seattle first piloted an Accessory Dwelling Unit program in 1994. Fifteen years later, its zoning code was officially amended to allow detached ADUs throughout the city. The application and development process was streamlined by the Department of Planning—articulating precise design standards, approving permits within six weeks, and organizing a design competition to spur creation of reasonably priced units.

In Vancouver, efforts to expand the affordable housing stock have been even more aggressive. In 2007, the building code was relaxed to allow detached ADUs (not exceeding 500 square feet, a size more appropriate for New York) and to legalize basement conversions (“secondary suites.”) From 2010 to 2012, the City issued permits for 778 ADUs, 932 new homes with secondary suites, and legalized 608 existing secondary suites. To implement these reforms, the City of Santa Cruz offers an appealing strategy. The City provides loans to homeowners as well as incentives for keeping the units affordable. Manuals, design guides and workshops were prepared to help homeowners take advantage of a one-time “grace period” to bring their illegal units to code without penalty.

Encouraging the construction of Accessory Dwelling Units will provide affordable housing options for all New Yorkers, particularly the elderly. Affectionately referred to as “granny flats,” they offer a proximate, but still independent space to house elderly family members—and a welcome substitute to nursing homes. Alternatively, the elderly can rent their increasingly oversized homes and move into a newly built ADU. Transitioning to a “backdoor cottage” behind one’s own or a family member’s home allows the elderly to “age in place;” staying enmeshed in their informal support network and providing childcare, help with chores and possibly financial support to their family.

To assure units are consistent with neighborhood character and design standards, New York could organize a competition to design prefab ADUs. Special consideration could be given to modular units manufactured in New York, spurring economic development. Modular ADUs can be customized for the aged, with wall sockets higher off the ground, hallways wide enough for a walker, bathrooms with support rails, and no stairs.

In New York, the boroughs outside of Manhattan provide an excellent terrain for Accessory Dwelling Units. One-and two-family residences account for 34 percent of total lot area in Staten Island, 35 percent in Queens, 18 percent in Bronx, and 23 percent in Brooklyn. The average lot size for these homes is 4,300 sq ft in Staten Island, 3,400 in Queens, 3,100 in the Bronx, and 2,400 in Brooklyn. Even under Seattle’s generous 4,000 sq ft minimum lot size, a significant number of locations in New York could accommodate ADUs.

The demographic figures provide an even stronger case for ADUs. While only 7 percent of Manhattan dwellings house three

generations, the outer borough average is 10 percent (not counting, of course, illegal subdivisions). Excepting Manhattan, every borough has experienced an increase in foreign-born residents over the last decade. For many of these immigrants, ADUs provide a welcome opportunity to remain close to their extended family in a safer, more comfortable and more cost-effective manner. As Sujatha Raman, the director of Development for Chhaya CDC, recognizes, “In Queens and other parts of the city where our community is mainly low- and middle-income, the family structure of the Asian clients we work with is larger and the housing model in New York City doesn’t quite fit.”

For low-income immigrant families lacking appropriate and affordable housing, illegal subdivisions have provided a shadowy, unspoken “safety valve.” Housing advocates estimate 100,000 illegal dwellings in New York City. But with fire and health hazards arising from unregulated subdivisions and the impossibility of legally binding lease contracts, “safety” is a severe misnomer. To ensure regulatory compliance, increased tax revenue, and the allocation of educational, sanitation and police resources according to actual population figures, Accessory Dwelling Units offer a smarter, safer and more equitable solution.

For many housing experts, simply legalizing basement subdivisions is considered the path of least resistance because itdoes not alter existing FAR. While this is an appealing strategy, there are compelling reasons to consider ADUs as well. Construction costs for ADUs in Seattle are approximately $50,000, similar to the $10,000-$50,000 cost of bringing illegal basement subdivisions up to code, according to Sujatha Raman. ADUs are also less vulnerable to flooding than basements; a real concern in our post-Sandy environment. Finally, with no stairs and the opportunity to design them according to the needs of the elderly, ADUs are better suited to our aging population.

For NYC, zoning for ADUs and permitting basement conversions provides a rare opportunity, simultaneously addressing some of the city’s most pressing and nettlesome problems. They would increase our affordable housing stock; attenuate the city’s reliance on unsafe, illegal subdivisions and allow our growing elderly population to comfortably “age in place.”

IDEA 13: PRIZE-LINKED SAVINGS

Michigan • Incentivizing Savings Accounts in Underbanked Communities

INNOVATION IN A NUTSHELL

Under a new model, cash prizes are used to incentivize underbanked individuals to open and make regular deposits into a traditional savings account. The initiatives aim to dramatically increase the number of low-income families enrolled in the banking system.

KEY COMPONENTS

- A nonprofit organization or government agency coordinates the program in partnership with a reliable banking institution
- It includes a marketing plan and a push for state legislation to allow cash, raffles and other incentives to ensure wide participation

BENEFITS

- Underbanked households open and maintain a savings account, increasing their access to financial products and services, while offering paths to better money management and greater financial stability

About 20 percent of US households, or 51 million adults, are underbanked. In the years following the recent economic downturn, many families were forced to tap into retirement funds and nest eggs. While the benefits of creating and maintaining a traditional savings account are difficult to popularize through marketing, prize-linked savings (PLS) programs

have become a widespread and effective tool to encourage families to save money and use the banking system.

