CREATING A TIPPING POINT

Housing Development as a Tool for Neighborhood Revitalization
This project was supported by funding from the City of Columbus, Columbus Housing Partnership, NeighborWorks® America, and The Enterprise Foundation.

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Executive Summary

Although Columbus has experienced significant population and economic growth in the past 40 years, much of it has been in “newer Columbus,” areas annexed to the city since 1950. Many Columbus central city neighborhoods exhibit little reinvestment, low homeownership rates, slow appreciation in real estate values, and declining housing stock. Concerned city leaders ask whether it is possible to focus limited resources in targeted central city locations to help create a “tipping point” in the real estate market that will bring back private capital. To answer this question, the City of Columbus and Columbus Housing Partnership asked Community Research Partners (CRP) to undertake research with the goal of learning more about the role that central city housing development can play in stimulating neighborhood revitalization.

Key Research Questions
CRP investigated the following aspects of successful housing and neighborhood revitalization projects:

- Appropriate housing type, scale, and income mix
- The development context (community and neighborhood characteristics)
- Involvement of the private sector, major institutions, government, nonprofit and for-profit developers, and community-based organizations
- Non-housing project components, such as commercial development, social services, and community building
- Funding/financing models
- “Tipping point” for success
- Lessons learned

Research Methodology
Data were collected from three sources:

1. A literature review, including Internet research
2. Interviews with seven national housing experts to distill theory, research findings, and innovative practices in central city housing development and neighborhood revitalization
3. Five case studies, selected for their relevance to Columbus and diversity of models and partners, with data collected through telephone interviews and document review

Is it possible to focus limited resources in targeted locations to help create a “tipping point” in the real estate market for homebuyers that will welcome back private capital?
Perspectives on Housing Development and Neighborhood Revitalization

Information from the literature review, interviews with national experts, and project case studies suggest that the issues involved in central city housing development can be viewed from three perspectives:

- **Focus**: the project purpose or goal
- **Scale**: the project size and pace
- **Market**: the project consumers and investors

### Focus: Project Purpose or Goal

“Focus” describes a project’s purpose or desired outcome. Although frequently interrelated, the goals of affordable housing production and neighborhood revitalization differ. The narrower affordable housing focus is the typical approach taken in central city projects, targeting households with incomes below 80 percent of the area median income, substandard or overcrowded housing conditions, or special needs or disabilities. These projects may include the construction or rehabilitation of rental housing or owner housing or may combine rental and homeownership strategies to maximize affordability for the target income group.

The broader neighborhood revitalization focus expands the scope beyond housing to include the enhancement of physical, economic, and social components that affect the quality of life in neighborhoods. The comprehensive community initiative (CCI), or comprehensive community development, is an holistic approach to neighborhood revitalization that recognizes the interconnection of social, economic, and physical conditions. Neighborhood revitalization efforts often attempt to measure success not only in terms of outputs (houses built, rehabilitated, etc.), but also in terms of less tangible outcomes such as image of the neighborhood and viability of the market.

### Lessons about Focus

- **Greater impact can be achieved through linking housing development to neighborhood revitalization and community-building strategies.**
- **Develop a locally defined vision for success that engages key stakeholders and the whole neighborhood.**

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**Affordable Housing Focus**

**Pros**

- Stable, decent-quality housing is a starting point for other opportunities.
- Affordable housing can stabilize families, neighborhoods, and schools.
- Output is easy to measure.
- Homeownership can help households build wealth.

**Cons**

- Communities need jobs, services, and amenities for long-term viability.
- Housing affordability alone is of limited use without investments resulting in a neighborhood that is a desirable place to live.
- The potential benefits of homeownership to low-income households may be outweighed by other costs and overinvestment in a single asset.

**Neighborhood Revitalization Focus**

**Pros**

Effective revitalization strategies have a positive impact on four elements that affect neighborhood stability:

- The image that defines the neighborhood
- The viability and particular characteristics of the neighborhood’s real estate market
- The physical conditions of individual houses and public spaces
- The strength of the social connections among neighbors and with local institutions

**Cons**

- New or rehabilitated housing may attract higher-income newcomers who displace the original residents.
- The goals of affordability and neighborhood redevelopment may conflict.
**Scale: Project Size and Pace**

The scale of a project—in terms of land area, number of housing units, non-housing components, and pace and density of development—is another perspective from which to consider the impact of a housing project on neighborhood revitalization. There is, however, no single answer or formula to determine the scale that is needed in a particular neighborhood.

Small-scale projects typically include infill development, or take an incremental “block-by-block” approach, that attempts to preserve the character of a neighborhood. Many small-scale projects begin by making modest but highly visible physical improvements that give a sense that changes are occurring. Some incremental projects, such as the Genesis Project in Dayton and the work of the South Bend Heritage Foundation in the near westside of South Bend, have demonstrated a domino or ripple effect. However, small-scale projects do not always have desired effects on broader neighborhood revitalization.

The aim of large-scale development is often the creation of a new neighborhood or community. However, a comprehensive project may also have a goal of revitalizing and preserving an existing neighborhood. Candidates for large-scale development include severely blighted neighborhoods with the highest levels of abandonment and deterioration or weak markets where a more dramatic and comprehensive approach is required in order to achieve the desired market effects. In large-scale projects such as the Comprehensive Community Revitalization Program in the South Bronx and the Community Building in Partnership in the Sandtown-Winchester area of Baltimore, “scale” describes not only the physical or geographic size of the project, but the magnitude of community change that is envisioned in the lives of neighborhood residents. A large-scale, comprehensive approach is not a guarantee of success and in some cases may be too big. Both large- and small-scale projects may be more effective when they are connected to city, regional, and federal initiatives.

**Lessons about Scale**

- **Small-Scale/Incremental**
  - **Pros**
    - Retains the fabric of the neighborhood by effecting change incrementally
    - May avoid bureaucratic entanglements and overblown expectations
    - Can be effective when connected to an overall vision for neighborhood change
  - **Cons**
    - Takes more time
    - May be less likely to attract new market-rate investors
    - Attracts fewer resources and has a narrower base of support

- **Large-Scale/Comprehensive**
  - **Pros**
    - Produces more dramatic change quickly
    - Strengthens neighborhood capacity to effect change
    - Leverages multiple financial sources and cross-sector support
    - Addresses multiple causes of neighborhood decline
  - **Cons**
    - May displace low-income residents
    - Can threaten neighborhood character and heritage
    - Demands resources and time for planning, consensus building, decision making, and problem solving

If the goal is to fundamentally change a central city neighborhood, it is more likely to be achieved with visible, larger-scale housing development linked with other elements of a comprehensive neighborhood revitalization plan.

Large-scale, comprehensive projects require time, collaboration, and development capacity.

A large-scale project requires strategically targeted advance funding commitments from local government, private funders, and other appropriate sources.
Both small- and large-scale projects have been shown to have an impact on neighborhood change. However, each approach has strengths and limitations that must be balanced in making program decisions.

**Market: Project Investors and Consumers**

The market describes a project’s intended “consumers” (people who live, work, shop, and otherwise patronize neighborhood facilities), as well as “investors” (funders and others who invest resources in the project and neighborhood). In some cases a person or organization may be both a consumer and investor. In order for a central city housing development and neighborhood revitalization project to be successful, it is necessary to analyze and understand the current and potential markets of the geographic area and determine how the project can maximize its market potential.

There are a variety of approaches to market analysis. It can be approached from the perspective of neighborhood needs, identifying negative social, economic, and physical conditions that will be addressed and improved by the project. Another perspective is an assets-based analysis, uncovering and identifying neighborhood strengths that provide the potential for revitalization.

Traditionally, central city neighborhoods have been analyzed from a needs-based perspective. This approach typically focuses on identifying specific needs of a population or neighborhood that are related to poverty, crime, unemployment and deteriorated housing and implementing appropriate programs and projects to address these needs.

A needs-based approach is often dictated by the requirements of funding sources. Housing and community development projects often rely heavily on funding from public and philanthropic sources that may restrict funding to populations or locations most in need. This funding is often provided for individual projects and is not aimed at investment in a neighborhood as a potential market.

Assets-based approaches identify and mobilize a community’s assets and untapped resources, which include both tangible assets such as property and financial resources and intangibles vested in the skills, knowledge, and expertise of community residents and institutions. An assets-based approach uses strategies to attract private investment in communities by promoting what may be unrecognized neighborhood assets, such as location, an attractive geographic feature, architectural or historic importance, an employment center (hospital, university, or an active commercial area), and active residents.
An assets-based approach has been found to be more successful if investors are provided with reliable information about the assets and redevelopment potential of distressed neighborhoods and if the return on investment is measured by more than economic indicators: neighborhood “vital signs” such as housing and community development, children and family health, safety and well-being, workforce and economic development, city services, urban environment and transit, and education.

**Lessons about Market**

- The central city is made up of many submarkets that require different approaches to market analysis and development based upon their specific needs and assets.

- Targeting a mixed-income market can support the dual goals of neighborhood revitalization and creation of affordable housing opportunities.

- Include strategies for equitable development that minimize displacement and provide opportunities for asset development by low-income households and community organizations.

- Private sector and institutional partners can play key roles as initiators and investors in stimulating neighborhood markets.

**Case Studies**

CRP reviewed literature and conducted interviews to compile case studies of the following:

- Dayton, Ohio: Genesis Project
- Indianapolis, Indiana: Fall Creek Place
- Rochester, Minnesota: First Homes
- St. Louis, Missouri: Westminster Place
- South Bend, Indiana: South Bend Heritage Foundation

The case study research collected data from the following sources: review of literature, reports, and documents about the community and the project; and telephone interviews with key individuals who could provide information and perspectives about the project.

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The scale of development that is sufficient to create a “turning point” or “tipping point” varies with the circumstances of the neighborhood and community.

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The future of neighborhoods will not only be determined by their own efforts to improve, but also by how well the city focuses on some key citywide strategies for market change: strategic thinking, a user-friendly investment climate, and public investment to fill market gaps.

Mallach, 2005
Dayton, Ohio: Genesis Project

A public-private partnership including two private anchor institutions (Miami Valley Hospital and the University of Dayton), the city of Dayton, and a nonprofit community development corporation, the Genesis Project emerged from the area’s Rubicon Park Master Plan with the goal of transforming the Fairgrounds neighborhood into a safe, attractive, affordable place to live and work. The project improved the physical environment by upgrading infrastructure and increasing homeownership from 17 percent to 35 percent, built or renovated 44 homes, stimulated reinvestment in the Brown-Warren Business District, and stabilized social forces by increasing the numbers of permanent residents and strengthening participation in a neighborhood association.

Indianapolis: Fall Creek Place

The Fall Creek Place neighborhood of Indianapolis has been transformed from a crime-ridden, abandoned area into an attractive, mixed-income residential community through construction and rehabilitation of 480 owner-occupied and rental units. Stimulated by a U.S. Department of Housing and Urban Development Homeownership Zone grant, the project reserved 51 percent of residences for households with less than 80 percent of area median income. Early development such as infrastructure improvements and model homes increased the demand for market-rate properties. The project featured large-scale strategic infill housing, infrastructure improvements, and retail development according to a phased master plan.

Rochester, Minnesota: First Homes

Spurred by area employers’ recruitment difficulties because of a lack of affordable housing, the Rochester Area Foundation, with support from the Mayo Clinic, established First Homes, a public-private collaborative that leveraged federal, state, and private resources to build single-family homes and rental townhouses and assist homebuyers with purchases. More than 600 units have been constructed in 11 communities within a 30-mile radius of Rochester.

St. Louis: Westminster Place

Westminster Place is a 12-block mixed-income community. The initial strategy of the city and McCormack, Baron, Salazar, a private developer, was to make significant public improvements and create a totally new neighborhood by building a critical mass of residential units. In the early phases, as many market-rate units as possible were built (with 20 percent reserved for low income households). Developed in four phases, the project includes 365 apartments and townhouses, 96 assisted-living units, 52 single-family homes, and retail development.
South Bend, Indiana: South Bend Heritage Foundation

The South Bend Heritage Foundation is a 30-year-old community development corporation that has worked incrementally to preserve and redevelop the Near Westside neighborhood. The foundation organized the West Washington-Chapin Revitalization Committee to involve community members in creating a comprehensive redevelopment plan. The organization has developed and managed numerous housing and non-housing projects in West Washington. Since 2000, they have collaborated with four major neighborhood institutions and residents to develop a revitalization plan for the Near Northeast neighborhood and have begun purchasing, rehabilitating, and building houses.

Tools

No single strategy fits all neighborhoods. Approaches to central city housing and neighborhood revitalization must be tailored to specific local conditions. A variety of tools are useful for both analyzing neighborhood conditions and implementing housing and neighborhood revitalization strategies. These tools are not intended to be all-encompassing, but can form the beginning of a “blueprint” for how to translate the research information into strategies for revitalizing Columbus neighborhoods. They include:

**Tools for Neighborhood Analysis**

- Data collection tools to gather information about the population and the economy in the neighborhood and citywide; housing, type, tenure, and condition; type and condition of public and private services, facilities, and infrastructure; resident perceptions; and the housing market

- Neighborhood classification tools using market analysis and self-assessments to categorize neighborhood conditions and link them to effective investment strategies

**Tools for Strategy Implementation**

- Tools to stimulate homeownership in central city neighborhoods

- