

SocialCompact

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SOCIAL COMPACT'S FREQUENTLY ASKED QUESTIONS Most Commonly Asked Questions about the DrillDown Methodology and Indicators

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GENERAL QUESTIONS

Q: What is the DrillDown?

A: The Neighborhood Market DrillDown is an assets-based market analysis conducted by Social Compact. The DrillDown combines numerous data sets, public and private, national and local, in order to build a set of up-to-date community economic indicators tailored to urban markets. These indicators more accurately describe the size (population), strength (income and buying power), stability (homeownership and residential investment) and investment opportunity of a given market than traditionally used datasets.

Q: How is the DrillDown different from a traditional market analysis?

A: Traditional market analyses are often modeled from decennial census data, despite growing evidence that the census undercounts low-income and minority neighborhoods at a higher rate than their wealthier counterparts. This undercount contributes to the continued undervaluing of the economic potential of urban communities, many of them underserved. Rather than relying on any one dataset, the DrillDown indicators combine data from a wide spectrum of sources. The DrillDown methodology integrates varying sources of transactional data better suited to capture change at the micro-market level that traditional analyses may overlook. Tested against the intuitive knowledge of local practitioners and business leaders in over 300 neighborhoods across the country, the DrillDown has a proven track record of accurately capturing market characteristics in small, dense, and rapidly changing urban geographies.

Q: What is the traditional market estimate?

A: The traditional market estimate refers to the commercial market analytics, modeled from decennial census data, most commonly used by retailers and other development practitioners. Social Compact's snapshots provide these estimates in addition to the DrillDown figures for purposes of comparison, often demonstrating the degree to which markets may be misrepresented by traditional analytics.

Q: Who is the DrillDown for and how can they use it?

A: The DrillDown can serve as a resource to nonprofit and community organizations, local businesses, government and private sector decision makers. DrillDown indicators have been used to inform: current and future community and economic development initiatives; neighborhood revitalization plans; retail attraction and small business development; and expanding access to grocery providers and traditional banking and financial services.

Q: What is a DrillDown market profile/snapshot?

A: DrillDown indicators are available in the form of a two-page detailed market profile, or "snapshot," for individual neighborhood markets. The snapshot serves as a standalone document that economic development practitioners and other stakeholders can use to present market information to developers, retailers, brokers, investors, etc. To preview a DrillDown snapshot please visit Social Compact's website: www.socialcompact.org.

MARKET SIZE

Q: What does Social Compact do with varying reports of the number of residential units?

A: In each city there will be one data source that is proven to be most reliable. In the cases with discrepancies, Social Compact prioritizes this data source. In particularly difficult cases, Social Compact works with local partners to verify the number of units at specific addresses. Typical data sources include tax assessments, land use codes and building permits.

Q: Why does Social Compact show USPS commercial and residential delivery counts?

A: The DrillDown reports the percent change in the total number of the U.S. Postal Service (USPS) commercial and residential delivery points over a given time period because it is a standardized, national-level dataset that can serve as a reliable indicator for household and business occupancy. This data excludes addresses identified as vacant or no-stat (unoccupied or not collecting mail for 90 days or longer). The data is provided by U.S. Department of Housing and Urban Development (HUD) on a quarterly basis at the census tract level. For all quarters prior to final quarter of 2007, delivery points for businesses and residences are combined. For all quarters February 2008 and on, it is possible to obtain these delivery counts as separate occurrences.

Q: What explains change in Internal Revenue Services (IRS) Tax Returns?

A: Variations in the number of IRS tax returns can serve as an indicator of various neighborhood changes; it does not necessarily reflect a population change. The number of IRS tax returns can also vary due to life changes such as individuals filing jointly (marriage and other family arrangements), students filing independently, unemployment, etc. This data does not include or suggest information regarding individuals' legal status; undocumented residents are able to file tax returns without fear of reprisal.

Q: What explains a change in IRS Adjusted Gross Income?

A: Similar to the number of tax returns, a fluctuation in IRS adjusted gross income can serve as an indicator of various neighborhood change, including but not limited to neighborhood income change. A fluctuation in the IRS adjusted gross income may result from life changes such as individuals filing jointly (marriage and other family arrangements), students filing independently, unemployment, etc. This data is available at the zip code level from the IRS and is adjusted for inflation to 2005 dollars. This data does not include or suggest information regarding individuals' legal status; undocumented residents are able to file tax returns without fear of reprisal.