In the past, public awareness campaigns to promote the creation and maintenance of savings accounts have faltered because they have relied on simply advocating the virtues of having a savings account. But prize-linked savings have had greater success because they have leveraged new and enticing incentives—cash prizes, raffles and lottery-like prize entries. Countries such as the United Kingdom, Sweden and United Arab Emirates have widely instituted these programs. In the US, Indiana's Central Credit Union first piloted the program and enrolled more than 1,000 new accounts, accruing more than $500,000 in savings deposits in the first five months. Based on the success of Indiana's pilot, an asset-building nonprofit, Doorways to Dreams (D2D), spearheaded a highly successful program in Michigan that serves as the current model for PLS in the US.

In 2009, D2D partnered with the Michigan Credit Union League to launch Save to Win, the country's first large-scale, prize-linked credit union savings account. This program enters account holders into raffles for cash prizes with each savings account deposit of $25 or more. Michigan credit unions boosted public interest in the program by offering an annual $100,000 jackpot in addition to smaller prizes to encourage people to create a savings account and fund it regularly.

Most states ban privately run lotteries and Michigan was no exception. But Michigan's Credit Union Act included a provision that specifically allowed credit unions to run promotional programs like Save to Win. In partnership with local governments, D2D and their partners launched aggressive public awareness and enlistment efforts.

Through Save to Win, the number of low-income residents enrolled in the traditional banking system has spiked. Three years since the program launch, 25,000 unique accounts have been created, with over $40 million in accrued deposited savings. Because of PLS administered through Save to Win, the demand for credit union memberships has increased, totaling more than one million people in Michigan and Nebraska. In addition to driving people to create a savings account, average savings account balances have grown from $817 to $1,779, since one of the conditions of the raffle entry requires long-term maintenance and regular deposits. Account retention remains fairly high, with an average 60 percent of members maintaining their accounts for more than a year.

Replicating the Michigan PLS model in New York would not be difficult since the City already has established the Office of Financial Empowerment, a widely effective asset-building agency at City Hall that works closely with both government and financial institutions. The major hurdle for New York to implement PLS would be the legislative ban on non-state institutions' ability to offer cash prizes. But if legislation were secured and a well-designed program tailored for New York were devised, the city's large underbanked population could be spurred to save money reliably and accrue other financial benefits with credit unions or other qualified financial institutions.

IDEA 14: IMMIGRANT EXPORT INITIATIVE

Los Angeles & Chicago • Helping Immigrant-Run Businesses Grow through Exporting

INNOVATION IN A NUTSHELL

Immigrant entrepreneurs account for a disproportionate share of new businesses, and given their language skills and established networks in their native countries, there is clear potential for many to export their goods and services. Chicago and Los Angeles are targeting these enterprises in order to double citywide exports, thereby boosting local economic growth.

KEY COMPONENTS

- Coordination between government, business and education institutions to extend training, loans and insurance to export-ready immigrant-operated businesses

- Multinational Export Forums encouraging immigrant entrepreneurs to share country-specific expertise and collaborate on new export ventures

BENEFITS

- Increasing city exports
- Engaging immigrant business owners
- Inspiring collaboration between diverse immigrant entrepreneurs

Immigrants have long been entrepreneurial sparkplugs. Just 13 percent of the nation's population, the foreign-born operate 18 percent of small businesses. But while immigrant entrepreneurs have become increasingly important to the nation's economy, too few immigrant-run firms ever grow into medium or large businesses, limiting their economic benefits to the local economy. Economic development officials in a number of cities are betting that immigrant-run businesses have significant potential to grow through exporting. With established networks in their home countries, an understanding of local markets, and shared languages and culture, immigrants are endowed with easier access to foreign markets. In Los Angeles and Chicago, export assistance programs are helping these businesses expand domestically by venturing abroad.

In the fall of 2011, Los Angeles Mayor Antonio Villaraigosa launched the Los Angeles Regional Export Council (LAExC), an independent, not-for-profit partnership of government, business and educational institutions. Charged with doubling exports from small and medium-sized companies, LAExC devotes special attention to immigrant-owned businesses that either 1) do not export, but have strong business ties to their country of origin or 2) already export to their home country and have the know-how to pursue additional destinations.

Companies are assessed and screened through an online intake form, ensuring that resources are targeted toward companies with the highest export potential. For novices, the city port and airports conduct seminars in trade financing, documentation, logistics and identifying appropriate overseas markets. The Export Champions Program, for the more export-ready, matches companies with a team of UCLA and USC MBA students who provide market research and devise an export plan. Finally, trade missions to East Asia and western Latin America allow companies to meet with local importers, government officials and U.S. Department of Commerce service officers stationed abroad.

Chicago is also targeting export promotion programs to the city's foreign-born business owners. Chicago's Office of New Americans and the Department of Business Affairs believe cross-national collaboration is the cheapest and most effective method for harnessing existing expertise. At their co-sponsored export forums, immigrant entrepreneurs share their country-specific knowledge and collaborate in forging new markets.

Instituting a similar program in New York makes sense. In the five boroughs, the foreign born comprise 36 percent of the city's population but a hefty 49 percent of all self-employed workers. Directing them to training, networking opportunities, loans and insurance to help them export to their home countries or seek new markets beyond their home countries could help more of these firms grow and provide a boost to the New York economy. Exporting provides one of the best opportunities for small businesses to expand and add employees. Companies that export pay 15 percent higher wages and are nearly 9 percent less likely to go out of business than non-exporting companies.

As it is, too few of New York's small businesses export their goods and services. Exports account for only 7 percent of New York's total metro GDP, ranking it 93rd among America's 100 largest metros.

New York City currently lacks any meaningful program to help local businesses export. In today's global economy, it wouldbe wise for New York to undertake an export-assistance strategy. Targeting immigrant-owned businesses is a natural place to start.

IDEA 15: COMMUTER TAX BENEFIT

San Francisco • Expanding Access to Federal Pre-Tax Transit Benefits

INNOVATION IN A NUTSHELL

The City of San Francisco now requires businesses in the city with 20 or more employees to provide employees with tax-free commuter benefits.

KEY COMPONENTS

- Legislation mandates that businesses offer tax free transit benefits to their workers
- As much as $245 each month can be exempted from federal, state and city income taxes, Social Security and Medicare taxes, and federal unemployment insurance

BENEFITS

- Incentivizes people to use public transit
- Decreases congestion
- Decreases payroll tax for employers
- Significant cost savings for commuters
- Decreased greenhouse gas emissions

The federal government has long allowed businesses to offer their employees the opportunity to save hundreds of dollars a year in transit costs by using pre-tax dollars to pay for subway, bus or commuter rail commutes. However, beginning in 2009, the City of San Francisco went a step further and mandated that businesses in the city with 20 or more employees offer their workers tax-free commuter benefits, which are currently capped at $245 a month.

San Francisco's law has greatly increased the number of people taking advantage of the federal tax-free transportation program, a development that benefits both employees and employers and has no meaningful cost to the city. Individual workers can greatly reduce their monthly expenses, while businesses save in payroll taxes because employees are deducting income on a pre-tax basis. By offering the benefit, employers also become more attractive to potential employees. Even the San Francisco Chamber of Commerce supported the measure, saying: "While the Chamber generally opposes mandates on business, the City's requirement that businesses with 20 or more employees working in San Francisco establish a program to promote the use of public transit can be an economic benefit. In addition to helping to reduce greenhouse gas emissions by getting people out of their cars and onto transit, the law can be a money-saver for business."

While a healthy number of San Francisco residents were already using the transit benefits prior to the 2009 law, a significant share of small and medium-sized companies had not offered the program to their employees. The law appears to be working. Since the ordinance was rolled out, 64 percent of San Francisco businesses have complied and companies with fewer than 100 employees have the highest participation rates—more than 60 percent.

New York City could benefit from similar legislation. Although a large share of New Yorkers already commute to work by public transit—700,000 people in the New York metro area, according to New York Public Interest Research Group—hundreds of thousands of New Yorkers currently are not taking advantage of the federal benefits, mainly because they are unaware of the program. Currently, only about a quarter of large and medium companies in the city offer the federal tax-free transit benefits.

Expanding the number of businesses that offer these benefits would lead to a higher participation rate among workers, giving at least some financial relief to New Yorkers at a time when so many others costs—including transit fares—have continued to rise. According to the MTA, New Yorkers who are in the 15 percent tax bracket would save around 29 percent on every subway or bus ride if they participate in the transit benefit program. Prior to the recent fare hike, the average cost of a ride for those using a bonus pay-per-ride MetroCard was $1.49 for participating employees, compared to $2.10 for those who don't take advantage of the federal tax benefit.

It would also encourage more New Yorkers to take transit, a huge plus at a time when traffic congestion across the five boroughs remains a major problem, and ensure that more of the income earned in New York stays in the local economy rather than being sent to Washington—a noteworthy benefit for a city that routinely sends more tax dollars to the federal government than it gets back in return.

"Tax-free transit benefits save transit riders hundreds of dollars a year on commuting costs, give businesses a no-cost fringe benefit to offer their employees and reverse the flow of federal tax dollars from Washington to back home," says Gene Russianoff, staff attorney for the NYPIRG Straphangers Campaign.

EXPERT PARTICIPANTS

In preparation for this report, we held two roundtable sessions to critique and refine our policy proposals with a group of leaders from the city's business, philanthropic and nonprofit sectors. We would like to thank all those who participated. While they have not necessarily endorsed the recommended ideas, their constructive criticism was extraordinarily helpful in improving *Innovation and the City* and their input was greatly appreciated.

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