



Alan Mallach

BUILDING A BETTER URBAN FUTURE: New Directions for Housing Policies in Weak Market Cities

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Written by Alan Mallach
Research Director,
National Housing Institute

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Alan Mallach, Research Director of the National Housing Institute in Montclair, New Jersey, served as Trenton, New Jersey's director of housing and economic development from 1990 to 1999. Author of *Inclusionary Housing Programs: Policies and Practices* and many other works on housing and planning, he is a member of the College of Fellows of the American Institute of Certified Planners. He holds a B.A. degree from Yale University in New Haven, Connecticut.

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National Housing Institute
460 Bloomfield Avenue, Suite 211
Montclair NJ 07042
973.509.2888
www.nhi.org

INTRODUCTION

Changes in the American economy have given rise to new opportunities and new risks for the nation's older cities. Over the past decade, the revitalization of downtowns and urban neighborhoods has brought new vitality to communities that were all but written off only a few years earlier. Local governments and community institutions such as universities or hospitals have led some of these revitalization efforts, while other neighborhoods have been transformed through in-migration or through the efforts of residents themselves, mobilized by neighborhood organizations or community development corporations (CDCs).

America's cities have not shared equally, however, in the economic gains of the past decade. While many cities have thrived, gaining new residents, companies, and visitors, others have not. Those "weak market cities" continue to lose population, jobs, and businesses into the new century. Their threats are not land and housing shortages, but population loss and stagnant economies.

An important theme in the revival of many American cities has been the emergence of a new paradigm for urban revitalization. This paradigm not only acknowledges the central role of the marketplace in driving the future, but also defines new and creative roles for local government, nonprofit CDCs, and other stakeholders in harnessing the power of the marketplace for positive community change. While weak market cities face particular challenges in seeking to apply this paradigm, opportunities exist everywhere.

Although job growth and tourism are important for reversing the trends of out-migration and economic disinvestment in weak market cities, no city can hope to thrive unless it becomes an attractive, desirable place to live. Housing investment is central to the urban future of weak market cities. Better housing and neighborhoods of choice are not only intrinsically valuable, but bring major investment in job-generating retail trade, services, and entertainment in their wake. The decisions that local actors—including public officials, CDCs, foundations, corporations, and other institutions—make to secure and invest housing resources are crucially important.

There are few tasks more important and more necessary in American society today than the regeneration of cities. Recognizing the importance of this task, four different organizations concerned with the future of our cities—the Community Development Partnerships' Network, The Enterprise Foundation, the Local Initiatives Support Corporation, and the National Housing Institute—have joined forces to prepare this paper, hoping that it will advance and accelerate the revitalization of America's cities. The information in this paper should help CDCs, government officials and agencies, lenders, community members, and local foundations that provide resources for housing and community development in weak market cities assess the effectiveness of current revitalization efforts; develop more potent goals and strategies; and allocate resources to best achieve these goals.

CHAPTER 1

HOUSING AND WEAK MARKET CITIES: OPPORTUNITIES AND CHALLENGES

Weak market cities are often places of sharp, glaring contrasts. They have many assets, including vibrant neighborhoods, strong cultural and educational institutions, and creative leadership. Yet their strengths are not reflected in their economic and market conditions. These conditions have spawned a series of housing market dynamics that reinforce one another, perpetuating a cycle of decline and undermining the ability of weak market cities to capitalize on their assets.

Weak market cities have many assets that represent market opportunities

Economic decline is not the entire reality, even in the most distressed city. Older cities have significant assets, many of which have yet to be fully harnessed in efforts to rebuild their economies and quality of life. These include:

- **A rich, concentrated physical fabric.** Older cities often offer a dynamic mixture of accessible open spaces and civic assets such as universities, riverfronts, Olmsted parks, and historic buildings. Despite the ravages of time and urban renewal, much of this fabric remains intact.

- **Strong neighborhoods and unique housing stock.** Most weak market cities have strong neighborhoods where houses are well maintained and desirable, though perhaps selling for less than they might elsewhere. Much of the housing in these neighborhoods has a historic or architectural character that makes it unique.

- **Flexible housing and building inventory.** Large parts of the urban environment are well adapted to reuse as needs and market conditions change. Yesterday's factory becomes today's upscale apartment building; mansions of late 19th century merchants become offices for lobbyists and trade associations; and former industrial sites become reuse opportunities for everything from big box retail to townhouses.

- **Reviving downtowns and strong anchor institutions.** The reinvention of urban downtowns as residential communities is bringing new vitality and civic identity to cities. Many urban neighborhoods have distinctive assets that can be used to foster revival, such as parks, historic districts, and anchor institutions, including hospitals and universities.

- **Creative leadership.** Finally, the leadership of public officials, CDCs, and other community institutions in these cities is perhaps their most powerful asset. Many mayors and community leaders have demonstrated that change is possible.

The housing market in weak market cities is trapped in a cycle of decline

Understanding the challenges that revitalizing cities may face is critical to confronting and dealing with these challenges. A series of interlocking forces drive the housing markets in weak market cities downward—weak demand leads to low housing values and high vacancies, which leads, in turn, to property abandonment and neighborhood deterioration:

- **Weak demand.** Lack of growth, either within the city or the region as a whole, has led to two critical patterns in the housing markets of weak market cities. First, total housing demand is limited. Second, those looking for housing are disproportionately likely to be low-earning households.

- **Low housing values.** Where demand for housing is weak, market values are likely to be low. Homebuyers who have choices tend to avoid low-value communities, because the houses are not seen as good investments.

- **Poor housing conditions.** Because housing surpluses and low prices discourage investment, housing conditions tend to be inferior, particularly for the poor. Although low prices may result in bargains for a few moderate and middle income families, many low-income families in weak market cities experience severe housing problems. These are overwhelmingly problems of quality, not quantity.

- **High vacancy rates and widespread abandonment.** When housing supply is greater than demand, the result is high vacancy rates and abandonment. With high vacancy rates, abandonment increases as owners see no market or long-term prospects for their properties.

- **Declining neighborhoods.** Finally, market weakness has a profound effect on a neighborhood's stability and quality of life. A neighborhood with large numbers of vacant lots and abandoned buildings is a troubled neighborhood. Few people will put their own money into rehabilitating or upgrading properties in these areas, while families whose economic conditions improve are more likely to move out of the neighborhood and the city.

To begin the process of rebuilding their housing and their neighborhoods, communities must not only make a commitment to change, but must pull all of their key stakeholders together to design a strategy to invest their housing resources in ways that respond to and build on the realities of the local market. The goals described in the following section grow out of the features of the housing markets summarized above, and provide a basis for sound decisions about housing choices and investments.

CHAPTER 2

REVERSING DECLINE: POLICY GOALS FOR HOUSING INVESTMENT IN WEAK MARKET CITIES

Every city shares the same dilemma. Resources for housing investment are limited, needs far exceed the dollars available, and these needs compete with one another for resources. These issues are hard to resolve, especially in weak market cities. Do we seek to tackle the most disinvested neighborhoods, or focus on neighborhoods at risk of further decline? Do we concentrate on meeting lower income housing needs, without regard to the market consequences, or focus on strengthening the real estate market, at the risk of neglecting the housing conditions of the poor? In the absence of clear policies and priorities, many cities may try to do a little of everything, often scattering limited resources in ways that help a handful of direct beneficiaries but may yield little sustained benefit to the community.

A more productive approach is to think of housing not as a way of addressing a set of problems, but as a response to a broader citywide and regional challenge. Housing investment in weak market cities can become a tool for strengthening the city and its neighborhoods, and improving the quality of life for the city's citizens of all income levels. Housing policies in these cities should be designed to help restore the city's competitive position in its region and foster a more diverse economic mix in the city's neighborhoods. This can only be achieved where housing investments are more than discrete projects, but are part of a larger long-term strategic framework driven by market-building strategies. To that end, each housing investment or activity should be designed to achieve one or more of four fundamental policy goals:

- Build neighborhoods, not just houses.
- Foster a more diverse economic mix in the city and its neighborhoods.
- Make sure the community's present residents benefit from change.
- Leverage housing investment to help rebuild the city's economy.

Goal 1: Build neighborhoods, not just houses

A stable thriving city is a city of stable thriving neighborhoods. People choose to move into, or stay in neighborhoods more than houses. The determining factor in the future of weak market cities is how well they maintain the stability and enhance the appeal of their neighborhoods, and create a climate that not only encourages people with choices to buy in the city's neighborhoods, but encourages existing residents to stay and invest their time, energy, and money in their neighborhood. The task, in a phrase widely used today, is to create neighborhoods of choice: these are neighborhoods that people—specifically, those who are in a position to choose—remain in or move into. To create neighborhoods of choice requires equal attention both to making housing investments and to building and preserving neighborhood amenities. They are two sides of the same coin.