Q: How can the USPS count (occupied addresses) or IRS returns/income decrease when the DrillDown shows a positive change in population?

A: First and foremost, it is important to distinguish the data comparisons. The column furthest to the right in the snapshot provides the percent difference (positive or negative) between the traditional market estimate and the DrillDown estimate for each respective indicator for the same year. DrillDown population estimates may differ from the traditional market estimate or census figures as a result of two things: (1) an initial census undercount of the area population (2) population change (growth/loss). Because the DrillDown estimate may be a reflection of both these factors, it is not possible to discern how much of the difference can be attributed to one (an undercount) or the other (growth or loss).

The USPS indicator represents the percent change over a two year span, from 2005 to 2007. The IRS indicators represent the percent change over a seven year span from 1998 to 2005. Finally, both USPS and IRS data provide indicators of neighborhood change that do not necessarily affect population. IRS data may reflect changes in household arrangements and the workforce population, such as the movement of students and shifting unemployment rates. USPS data may capture business openings and closings and building construction or demolition in the study area.

MARKET STRENGTH

Income

Q: Why does Social Compact use credit bureau income data?

A: Credit bureaus specialize in understanding individuals' financial standing and behavior. As such, credit bureaus are more likely to portray an accurate picture of income (especially at smaller geographies). Credit bureaus utilize self reported income, consumers' spending patterns, revolving loans, and other similar factors to estimate a given household's income. Social Compact relies on Experian's credit bureau data to estimate average and median income in an area.

Q: Why does the DrillDown report the average income of new home buyers?

A: Social Compact provides this as an indicator of neighborhood change. This indicator allows for a comparison between new residents and the general population in an area.

Q: Why does Social Compact report average income of new home buyers and not median?

A: Most data providers focus solely on median income of new home buyers. Social Compact highlights new home buyers' average income as an alternative indicator of neighborhood buying power.

Q: Are income numbers adjusted for inflation?

A: No, DrillDown income numbers are NOT adjusted for inflation. While some of the difference between Census 2000 and DrillDown numbers could be due to inflation, Social Compact also provides the most recent available traditional market estimates for purposes of comparison.

Informal Economy

Q: How does Social Compact calculate the informal economy?

A: The informal economy indicator is the ONLY DrillDown indicator that is modeled. Social Compact's informal economy model uses eight proxies (measurable at the neighborhood level) of cash activity to estimate the proportion of the neighborhood economy that may be attributed to unregulated income that may have been missed by the Census. These proxies, using a combination of publicly and privately available data, include:

1. Percentage of households with a total income of less than \$30,000
2. Ratio of household expenditures over income
3. Percentage of households with no banking relationships or credit histories
4. Percentage of utility payments made in cash
5. The prevalence of check-casher operations per acre in the profiled neighborhood
6. The prevalence of check-casher operations per household in the profiled neighborhood
7. Modeled versus actual home values
8. Percentage of the neighborhood's population that is foreign born

Once collected, these eight proxies are weighted using a point scoring system based on the results of Social Compact's pilot DrillDown study in four diverse Chicago neighborhoods. Social Compact identified the proxies through surveys of local residents and interviews with local community development practitioners in Chicago. The scale was weighted such that the Chicago neighborhood that exhibited the highest index for a particular indicator was considered the top value (represented 100% of possible points). The points scoring system amounts to a total of 10 possible points, with the proxies accorded the following values in the system:

1. Percentage of households with a total income of less than \$30,000 (1 point): top value 45%
2. Ratio of household expenditures over income (1 point): top value 120%
3. Percentage of households with no banking relationships or credit histories (2 points): top value 75%
4. Percentage of utility payments made in cash (1 point): top value 100%
5. The prevalence of check-casher operations per acre in the profiled neighborhood (0.5 points): top value is a sliding scale between 1 check casher per 100 acres (100%) and 1 check casher per 250 acres (0%)
6. The prevalence of check-casher operations per household in the profiled neighborhood (0.5 points): top value is a sliding scale between 1 check casher per 1000 households (100%) and 1 check casher per 2500 households (0%)
7. Modeled versus actual home values (2 points): top value 100%
8. Percentage of the neighborhood's population that is foreign born (2 points): top value 80%

Q: Does the weight applied to the percent foreign born change in different neighborhoods?

A: The weight itself will not vary but the percent of the population that is foreign born will vary; based on Census 2000 estimates of percent foreign born.

Q: Does the informal economy measurement capture illegal activity?

A: Social Compact's informal economy model provides an estimate of the dollar value of cash transactions that take place in a given area. There is no way to determine how much of this income can be attributed to illicit or any other activity.

MARKET STABILITY

Q: How does Social Compact calculate owner occupancy by building?

A: Social Compact determines owner occupancy by matching a street address with a property owner's mailing address. The data sets used in this calculation are provided by: local tax assessor offices, First American CoreLogic, and other data sources that may contain these two fields. Social Compact considers a building as owner occupied if, for buildings 5 units or less, at least one unit is owner occupied, and, for larger buildings, more than 50% of the units are owner occupied.

Q: Why does Social Compact have the owner occupancy by building indicator?

A: Traditional data providers often disseminate information on owner occupancy, as presence of home owners has long been considered an indicator of neighborhood stability. Owner occupancy is often measured by assessing whether a property owner resides in each residential unit. In suburban areas, where a residential unit is often equivalent to a single-family home, this measure adequately captures the presence of homeowners in a neighborhood. However, housing arrangements in urban areas vary widely; much of the housing stock is comprised of multi-unit, multi-family structures such as condominiums, apartment buildings and converted row houses. Using the example of a single residential building comprised of five apartment units, where the property owner resides in one unit and rents out the other four, the traditional metric of owner occupancy by unit would consider this structure only 20% (1 out of 5 units) owner occupied, yet, the investment into and interest in the community's well being by the urban property owner hardly differs from that of the property owner of a suburban, single family home. Consequently, a measure of owner occupancy by building, which would consider the five-unit building 100% owner occupied, is a more true reflection of urban conditions.

Q: What do the crime indicators include?

A: Social Compact examines crime data at the block group level, as part of its neighborhood risk and stability analysis. Crime statistics, obtained from local police records, are gathered longitudinally to assess trends in documented criminal activity over time. In order to maintain consistency across comparisons of time and geography, Social Compact uses population and household counts from Census 2000 and *not* current DrillDown estimates; and employs the Federal Bureau of Investigation's (FBI) Uniform Criminal Reporting (UCR) coding to define property and violent crime (see below). Unless otherwise stated, trends are reported for the start of the earliest year through the end of the latest year for which data was obtained (i.e. "2002 – 2006" is equivalent to January 1 2002 – December 31 2006). VIOLENT CRIME includes reported incidents of murder, forcible rape, robbery, and aggravated assault (in accordance with FBI UCR coding). PROPERTY CRIME includes reported incidents of arson, burglary, larceny/theft, and motor vehicle theft (in accordance with FBI UCR coding).

Retail

Q: What is NAICS?

A: The North American Industry Classification System (NAICS) was developed as the standard for use by Federal statistical agencies in classifying business establishments for the collection, analysis, and publication of statistical data related to the business economy of the U.S.

Q: What is CE?

A: The CE is the Consumer Expenditure Survey, a national account conducted by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor and administered by the Census Bureau. The CE program consists of two surveys, the quarterly Interview Survey and the Diary Survey, that provide information on the buying habits of American consumers, including data on expenditures, income, and the consumer unit (families and single consumers) characteristics. The CE provides average annual expenditures per consumer unit, which is similar to a household, based on income.

Q: How does Social Compact calculate retail expenditures?

A: Social Compact calculates residents' retail expenditures, based on household income, through an analysis of average consumer spending on goods and services provided by the most recent Consumer Expenditure Survey (CE). The CE expenditure categories are then matched to corresponding North American Industry Classification System (NAICS) codes for existing retail businesses.

Q: What is retail leakage/float?

A: An estimate derived through subtracting annual sales revenue from residents' annual aggregate expenditures. Leakage is presented as a dollar amount that is meant to identify the gap between available retail within the neighborhood and the retail spending of residents themselves.

Q: Can Social Compact break down the leakage categories beyond apparel, restaurant, and grocery?

A: Social Compact can only break down the retail categories as far as there is consistency between CE and NAICS retail categories. Social Compact is exploring the possibility of establishing additional subcategories in its retail analysis.

Q: What does it mean when the leakage number is positive?

A: A positive leakage number means residents' expenditures exceed retail business revenues in the study area, suggesting unmet demand.

Q: What does it mean when leakage is negative?

A: A negative leakage number means retail business revenues exceed residents' aggregate expenditures. This may indicate the presence of a shopping district or other retail destination or may be the result of significant visitor or tourist retail spending. Thus, an estimate of zero or negative leakage does not necessarily imply that neighborhoods are sufficiently retailed, rather that particular demand is not revealed through broad aggregate numbers.

Q: Are leakage and square foot potential the same thing?

A: No, however, these two values are complementary. The leakage (measured in dollar amounts) can be converted into square foot potential based on the International Council of Shopping Center's (ICSC) national estimates of retail revenue per square foot for grocery and apparel retailers. Similar to leakage, a positive value for square foot potential is likely to represent unmet demand. A value of zero, suggests that the study area contains a shopping district or a retail destination.

Groceries

Q: How do you define a full service grocer?

Social Compact assembles a list of food retailers that sell food for home consumption and preparation (supermarket, corner store, convenience stores, etc.) from ESRI Business Analyst, Info USA, and/or AC Nielsen. This category does not include restaurants, carry-out establishments, etc. “Full service grocers” are defined as food retailers that sell food for home consumption and preparation and have at least 20 employees. In addition, where feasible, Social Compact will enlist local partners to review and verify that food retailers with less than 20 employees sell products from each and all of the following categories: fruits, vegetables, dairy, meat, and breads. If they do, these food retailers will also be added to the list of full grocers. “All grocers” are defined as all food retailers that sell food for home consumption and preparation (including full service grocers, corner stores, convenience stores, etc.).

Q: How can there be an average distance to a grocery store if there is no grocery store in a neighborhood?

A: Average distance represents the average of the distance in miles from each census block group center to the nearest full service grocer (irrespective of neighborhood boundaries). This assessment includes establishments in the study area and up to two miles beyond the study area boundary. In the case that an establishment is located on or just beyond the neighborhood boundaries used in the DrillDown analysis, this indicator serves as a more accurate determinant of residents’ access to these services.

Q: Why doesn’t the DrillDown provide an average distance to all grocers?

A: Social Compact does not provide an average distance to nearest grocer from the “All Grocers” category because these include corner stores, convenience stores and other small grocers that are often plentiful in number, but do not provide the products and services a full service grocer would. The average distance indicator is meant to serve as a measurement of residents’ access to fresh and healthy food. Fresh produce, meat, and dairy products are often not available at convenience and corner stores, thus this measurement is restricted only to full service grocers.

MISCELLANEOUS

Q: Why doesn’t the DrillDown report indicators on race/ethnicity?

A: Aside from the Census, which is already publicly available, there is no reliable, alternative source of information on ethnic or racial composition for a small geography. The same holds true for age, gender and educational attainment.

Q: Why doesn’t Social Compact use traffic counts?

A: When available, traffic counts are easily accessible from municipal, planning and/or transportation departments. Traffic counts are only available for particular intersections, highways and other areas of interests; generally the areas with most traffic.

Q: Does the total number of acres for the neighborhood/study area include water (rivers, lakes, etc.)?

A: No. The total number of acres does not include water bodies. Land area measurements are obtained from the U.S. Census Bureau as the size, in square units (metric and nonmetric) of all areas designated as land in the Census Bureau's national geographic Topologically Integrated Geographic Encoding and Referencing (TIGER®) system.

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Q: Why is there an average distance to bank indicator but none for credit unions?

A: The average distance indicator is meant to serve as a measurement of residents' access to traditional financial services. Credit unions often do not provide the same number of services that a traditional bank can offer its customers, and in addition, restrict their services to a particular sector of the population. The DrillDown does provide the average distance to a nontraditional financial service provider (check casher, pawnshop, or payday lender) because these establishments do serve the general public and are used by many as an alternative to traditional banking systems.