Housing investment is neighborhood investment. Of all the issues which must be addressed if neighborhood revitalization is to become a reality, housing may be the most important. Not only do residential areas make up the greater part of any neighborhood, but housing investment drives the decisions made by individuals and families to buy or rent, to fix up or neglect, and to stay or leave. Each housing investment should be evaluated both as shelter and in terms of how it contributes to making the neighborhood as a whole stronger and more competitive. Similarly, public amenities such as new schools, green spaces, transit lines, and shopping districts should all be planned and designed in conjunction with housing investments, so that the money being invested in a neighborhood has the greatest cumulative impact on its market appeal and quality of life.

Goal 2: Foster a more diverse economic mix in the city and its neighborhoods

Cities as a whole are disproportionately poor, and weak market cities tend to be the poorest, reflecting the steady outward movement of those residents with the economic means to move out of the city. Unless cities can reverse this pattern, they will remain locked into an ongoing cycle of continued deterioration and impoverishment. Thus, a city that becomes attractive to the moderate, middle and upper income people who could choose to live elsewhere will not only draw a new generation of affluent in-migrants, but will encourage more of its own residents to stay and put their talents to use in the city.

A healthy city is a diverse city, offering an environment that appeals to people of different generations, racial and ethnic groups, and economic levels. Fostering a more diverse economic mix can reduce concentrations of poverty and reverse the cycle of decline. As housing demand grows, property values increase, encouraging better property maintenance as well as investment in both new construction and rehabilitation, reducing abandonment and improving neighborhood quality. In turn, increased property values and higher resident incomes translate into greater property, sales, or income tax revenues for local government. These revenues can translate into improved city services, and a better quality of life for all residents. Finally, as disposable income grows, retail spending grows. Entrepreneurs can translate additional spending into new business and job opportunities in the city.

Cities have three ways to change their economic mix, and build their middle class. First, they can grow upward mobility by investing in education, financial literacy, job training, and improving city residents' access to suburban job opportunities. Second, they can retain upwardly mobile households by improving services, reducing crime, and fostering a better quality of life in the city's neighborhoods. Finally, they can attract middle and upper income households from outside the city by creating and marketing neighborhoods of choice.

While some cities can attract middle and upper income residents by more effectively marketing their existing assets, others may have to provide financial incentives to compensate for the low market values and limited appreciation in the city's housing stock. This raises the question of when and how it is appropriate, from a policy and ethical standpoint, to use scarce public resources to assist non-poor households, when low-income housing needs remain unmet. Local officials and CDC staff must have a solid understanding of the local housing market and the real estate development process if they are to be able to determine what those circumstances are, and use public resources effectively. Only by developing the ability to target public investment to leverage significant private resources can cities develop responsible, ethical policies to promote the economic mix that is needed for a viable, sustainable, community.

Goal 3: Make sure the community's present residents benefit from change

Ideally, the movement of more affluent households into the cities would be matched by greater housing opportunities throughout the region for low-income households. Unfortunately, this is not the reality that most cities and regions will experience. The slow pace of economic change dictates that poor and near-poor households will remain disproportionately concentrated in cities for the foreseeable future; cities, therefore, will continue to bear the greatest part of the responsibility to address their needs, including continued production of affordable housing. To contribute to the city's revival, however, affordable housing must be closely tied to the city's strategies to rebuild its neighborhoods, build its middle class, and reinvigorate the local economy. To do so, CDCs and developers should follow two principles:

Build affordable housing to build wealth. It is both good policy and good politics to ensure that long-term residents of the community benefit from the city's revitalization. Affordable housing can create opportunities for lower income families to build individual assets, wealth, and self-sufficiency, and to become more stable, engaged members of the community through home ownership. At the same time, cities should avoid pursuing homeownership strategies that place financially stressed households into uncertain ownership situations, which may deplete rather than build the family's assets.

Enhance neighborhood quality with quality affordable housing. Providing higher quality affordable housing for lower income families not only benefits those families, but also their neighborhoods and the city as a whole. Rehabilitating substandard housing or building new, well-designed affordable housing can improve the physical and aesthetic quality of a neighborhood. Furthermore, affordable housing development in itself can provide a boost to a neighborhood, eliminating blight, building community capacity, and engaging lenders, local officials, and others in the neighborhood's future. To this end, cities should:

- Make the best use of the existing housing stock. Affordable housing can and should be pursued where possible through better use of the existing housing stock. This can happen by assisting households to find better housing through counseling or rental assistance, improving currently occupied housing, or restoring abandoned properties to productive use.

- Maintain a healthy balance. All cities, but particularly weak market cities, should avoid creating or perpetuating neighborhoods that concentrate poverty and low-income rental housing. The closely related goals of fostering a diverse economic mix and a healthy balance of homeownership and rental housing in each neighborhood should guide affordable housing investment.

Finally, affordable housing investments should always be paralleled by investments that build the value of the city's human capital, through education, training and job opportunities.

Goal 4: Leverage housing investments to help rebuild the city's economy

Housing plays a far larger and more positive role in most cities' fiscal picture than many people realize, particularly in cities that rely on the property tax for a large part of their local and school revenues. By even modestly increasing the value of residential real estate, a city can raise more incremental property tax revenues than from strenuous efforts to attract new businesses and industries. Cities should therefore focus on increasing the value of their housing stock as a whole. The best way to do that is to improve the city's neighborhoods, making them more attractive to an increasingly diverse body of homebuyers.

Housing strategies and housing investments should be closely linked to economic development strategies. These strategies may include developing housing in conjunction with transit systems, developing downtown housing, and neighborhood revitalization strategies that link housing and economic development at the neighborhood level.

CHAPTER 3

TURNING GOALS INTO REALITY: GUIDING PRINCIPLES AND INVESTMENT STRATEGIES FOR WEAK MARKET CITIES

Goals must be translated into strategies and programs. Without effective implementation, they are no more than good intentions. Carrying out any of the goals described above requires that communities plan, design, and systematically carry out a cluster of related strategies and programs that are grounded in principles that make it possible to address cycles of decline. Seven guiding principles are presented here, along with specific strategies that follow each principle. These principles and strategies reflect the recent experiences of many cities.

Principle 1: Think strategically

The common ground of all weak market cities is the need for change. People want to change the conditions that have led to the decline of their city's housing market and rebuild the city's economy and quality of life. More than just a vision for the future, however, a strategy for change demands a clearheaded assessment of the reasons for decline, a series of carefully formulated steps to address those conditions, and a strategic commitment of resources.

STRATEGIES

A. Get everyone on the same page.
B. Make partnership a way of thinking.
C. Inform your strategy with reliable and up-to-date information.
D. Encourage community-based planning for neighborhood change.
E. Use resources strategically.

A. Get everyone on the same page.

Perhaps the hardest step in building a strategy is to unite the efforts of the many funders and funding sources into a coordinated strategy. Public funds come from different entities at different levels of government, governed by separate statutes and regulations, and driven by inconsistent or competing organizational interests. While coordination may never become perfect, it can be significantly improved by focusing on two things. First, leadership is critical. A key local stakeholder—the mayor, a foundation president, or a major corporate executive—can often provide the leadership that brings a variety of public and private funders together to agree on a common agenda for the allocation of their resources. Second, coordination is an incremental process. A step-by-step approach, first building joint strategies among those entities that are easier to bring together, and gradually moving outward, is likely to be most effective.

GOOD PRACTICES

In **Rochester, New York**, local government funding decisions and priorities are coordinated and tied to the citywide neighborhood planning process. Decision-making level staff from each city department and the school district meet quarterly to review how their efforts are linked to each other, and to the neighborhood plans developed through the city's Neighbors Building Neighborhoods process.

In **Cleveland, Ohio,** three local foundations, along with many of the city's major corporations, came together to create Neighborhood Progress, Inc., a vehicle through which they could pool resources and leverage public funds to foster neighborhood revitalization and strengthen the city's community development corporations.

B. Make partnership a way of thinking.

Thinking strategically means building partnerships. No city, however talented its leadership and dedicated its staff, can carry out a comprehensive rebuilding strategy by itself. Similarly, even the most effective CDC can do little without the support of the city in which it is located. City governments, CDCs, developers, neighborhood associations, funders, and local institutions must all be willing to work together as genuine partners to make change possible.

Building and sustaining effective partnerships often requires a major change in the way institutions think and operate. City government should be able to share decision-making with neighborhood organizations, while CDCs must learn to think about their neighborhoods and neighborhood strategies within the larger context of the overall future of the city. Building the community's revitalization strategy should include wherever possible a deliberate, incremental strategy of bringing people together in working partnerships.

C. Inform your strategy with reliable, up-to-date information.

The most effective housing strategies are grounded in neighborhood and property information systems that use hard data to enable public officials, CDCs, and community groups to track changes in their neighborhoods, ranging from negative trends such as criminal activity, fires, tax delinquencies, foreclosures, and code violations to positive trends such as home purchases, market value increases, and increased spending on home improvement. This knowledge helps communities target resources where they will be most effective.

Data on an array of indicators is routinely gathered and entered into computer systems in the typical American city. An effective, user-friendly and timely system requires a high level of cooperation among different public and private organizations, and usually calls for a single highly capable entity—often a university-based research or planning center—to take the lead in creating and maintaining the system.

GOOD PRACTICE

To support the community planning and neighborhood revitalization efforts of the city of **Minneapolis, Minnesota**, the Minneapolis Neighborhood Information System (MNIS) was developed at the Center for Urban and Regional Affairs at the University of Minnesota. MNIS serves the city and the city's 88 neighborhood councils. The Center provides MNIS training to neighborhood leaders and CDC staff, and recruits faculty and students to carry out research studies using the MNIS system on behalf of the neighborhood councils. This is but one of a growing number of information resources available to community groups, including Neighborhood Knowledge Los Angeles (NKLA) and the National Neighborhood Indicators Project at the Urban Institute. More information on the Project is available at www.urban.org/nnip/.

D. Encourage community-based planning for neighborhood change.

Comprehensive, community-based, neighborhood revitalization planning is a powerful tool for neighborhood change. A strong neighborhood plan, engaging the full range of stakeholders within and outside the neighborhood, serves many useful and important functions:

- It provides a clear direction, or road map, for the neighborhood's future.
- It provides an effective means of balancing market forces with other community objectives.
- It can build support for the community's future, both among neighborhood residents as well as key prospective funders and supporters.
- It gives credibility to the serious, ongoing nature of the community's revitalization efforts.

The strategies, activities and budgets of a good plan should be ambitious but realistic. Based on a pragmatic assessment of the resources that are

TABLE 1: THREE MODELS OF NEIGHBORHOOD REVITALIZATION PLANNING

Model	Description	Examples
Citywide neighborhood revitalization strategy	Through city initiative, neighborhood revitalization planning is carried out in all neighborhoods – or all neighborhoods meeting threshold criteria – in city	Minneapolis, MN Rochester, NY Portland, OR Seattle, WA
Target neighborhood revitalization strategy	Through city initiative, neighborhood revitalization planning is targeted to selected neighborhoods designated on the basis of priority criteria	Richmond, VA Baltimore, MD Chattanooga, TN
Neighborhood-driven revitalization planning	Individual neighborhoods initiate "bottom-up" revitalization planning strategies for their area	Camden, NJ East St Louis, IL

potentially available and the city's larger goals and strategies, they must be firmly rooted in a sense of what is feasible under current and likely future market conditions.

E. Use resources strategically.

The demand for funds, particularly "soft" money such as grants or below-market loans, always exceeds what is available, especially in weak market cities. However, while never enough, the amount actually available is often underestimated. Cities that spend the time to systematically identify potential resources, particularly at the state level, may discover that the dollars potentially available for targeted community investment are greater than they may believe. Some of these potential resources may include state and federal transportation funds, or state funds for open space or infrastructure improvements.

Perhaps the single most important dimension to using resources strategically is the will and the ability to give priority to investing resources where they can best further the community's goals. Targeting resources is difficult. Prioritizing certain areas or activities means that some areas will receive more investment than others with equally compelling needs. To succeed, the community must be convinced that the targeting strategy is a rational one, and that it will lead to funds being used more effectively than in the past.

Principle 2: Capture your market

In our market-driven economy, the market makes key decisions that determine the future of a city or a neighborhood. The market is made up of economic actors making decisions, based on the choices and information available to them, about where they should spend their resources. Cities can better understand these processes by:

Building local capacity to address market issues. More than ever before, today's urban decision-makers need to be more sophisticated about market principles and their application, so they can understand the factors that can make their city or neighborhood more competitive within regional and national markets. While much of this expertise may come from consultants, or from a small number of specialized personnel, key local officials and CDC staff must be able to use the information effectively.

Learning to target housing markets systematically and aggressively. Most people who are not poor have a variety of choices when deciding where to live. A city's growth and prosperity hinge on these choices, and the extent to which people conclude that it makes economic sense to live, buy, or build in the city. A growing, prosperous city is a competitive city, to which people move not because they have no choice, but because they actively want to be there.

STRATEGIES

A. Grow the middle class.
B. Hold onto the city's upwardly mobile households.
C. Draw new residents from around the region.
D. Market the city.

In order to thrive, weak market cities must develop ways to become competitive. That begins by understanding how the market works, identifying the market opportunities that are available, and making those opportunities real by marketing the city effectively.

A. Grow the middle class.

The people who already live in the city represent the greatest resource for building housing demand in weak market cities. The mission of cities, including local governments, school districts, social service organizations, and CDCs should be to increase the number of the city's residents moving up the economic ladder. This requires enhancing their ability to compete in the regional economy, and increasing their ability to use their resources to build economic stability and wealth. This can be accomplished by improving outcomes in the local education system, providing job training and retraining, improving access to jobs through better transportation, and more.

B. Hold onto the city's upwardly mobile households.

The best way to hold onto upwardly mobile families is to make neighborhoods better. The more positively a homeowner feels about a neighborhood and its future prospects, the more likely she will either buy in that neighborhood, or improve her house in that neighborhood. Keeping these families in the city is one of the most important things a city can do to preserve its future. Cities should actively work to influence their choices by first convincing them to buy inside rather than outside the city; and second, if they already own a house in the city, convincing them to invest their funds in improving their present home rather than relocating.

Holding on to upwardly mobile families may require creating housing products that are not currently available. Some older neighborhoods, and in some cases entire cities, contain little variety in the type and size of housing they offer. In some communities the strategy may include developing larger, more expensive houses through new construction or rehabilitation to enable households to "trade up" within the city. In other areas, the housing itself may appeal to upwardly mobile families, but the quality of the neighborhood's schools must improve before they will make the commitment to remain in the neighborhood.

GOOD PRACTICE

St. Joseph's Carpenter Society, in **Camden, New Jersey,** initiated a comprehensive strategy to rehabilitate abandoned houses in the Stockton neighborhood for homeownership, combined with a strong homebuyer education and counseling program. The CDC's long-term improvement strategy was to convince large numbers of prospective homebuyers that the area was a sound investment, leading many buyers who might have left the city to buy homes in that neighborhood. Over the course of nearly 10 years, the CDC has rehabilitated over 250 units, capturing as much as 80 percent of the total internally generated homeownership demand in the city. Abandonment has been sharply reduced, and house values have risen significantly relative to the rest of the city.

C. Draw new residents from around the region.

Cities also need to tap the demand for housing from households living in the rest of the region, or moving into the region from outside the area. Many regions surrounding weak market cities are growing, some rapidly. Capturing even a small share of suburban growth or drawing back even a small part of the suburban population to the urban core could turn around decades of population loss in many cities.

Cities should compete with the suburban neighbors for its particular niche markets, those families and individuals who by age, family composition, or other factors are most likely to be interested in city living. This is known as target marketing, a process that demands careful, dispassionate, and experienced analysis and solid market research data. It is premised on the idea that certain groups may be attracted to certain cities or neighborhoods because of their particular assets. Such assets can include the employment base, entertainment venues, a distinctive or affordable housing stock, or walkable access to downtown or a major employment center. While in rapidly growing regions cities can focus on capturing a share of regional growth, in slow growth or no-growth regions, cities should identify their target markets from within the existing suburban population. A stronger, more competitive city ultimately benefits the entire region.

GOOD PRACTICE

In **Norfolk, Virginia,** Collins Enterprises, working closely with the Norfolk Redevelopment and Housing Agency, designed a new development for downtown Norfolk based on a detailed target market analysis developed by Zimmerman/Volk Associates. The analysis indicated that the market was both larger, and more heavily skewed to young singles and couples, than either the city or the developer expected. The development, Heritage at Freemason Harbor, has been highly successful. Nearly all of the units were pre-leased or pre-sold well before construction.

D. Market the city.

In order to sell a city's neighborhoods to potential residents, the city must mount a marketing campaign to change the way it is perceived both regionally and nationally. The campaign should be multidimensional, utilize a variety of media, provide a variety of layers of outreach to targeted groups, and involve meaningful partnerships among local government and other actors, such as realtors and CDCs. It must be a long-term commitment, constantly refined as market conditions change. If the campaign is closed down or scaled back after one, two, or even three years, it risks having been largely a waste of time, money, and energy.

Marketing a neighborhood is much the same as marketing a city, except that it must be even more tightly focused on the particular assets of the neighborhood and the particular target groups that are likely to be most interested in those assets. Marketing plans should take into account that present residents not only form the base of support for any neighborhood association or CDC, but also represent a significant marketing opportunity in their own right, by focusing as much on changing the perceptions of the area's residents in order to motivate them to stay in the area and buy or upgrade their present home, as on marketing the neighborhood to people outside the community.

GOOD PRACTICE

The city of **Baltimore, Maryland,** partnered in 1997 with non-governmental stakeholders to create a new entity, called LiveBaltimore, to market the city. With five marketing professionals and support personnel and operating out of a visible downtown storefront location, LiveBaltimore carries out a dizzying variety of activities promoting Baltimore as a place to live. Some of their many activities, which are closely coordinated with city improvement programs and homebuyer incentives, are:

- Maintaining a website with detailed information on neighborhoods and homebuying incentives
- Conducting targeted marketing of city neighborhoods
- Building relationships with major employers and creating employer incentives for city living
- Organizing homebuyer fairs and house tours
- Recruiting real estate agents, title insurance companies and others to participate in marketing efforts

Although it is impossible to isolate the effect of the marketing campaign, the average home sale price in the city of Baltimore increased from $64,000 in 1998 to nearly $105,000 in 2002, an increase of 64% over five years.

Principle 3: Set the table for investment

Cities must make people want to invest there, rather than elsewhere. Urban redevelopment can pose challenges not faced in suburban areas. It is often harder and more expensive to build on an urban site than on a cornfield at the region's edge, or to restore a Victorian row house than to buy a new house in a suburban development. The financial return from building or buying in the city, moreover, is often more uncertain than in its surrounding suburbs. Cities that are serious about change must create a climate where people who want to invest constructively in the city are supported in their efforts, using public funds to build their market and "prime the pump" for development.

STRATEGIES

A. **Build a positive investment climate at city hall.**
B. **Use public funds to fill market gaps and leverage private investment.**

A. Build a positive investment climate at city hall.

Everyone seeking to invest in a city comes to city hall for zoning variances, planning approvals, building permits, tax abatements, or other financial incentives. How they are received, and how efficient, transparent, and predictable the processes are, will not only determine whether they persevere in their effort, but whether others will follow in their footsteps. To that end, cities should:

Welcome potential investors. The physical appearance of the city offices serving prospective investors, the manner in which the staff deals with their inquiries and solves their problems, and the quality of the city's website and written materials should all convey the message that the city is eager to work with the prospective investor. The city's website is particularly important, since today it is most often the first point of contact between a city and a potential investor.

Create a predictable and transparent process. Nothing discourages investors more than uncertainty. Not knowing which office is responsible for dealing with a particular issue or what information or forms are required before an action can be taken, for example, can deter investment. A one-stop center, where a prospective investor can find all of the necessary information, can make a major contribution to a positive climate. Relevant information, including downloadable forms, should be posted on the city's website.

Make the process fair for everyone. A city's approval processes should be fair, and all investors should have equal access to an open, responsive system.

Make the process efficient. The process of gaining approvals should not only be predictable, it should be efficient. While large-scale projects involving hundreds of acres or housing units may require more extended reviews, city officials should work to turn around small projects in days, not weeks or months.

Get the tools right. Finally, even with the best processes in place, a city's efforts will be severely constrained if it is operating on the basis of antiquated or inappropriate codes and regulations (see box below).

Create a positive neighborhood climate for investment. To encourage individuals and

As each city rethinks its processes, it should ask these questions about its codes and regulations:

- Do building codes reflect modern standards and requirements?
- Do building codes provide realistic standards to encourage rehabilitation?
- Is an efficient, fair appeal process available?
- Do the zoning and land use codes permit the types of development that the city is seeking without requiring variances?
- Do the zoning and land use codes permit planned development, in order to foster large-scale redevelopment efforts?
- Does the city have clear, written procedures and standards for discretionary actions such as conveyance of city property, tax abatements, and other incentives?
- Do the procedures and standards clearly further the city's revitalization goals?

families to invest their own money in buying, rehabilitating, and maintaining homes in the neighborhood, a positive climate must also exist at the neighborhood level. The commitment to neighborhood change should be visible, reflected in a neighborhood revitalization plan, improved services, or visible public investments; strategies to make people aware of the rehab opportunities and incentives that are available; and technical assistance and a supportive atmosphere for individuals rehabilitating property in the neighborhood.

GOOD PRACTICE

The city of **Milwaukee, Wisconsin,** set up a one-stop Development Center as the "single source of contact for people and businesses needing permits to construct or remodel buildings in the city of Milwaukee." In addition to a walk-in center, it provides a wide range of on-line information in user-friendly fashion, enabling anyone to find out the zoning of a property and whether a permit is needed for a particular activity. Applicants can also track the progress of their applications on line.

B. Use public funds to fill market gaps and leverage private investment.

Cities provide millions of dollars each year as subsidies or incentives for construction or rehabilitation of housing, foregoing even more millions in tax and other revenues. With resources limited, every dollar a city puts out in incentives or subsidies must be used effectively and productively.

Incentives to encourage people to buy or rehabilitate properties. The most effective way to improve many neighborhoods is for homebuyers, small builders, and contractors to buy and fix up the houses in the neighborhood. As cities have found when a neighborhood becomes "hot," many people have the will, the energy, and the financial resources to rehabilitate such properties. Providing incentives to stimulate this type of private initiative often requires less expenditure of public funds than other types of rehabilitation, while funds can often be provided in the form of tax abatements, credits, or rebates rather than direct subsidies. These residents are likely to be economically diverse and strongly committed to their homes and the neighborhood.

It must make economic sense for a homebuyer to buy a particular house. "Economic sense" reflects the purchase price and carrying cost of the house and how the buyer perceives the present and future of the city and the neighborhood. That leads to two key points. First, incentives will work better where a larger framework of neighborhood revitalization and an active support network for people buying homes and improving properties exist. Second, within that framework, incentives should be used to encourage people to invest in the neighborhood beyond the level investors see as being supported by current market conditions.

A major obstacle to getting people to restore dilapidated or abandoned houses in many neighborhoods is their concern that the cost of rehab will exceed the value of the rehabilitated property, or that the property may lose rather than gain value in the future. Incentives can be designed to overcome that obstacle, by filling the "market gap" between the cost of rehabilitation and the subsequent value of the property. The incentives must be large enough to truly affect the investor's decision rather than simply reward a decision already made, and must be carefully targeted to generate the greatest results with the resources that are available.

GOOD PRACTICES

A growing number of cities are providing incentives to encourage people to rehabilitate homes for owner-occupancy. In **Richmond, Virginia,** the city's Redevelopment and Housing Authority has created the Urban Pioneer Incentive Program for the Jackson Ward neighborhood, offering matching fund loans for the purchase and renovation of homes for owner-occupancy up to a maximum of $35,000. If the owner lives in the house for 7 years, the entire loan amount is forgiven. **Hartford, Connecticut,** has created a similar program, called the Homeownership Appraisal Gap Funding program, providing loans of up to $40,000.

The **Maryland** state historic rehabilitation tax credit program provides a credit against state income taxes equal to 20% of the rehabilitation cost to both commercial developers and to individuals restoring historic homes for their own use. It has provided a major boost to the revitalization of a number of Baltimore areas, including the West Side, where it made possible the conversion of the abandoned Hecht Company department store into housing.

"Prime the pump" for market-oriented development. Cities can and do also offer developers incentives to build or rehabilitate buildings for "market rate" housing, where developers perceive the market to be too weak to support development without public sector incentives, and may be concerned that the rents or selling prices of the new units, at least initially, will not cover the cost of developing the project. When the project is an important part of the city's larger strategy, it must offer incentives to move it forward. These incentives are considered "pump priming," because they are designed to trigger previously weak or nonexistent market demand, which, once activated, will make future use of those incentives unnecessary.

Ground rules for "priming the pump":

- Provide incentives only when the nature or location of the project is clearly designed to build a stronger market for that product or that area.
- To the extent feasible, incentives should reflect amounts needed, based on sound project analyses and underwriting practices.
- Any incentive, such as tax abatement, that is not provided as a one-time front-end investment should be designed to phase out over as a short a period as possible, not to exceed five years.
- Where feasible, build in provisions, such as subordinated mortgages, that will enable the municipality to recapture all or part of the funds in the future.

Developer incentives may mean significant financial commitments by the municipality, either as direct cash outlays, free land, significant tax and fee revenues foregone, or a combination of these. Using these tools successfully demands technical sophistication about real estate market conditions, real estate development, and housing finance. Municipalities that want to succeed in this area should consider building or retaining technical personnel to analyze project costs and market conditions and negotiate fair, balanced incentive deals with developers. The municipality should be prepared to walk away from a deal if the costs become too great relative to the public benefits.

Principle 4: Tailor strategies to neighborhood market dynamics

Every neighborhood is different, with its own strengths and weaknesses. In order to revitalize a neighborhood by rebuilding the housing market, that neighborhood must be evaluated from a market perspective. Nearly every weak market city shows a consistent pattern of neighborhood market conditions, with neighborhoods ranging along a continuum from those that are regionally competitive and largely insulated from the cycle of decline affecting the rest of the city, to those that have been heavily disinvested, with a poorly functioning real estate market, widespread population loss and abandonment. Each neighborhood requires a different mix of strategies, incentives, and investments to support or rebuild its market, and preserve or restore neighborhood vitality.

STRATEGIES

A. Use neighborhood market dynamics to frame effective revitalization strategies.
B. Adopt targeted strategies for intermediate neighborhoods at risk.
C. Apply large-scale or long-term transformative strategies in disinvested areas.

A. Use neighborhood market dynamics to frame effective revitalization strategies.

A wide variety of information resources are available to evaluate the market dynamics of a city's neighborhoods and plan effective strategies. Census data on demographic conditions, housing tenure, cost, and vacancies can be supplemented with information from local sources on current home prices, lending activities, tax delinquency, and demolitions to provide a detailed picture of an area's market conditions. By tracking many of these data elements over time, analysts can identify key trends affecting the neighborhoods, while other techniques can make it possible to understand the relationship between different factors. All of these can give planners a deeper understanding of the neighborhood, enabling them to develop strategies that hold out the greatest promise for positive community change.

Given their value, many cities have undertaken neighborhood analyses. Many have found that neighborhoods can be clustered into a few broad categories and that this clustering can be useful for exploring and framing plans and policies that appropriately address the market opportunities and challenges of each neighborhood. As such, clustering is not a basis for rationing attention and resources, but rather for focusing those resources most constructively. Although neighborhood typologies provide a broad framework for planning, investment strategies for any given neighborhood should be based on the market conditions of each particular neighborhood.

Most models typically involve three basic neighborhood "types," which can be briefly described as follows:

Stable or regionally competitive neighborhoods. These are the city's strongest neighborhoods from a market standpoint. In these areas, the housing market is working reasonably well, there is a steady demand for the housing in the area, and prices are equal to or greater than replacement or rehabilitation cost. For these neighborhoods, the city's principal responsibility is to ensure that they do not lose their edge, by providing a high quality of public services and facilities.

Intermediate neighborhoods. These are neighborhoods in which the market is still viable at some level today but is visibly under threat. They are areas where maintenance may be slipping, homeownership rates may be declining, and abandoned properties are beginning to appear on otherwise sound city blocks. Such areas demand targeted strategies; housing investment is far more likely to take the form of small-scale infill and rehabilitation than large-scale construction.

Disinvested areas. The third category is made up of those areas in need of investment on a larger scale. While such areas often have assets that can serve as the nuclei for redevelopment, the scale of deterioration and abandonment is such that more ambitious efforts at rebuilding are needed to create the framework for revitalization. Some revitalization efforts have included giving the neighborhood a new identity, which may be an important market strategy in the face of long-standing negative perceptions of the area.

The following discussion focuses on revitalization strategies for intermediate and disinvested areas, which require the most public intervention.

B. Adopt targeted strategies for intermediate neighborhoods at risk.

Viable but threatened neighborhoods are critical to any city's revitalization strategy, since their decline, with the resulting loss of property value, deterioration, loss of stable homeowners, and ultimate abandonment, will have a dramatic negative impact on the city as a whole. The cost of stabilizing such an area may be substantially less, moreover, than the cost of bringing back an area where the fabric of the community must be rebuilt from the ground up.

Go after vacant houses. Tackling the few vacant houses on a largely occupied block is critical. If left untended, they will gradually undermine the rest of the block. Strategies for boarded houses may require local government to take control through tax foreclosure or eminent domain for subsequent rehabilitation by a CDC, or offering attractive financial incentives to families that will rehabilitate the property for their own occupancy. These strategies can be tied to marketing activities designed to encourage such families to buy and restore substandard or abandoned properties in the neighborhood.

GOOD PRACTICE

In **Orange, New Jersey,** HANDS, Inc. has been carrying out a systematic strategy of identifying, gaining control of, and rehabilitating scattered vacant properties in troubled neighborhoods for home ownership. HANDS works aggressively to gain title to properties by buying tax liens, intervening in mortgage foreclosures, and buying HUD properties. HANDS' strategy has stabilized three neighborhoods in the city, and reduced the abandonment rate to less than 1/3 of its prior level.

Focus on scattered-site/small-scale strategies. Housing investment in intermediate areas should generally take the form of small-scale infill and rehabilitation rather than large-scale new construction. Local government should work with CDCs and reputable small local contractors and developers, and provide financial and other incentives to encourage individual households, both neighborhood residents and new in-migrants, to buy, rehabilitate, and occupy homes in the area. Revitalization strategies include providing assistance to struggling homeowners, creating programs to buy out irresponsible absentee owners and fix up properties for resale to homebuyers, along with targeted code enforcement and nuisance abatement.

GOOD PRACTICE

In **Baltimore,** the Patterson Park Community Development Corporation has initiated a systematic effort to gain control of the vacant properties in the city's Patterson Park neighborhood. They rehabilitate the properties, and either sell them to homeowners or maintain them as quality rental housing, depending on the market conditions of the immediate area, and the needs of the community. Since 1996, they have rehabilitated over 200 houses, leading to millions in private investment, dramatic increases in property values, and higher tax revenues for the city of Baltimore.

Enhance neighborhood curb appeal. Efforts to improve housing conditions should be combined with beautification activities to both foster neighborhood pride and enhance the area's curb appeal, such as façade grants, minimal landscape treatment of vacant lots, street tree plantings, or provision of attractive uniform front yard fencing along block faces.

Use larger projects as anchors. Larger "anchor projects" can help stabilize the neighborhood and serve as community assets. These include large apartment buildings, surplus school buildings, or vacant or underutilized commercial and industrial buildings. Converting such buildings into attractive housing or mixed use facilities can provide a neighborhood with a much-needed shot in the arm, leveraging further investment in surrounding properties.

GOOD PRACTICE

The Circle F neighborhood in **Trenton, New Jersey** grew around a large factory built in phases beginning in 1880. When it closed in 1990, the neighborhood began to decline, both because of the loss of jobs and the blighting effect of the vacant factory. The city, working with a nonprofit developer, divided the property, converting part into a showcase senior citizens housing complex, and the balance into light industrial space, which provided over 100 jobs for area residents. Simultaneously, the city initiated a neighborhood preservation program in the area, improving the streetscape and offering owners home improvement grants and loans.

Finally, any strategy to preserve or improve viable neighborhoods at risk must recognize that one of their greatest long-term assets is the many families who already live there, and who are steadily improving their economic conditions. Holding onto these families, while attracting new families to the area, should be a priority for every neighborhood.

C. Apply large-scale or long-term transformative strategies in disinvested areas.

Weak market cities often contain heavily disinvested residential neighborhoods and former industrial areas that may occupy only a small part of the city's total area yet contain a disproportionate share of its abandoned properties. Such areas may be candidates for large-scale redevelopment projects or long-term transformative strategies, particularly where they contain large expanses of vacant land as a result of sustained abandonment. Large-scale projects can create important opportunities for a city by changing the way the area is perceived by the marketplace, building new housing products not available elsewhere, providing "move up" opportunities for upwardly mobile city households, and engaging regional and national developers and investors in the city.

Focusing large-scale strategies for maximum impact. Whatever an area may offer in terms of location and other assets, its redevelopment must be part of a tightly and effectively focused and market-driven redevelopment strategy, making sure that redevelopment builds demand rather than creating excess supply and cannibalizing demand from other parts of the community, destabilizing viable neighborhoods that may already be at risk. When designing a redevelopment strategy, the city and its partners should perform a careful assessment of the opportunities and benefits the project offers and the opportunity costs of using scarce resources that could be used elsewhere. In so doing, they should identify which populations make up the potential market for redevelopment, and how to phase it for greatest success. This includes identifying the specific housing types most sought after by the potential market, and what design and site planning features will render them most attractive to the market, and build a strong, sustainable community.

Long-term cumulative investment. Large-scale, developer-driven redevelopment is not the only route even for severely disinvested areas. A strategy based on the cumulative effects of smaller projects and activities taking place on the basis of a long-term strategy can be a viable alternative in a neighborhood where a CDC exists with the capacity and commitment to pursue such a strategy over a sustained period. Public sector and foundation funders should do their utmost to ensure that these CDCs have access to consistent long-term funding streams and support for neighborhood revitalization planning activities.

While a strong community cannot be built without building a strong market, market success alone does not ensure a strong community. If not grounded in a solid long-term strategy to build the market, the success of a large-scale development can be transitory, conferring no lasting benefits on the neighborhood or the city, particularly if it is artificially propped up with tax abatements or other short-term incentives. Similarly, a development that is imposed on a neighborhood without resident engagement, or which displaces large numbers of residents, can easily become an enclave conferring little benefit on the neighborhood that it may be in, but not of.

Principle 5: Build on assets

Building on community assets lies at the heart of any revitalization strategy. Assets are what give people a reason to live in a neighborhood or community, and invest their time and money in the future of the area. Assets can take many forms, including:

- The quality of the housing stock and the physical environment.
- The neighborhood's location and its proximity to desirable communitywide or regional features.
- The level of social capital in the neighborhood.
- The presence of hospitals, universities, or religious and cultural institutions.
- The residents of the neighborhood.
- The presence of a strong civic association or CDC.

There are several strategies cities can deploy to leverage their assets, including maximizing location, engaging key institutional partners in revitalization activities, and linking housing to other neighborhood investments.

STRATEGIES

A. Think location, location, location.
B. Enlist key institutions as partners in revitalization.
C. Link housing investments to other neighborhood investments.

A. Think location, location, location.

The most important assets for revitalization are often a neighborhood's location and its relationship to key physical features of the larger environment. Among the many assets that can be the basis for successful redevelopment are proximity to water bodies, open space areas, transit hubs, major institutions, employment centers and distinctive buildings or historic districts.

Analyzing these factors is a critical step in developing revitalization plans, and determining how resources should be targeted. Although it is best to build on the location assets that already exist, it is sometimes possible to create a substantial asset, such as a park or light rail stop, where there are compelling reasons to pursue the revitalization of a particular area.

B. Enlist key institutions as partners in revitalization.

Major institutions or corporations within or adjacent to a neighborhood can be key partners in revitalization efforts. Hospitals, colleges, and universities have a large stake in the future of their neighborhoods, which affects not only the value of their holdings but their stature as an institution. While housing is far from the only area in which institutions can be involved, their potential roles in revitalizing the neighborhood's housing stock can include support for community planning and neighborhood beautification efforts, investment in real estate development, directly or through CDCs, and the creation of homebuyer or rehabilitation incentives, particularly for their workforce.

GOOD PRACTICE

Yale University, in **New Haven, Conneticut,** has assisted Yale employees to buy homes in targeted neighborhoods in New Haven since 1994. Yale currently pays buyers a total of $25,000, of which $7,000 is provided at closing, and the remaining $18,000 in 9 annual payments of $2,000 as long as the buyer remains in the home. The program is offered to any permanent employee at any level working more than 20 hours per week, and has led to nearly 600 university employees buying homes in the city, with a positive effect on the city's housing market as a whole, particularly on the Dwight neighborhood immediately north of the Yale campus.

C. Link housing investments to other neighborhood investments.

A neighborhood is more than housing. A strong neighborhood contains attractive, well-maintained open spaces, schools and other community amenities, all working together to create the quality of life that makes people of diverse incomes and backgrounds want to live there. The most effective housing investments are tied to other efforts and investments taking place in the same neighborhood. Open space, schools, transit stops and hubs, and commercial development all offer particularly strong synergies with housing investment. For that reason, it is important that entities such as school districts, transit authorities, and others consider how their investments can best be used to enhance housing opportunities in a neighborhood.

Open space. Building new housing next to a restored city park adds to the value of the housing and provides the park with a built-in constituency. In turn, a new park or other open space in conjunction with new or rehabilitated housing enhances housing value, while providing an important amenity for the community. Open space initiatives that can be linked to housing investments include squares and plazas; mini-parks, playgrounds, and sitting areas; community greens or commons; neighborhood parks and greenways; waterfront parks or promenades; and city or regional parks and greenways.

GOOD PRACTICE

Hope Communities redeveloped a highly crime-ridden block in a low-income neighborhood in **Minneapolis** with rental housing around an internal green commons, including walkways, a playground, a community garden, and a pavilion on a concrete pad left from an old garage. The site is designed so that the open spaces are transparent to observation by the residents, while the area is accessible from the outside to permit neighborhood children to use the play areas. The executive director of Hope Communities notes that, although the community is both low income and racially and ethnically diverse, "the family lives are stable because the kids are happy. The stability in family life translates to stability on the block. The renters never want to leave."

Schools. In recent years, many cities and states have initiated massive school rebuilding programs, reconstructing and expanding existing schools, and building new schools to replace older ones. School construction projects offer powerful synergies with housing, including the important benefit of making the neighborhood more appealing to families with small children. Schools can be linked to housing in a number of different ways. First, siting of new housing and new schools can be integrated to enhance the value and appeal of the housing. Second, new schools can be constructed within large-scale redevelopment projects, providing a valuable anchor or asset to those projects. Finally, schools can be developed as community schools, containing facilities, such as libraries, health centers, senior citizen centers, recreation facilities and community meeting spaces that become community assets.

Transit stops and hubs. Proximity to good public transportation, particularly rail or light rail service, is a major asset for residential development. Transit stops and hubs represent valuable revitalization opportunities, both for mixed-income residential development and for integrating housing and commercial development. Many areas are planning new light rail or bus rapid transit lines, or expanding existing systems. Local officials and CDCs should be at the table where this is taking place, advocating for routes that serve neighborhoods slated for revitalization, and new stations located to accommodate new residential or mixed use projects. Where systems already exist, it is often possible to create new light rail stops on an existing line, creating a major neighborhood asset at a cost that is modest by comparison to the benefits it will generate.

GOOD PRACTICE

The Belmont Dairy project in **Portland, Oregon,** took advantage of a trolley stop to redevelop a site that had sat abandoned for many years, attracting graffiti and squatters, and destabilizing both the commercial area in which it was located and the adjacent neighborhood. Using part of the original buildings and adding new structures to the site, the development opened its first phase in 1996 with 85 mixed income units and 26,000 square feet of retail space. Subsequent phases have added 30 townhouses, with 22 live/work units in planning.

Commercial development. Everyone shops, and many retailers have discovered in recent years that urban neighborhoods can be desirable retail markets. Linking commercial ventures to housing activities going on in the same area can enhance the value of nearby housing and strengthen the market for the new retail stores. Depending on the character of a commercial development, a variety of opportunities may be present to integrate housing into the development. Such opportunities include the creation of mixed-use developments, which include both housing and retail spaces, and the development of moderate to high-density housing adjacent to commercial centers. Even where they may not specifically incorporate housing into their plans, the design of new shopping centers should be compatible with the area's vernacular, pedestrian-friendly and accessible to neighborhood residents.

Principle 6: Build quality into all neighborhood investments

Any community that is serious about becoming more attractive to current and potential residents should make sure that all new development, rehabilitation, and adaptive reuse projects meet the highest standards of planning, design, and construction. Cities can use design quality as a strategy both to improve the city's quality of life and create a competitive selling point within its region. How well a development is planned, designed, and constructed will have a powerful impact on whether it enhances the quality of the neighborhood and fosters its regeneration. By making sure every new development adds quality to its environment, cities can not only fuel revitalization, but increase the likelihood of long-term, sustainable, change.

STRATEGIES

A. Respect the past.
B. Make sure each project adds value and quality to the community.
C. Remember the spaces between the buildings.
D. Enforce design standards sensitively but seriously.

A. Respect the past.

Quality planning and design begin with respect for the past. Urban rebuilding almost always takes place within an existing neighborhood context, usually established in the late 19th or early 20th century. The features of each neighborhood or block should be defined and used as the framework for future development. Respect for the existing character of a neighborhood does not require that new development be a literal imitation of existing development patterns, but rather that the new and the old exist in a harmonious relationship with one another. This is particularly important in infill locations where new buildings are added to a block with existing buildings. Each new development should be seen as "belonging" to the community.

These principles are particularly integral in areas with distinctive historic or architectural character. These areas should be cherished for how they reflect the city's past and for their value to enhance the city's future. They are among the most powerful assets that older cities have to build their markets. In some cities, architectural design guidelines have been developed and adopted to ensure that new development blends well with existing buildings. Other cities have commissioned architects to prepare 'pattern books', to show local architects and contractors how to design houses consistent with neighborhood character.

B. Make sure each project adds value and quality to the community.

Individual projects in a neighborhood are not self-contained islands, but parts of a cumulative process of neighborhood change. Design choices made on one project affect all those that follow. The choices made for each project simultaneously create and close off future rebuilding opportunities in the rest of the neighborhood.

Where the neighborhood fabric is largely intact, and housing is being created through rehabilitation or infill, development should seek to restore the existing fabric, through sensitive use of design guidelines and standards. Where demolition has created large open areas, or where the existing housing is unsuitable for rehabilitation, and large-scale redevelopment is being planned, there is no substitute for a strong neighborhood plan to provide a framework for recreating the neighborhood on the basis of sound new design principles, oriented to market-building strategies and the goal of creating an economically diverse community of choice.

C. Remember the spaces between the buildings.

The public and private spaces between new buildings affect the character of the neighborhood as much as the buildings themselves. The fabric of many older areas is frayed from decades of decline. Any strategy that uses housing investment to improve the quality of a neighborhood should also address the spaces in between, including tree plantings, façade improvements, uniform fencing, streetscape improvements and simple landscape treatments for vacant lots. These improvements enhance the value of both the new housing under construction and the neighborhood as a whole. They also demonstrate to the existing residents of the neighborhood that they, and not just new residents, are also benefiting from improvements to the area.

GOOD PRACTICE

In **Baltimore,** Operation Reach Out South West (OROSW), a coalition of neighborhood organizations, created an *Open Space*

Management Program to address the impact of vacant parcels on the quality of life and market perception of the Southwest Baltimore area. Targeting highly visible locations along gateway streets, the program turned 185 vacant lots into attractive, well-maintained green spaces. In addition to the neighborhood coalition, the effort engaged a local hospital, city agencies, a youth service corps, the Community Law Center, and the Baltimore Neighborhood Design Center.

D. Enforce design standards sensitively but seriously.

Design standards are a critical tool for building quality into new housing investments. They need to be enforced firmly, but sensitively, melding clear legal authority with solid technical expertise and thoughtful judgment, permitting architects to work creatively, rather than forcing them into dull repetition of existing building patterns. A design advisory board can be established to review submissions and recommend actions to the body with the ultimate legal authority, including individuals with planning and architectural expertise, as well as residents of the neighborhoods where the effect of the design guidelines is likely to be most substantial. Finally, both the advisory board and the ultimate decision-making body should have access to staff or consultants with solid design expertise.

Educating and engaging those involved at the neighborhood and city levels is critical. Where design guidelines are neighborhood-specific, residents should be deeply involved in framing the guidelines in order to reflect their sense of what neighborhood features are most valuable and to build their support for future enforcement. The local officials who act on redevelopment proposals must also understand the importance of enforcing design and planning standards, as a tool to further the rebuilding of the neighborhood as a sound, sustainable community. By enforcing strong design standards from the beginning, the city is building value for the future. That value will ultimately translate into greater property values and market demand than if the community adopts a laissez-faire attitude toward developers' proposals.

Principle 7: Address affordable housing needs to create opportunities and strengthen neighborhoods

There are compelling ethical, practical, and political reasons to address the housing needs of lower income households, who will remain disproportionately concentrated in cities for the foreseeable future. Providing higher quality affordable housing not only benefits those households, but also the entire community by creating opportunities for them to become more stable, engaged residents of the community, and helping them build assets and move out of poverty. Lower income housing strategies in weak market cities must be about more than shelter; they must also be sensitive to the particular realities of the housing market, and be designed to complement, and not conflict with, efforts to attract a more economically diverse population.

STRATEGIES

A. Make the most of the community's existing housing stock.
B. Ensure that new construction of affordable housing serves neighborhood revitalization goals.
C. Integrate new lower income housing through mixed-income development.
D. Preserve affordable housing opportunities in areas experiencing market appreciation.

A. Make the most of the community's existing housing stock.

While some older units may be unsuitable for continued use, many can continue to provide decent affordable housing with less capital investment than is required to replace them with new units. The key is to identify and respond to decline before existing houses deteriorate to the point where major rehabilitation is needed. Communities should design and implement strategies to preserve and improve existing affordable housing, including reaching out to owners of at-risk rental properties, developing effective intervention tools to deal with problem properties, helping lower income homeowners remain in their homes, combating predatory lending, and providing access to flexible affordable financing for qualified individuals to buy, improve, and refinance existing multifamily buildings.

GOOD PRACTICES

In **Cleveland, Ohio,** the Housing Court has linked assistance to landlords with code enforcement by employing a team of housing specialists that provide training through landlord-tenant clinics and one-on-one assistance to landlords seeking help finding financial resources to correct code violations and improve their properties.

A consortium of 90 banks, insurance companies and public sector entities created the Community Preservation Corporation to offer both short-term and long-term acquisition, refinancing and repair loans for small and medium-sized privately owned affordable rental properties. Through 2002, CPC had provided over $3 billion in financing for over 90,000 units in **New York** and **New Jersey**.

B. Ensure that new construction of affordable housing serves neighborhood revitalization goals.

There are many circumstances under which it is appropriate to build new housing as part of an affordable housing strategy. Much older housing was not well constructed and is wearing out, while other housing may be too expensive or difficult to rehabilitate for modern use or reconfigure for special needs. In addition to such practical considerations, a newly constructed and well-designed housing development may help improve the way the neighborhood is perceived, both by its own residents and by outsiders, to start the process of revitalization. Coupled with the elimination of highly deteriorated housing, it can improve lower income residents' circumstances while establishing a more favorable market position for the neighborhood. In contemplating new construction of affordable housing, local officials and CDCs must make sure that the proposed development will serve goals that cannot realistically be met within the existing housing stock and will not increase vacancy and abandonment in the community. While affordable housing, particularly for owner-occupancy, can itself enhance a neighborhood, it is also desirable, where feasible, to incorporate new affordable housing into mixed-income developments.

C. Integrate new lower income housing through mixed-income development.

Integrating lower income housing with market-based housing helps build economically diverse neighborhoods, while maintaining a continuing base of affordable housing in the event of future market-driven appreciation in the area. It is now generally recognized that lower income units can be incorporated into mixed-income developments without impairing the marketability of the more expensive units. The percentage of lower income units must be carefully determined, the quality of design and planning must be high, and the more affluent buyers or tenants must see the project as giving them good value for their money.

While the ultimate goal of mixed-income strategies is to expand the number of middle and upper income households in the neighborhood's and city's mix, intermediate steps, particularly in high poverty areas, such as affordable rental housing, may be appropriate in order to move toward that goal. Such developments must be planned and executed not as ends in themselves, but as steps toward the ultimate goal of greater economic diversity.

In mixed-income developments, units targeted to middle and upper income households should be market-based. They should be sold or rented without reference to the income of the tenant or buyer, and structured in ways that ensure that they work effectively to build the market. This may require public subsidies in low-value areas, where the highest rents or sales prices that units can command will not support the cost of creating the unit.

GOOD PRACTICE

The **New Jersey** Housing & Mortgage Finance Agency's MONI (Market-Oriented Neighborhood Improvement) program provides capital subsidy funds for mixed-income homeownership development in specifically designated target neighborhoods in the state's cities. Projects are eligible for up to $35,000 in capital subsidy for the market-rate units, if needed to bridge the market gap.

D. Preserve affordable housing opportunities in areas experiencing market appreciation.

While preserving and providing affordable housing is a citywide issue, it takes on particular weight in appreciating or gentrifying areas, where increased rents and market values may erode the pool of affordable housing and displace long-term residents from their community. Rapid appreciation or gentrification can shrink the pool of affordable housing, exacerbating housing problems elsewhere in the community; impose physical or psychological hardships on long-term residents, many of whom may have contributed to the neighborhood's revival; and sharpen political and social conflict in the community by pitting more affluent newcomers against less affluent long-term residents, and in some cases, white newcomers against people of color.

By addressing these issues early in the process, cities can allow appreciation to take place while minimizing the problems that it causes. Timing is critical. Cities must be careful not to stifle appreciation that may just be emerging. Over-concentrating housing restricted to lower income households, for example, to the point where it represents a disproportionately large part of a neighborhood's total housing stock, can depress middle-class in-migration, effectively blocking appreciation at a high cost to the community as a whole. Similarly, strategies that may be effective in a hot market, such as inclusionary or affordable housing replacement ordinances, may not be feasible in a market that is just beginning to show signs of vitality.

One of the best strategies to pursue in a gradually appreciating area may be for cities or CDCs to bank land for future construction of lower income or mixed income housing, with the specific timetable and character of the housing driven by assessment of market trends. Other tools to create or preserve affordability in these areas may include using shared-equity homeownership strategies, financial incentives to property owners to keep housing affordable, anti-speculation ordinances, and vacant property receivership to gain control of buildings held for speculation.

CHAPTER 4

CONCLUSION: GETTING STARTED

This paper outlines an extensive body of strategies for change. Many cities already have parts of these strategies in place and there are many potential partners and allies, from neighborhood organizations to university faculty, who can be recruited to help put additional pieces together. Most important, perhaps, is that building a strategy for change is a step-by-step process, which is likely to stretch over many years. Pieces of the strategy can be put in place as resources permit or as emerging opportunities dictate. The main thing is to get started and continue to move ahead, making the most of the pieces that are already in place and building incrementally on them.

Weak market city governments and CDCs are often limited in their resources. As a result, for most cities it may make sense to set the stage for more ambitious efforts with initial, modest steps, such as the following:

- *Inventory what is already in place.* Many cities may have pieces already in place, as well as organizations eager to initiate efforts or contribute resources. Simply putting down the information in one place—a good project for a team of interns or a college class—can be a useful starting point.

- *Share ideas and information.* Few local officials, CDC staff, local businesses, or foundations have a complete picture of their potential partners for change. Creating venues and forums where people can share ideas, information, and joint processes is an important starting point.

- *Build a road map.* Once people have started to come together, and a good picture of the city's opportunities and ongoing activities is in place, it is important to build an action plan to ensure that both current and planned future activities have the greatest impact.

- *Take small steps.* Table 2 illustrates a number of small, inexpensive actions that can be taken by local officials, CDCs and others to move forward as outlined in this paper. Some of them cost no money, and only a modest amount of people's time. Others may cost money, but only a small amount. All of them can begin to make a difference.

At some point, however, the question of allocating resources must be addressed. It is always difficult for financially stretched communities to choose among competing needs, yet it is essential that they do so. Though these decisions may reduce the revenues available for current expenditures, if properly planned and executed, they should bring about future revenue growth that will more than offset the costs.

Having accepted the principle of investing in the future, one of the most difficult questions is where to put the money. Should funds be used to build a neighborhood information system, fund a major marketing campaign, bridge the market gap for a new housing development, or pay for a new light rail station in a struggling neighborhood? There is no simple answer. In making those

TABLE 2: IDEAS FOR GETTING STARTED

Principle	Initial Action Steps
Think strategically	• Have the mayor or city manager organize a monthly meeting of the heads of the departments dealing with abandoned property issues to discuss what each one is doing, and how they can work better together. • Approach area universities to explore the possibility of a university-based research center or department developing a local information system. • Organize a roundtable on community-based planning for local CDCs and present/potential funders. Bring in speakers from other cities where it has been an effective tool.
Capture your market	• Hire a top-notch marketing firm to identify the city's target markets and how best to reach them. • Prepare marketing materials and organize meetings with human resource directors of major corporations and institutions in the region to enlist their involvement in promoting the city to new hires. • Hold home fairs in targeted areas, offering small incentives to the first 25 families to attend the tour and then buy in the area.
Set the table for investment	• Put comprehensive information online about (1) what permits are needed for any construction or rehabilitation project; (2) what information or documents an applicant needs to get the permit; and (3) who issues the permit and how they can be reached.
Tailor strategies to neighborhood market dynamics	• Get a university-based team to do a simple analysis of trends in house prices, mortgage activity (from HMDA), and tax delinquency by Census tract. • Create a fund to provide incentives to families willing to buy and rehab vacant buildings for owner-occupancy.
Build on community assets	• Enlist a local university to offer a pilot incentive program to staff to buy homes in the neighborhood adjacent to the university. • Bring the school district, a neighborhood CDC, and city recreation department together to develop plans for integrating housing and community open space into a planned school construction project.
Build quality into all physical investments	• Explore designating (additional) historic districts in order to take advantage of state historic rehabilitation tax credits. • Work with local architects to develop simple design guidelines for rehabilitation and infill development in the city's neighborhoods.
Address affordable housing needs to create opportunities and strengthen neighborhoods	• Recruit a group of retired landlords, property managers, or building superintendents to create a support system for landlords of troubled rental properties. • Freeze auctions of city-owned properties in a neighborhood showing house value appreciation and place properties in a land bank for future affordable housing development.

decisions, local officials should look to the investments that generate the greatest leverage, not only in the direct sense of the ratio of private to public dollars, but which generate the greatest potential benefit or community impact.

Getting started is not just about taking specific actions, but about recognizing and acting on the need for far-reaching, transformative change. Transformative change involves new ways of thinking about the community and doing business; it requires new skills and new relationships with a broad array of partners. It can be wrenching and painful. It happens only when and where leadership emerges to make it happen. While getting started will require a wide variety of skills, talents and resources, without effective leadership, the results are likely to be far less than the sum of the efforts. Leadership—whether coming from local government, CDCs, foundation executives, or neighborhood organizations— is the catalyst that makes transformation possible.

The leadership that cities most need arises from faith in the city's future, and a conviction that the city's future can be a bright one. It builds bridges between the different sectors and interests in the community, making them partners in a creative enterprise. Ultimately, it leads to a sustained effort, where the commitment to change does not belong to a single individual, but is embodied in the entire community, its organizations, and institutions.

No report or document can provide leadership. It is the hope of the author and sponsors of this paper, however, that it will help spur leadership among those who read it by demonstrating that change is possible, by offering a blueprint for change, and by offering a body of tools and resources that can make it happen.

ORGANIZATIONS

National Housing Institute

The National Housing Institute is an independent nonprofit research and education organization dedicated to community revitalization by empowering residents of low-income neighborhoods, strengthening the civil society and enhancing the work of community builders through public policy and programmatic analysis, development and promotion. Founded in 1975, we communicate our research through symposia, reports and in our national journal Shelterforce.

460 Bloomfield Avenue, Suite 211
Montclair, NJ 07042-3552
T. (973)509-2888
F. (973)509-8005
http://www.nhi.org/

Local Initiatives Support Corporation

The Local Initiatives Support Corporation (LISC) is the nation's leading community development support organization. Since 1980, it has provided grants, loans and business expertise to more than 2,400 community development corporations (CDCs) across the nation. By supporting and strengthening these non-profit, resident-led local organizations, LISC helps renew the communities where lower income people live, work, and raise families.

501 7th Avenue
New York, NY, 10018
T. (212) 455-9800
F. (212) 682-5929.
http://www.lisc.org/

The Enterprise Foundation

The Enterprise Foundation helps America's low-income families with their struggle out of poverty by providing decent homes, access to steady employment, quality child care and safer streets. Working with a network of 2,500 community organizations nationwide and through its 17 offices, The Enterprise Foundation has leveraged close to $6 billion in investments and donations to help build almost 175,000 affordable homes.

10227 Wincopin Circle, Suite 500,
Columbia, MD 21044
T. (410) 964-1230
F. (410) 964-1918
http://www.enterprisefoundation.org/

Community Development Partnerships' Network

The Community Development Partnerships' Network (CDPN) is a national organization that supports and promotes community partnerships working to build thriving neighborhoods. These public-private partnerships are a combination of business leaders, local governments and community members. CDPN's goal is to support these partnerships and to replicate their successes in other parts of the U.S. To that end, we facilitate peer learning, perform or support innovative research and provide access to information and technical support.

1009 Grant Street, Ste. 201
Denver, CO 80203
T. (303) 468-8750
F. (303) 477-9986
http://www.cdpn.org/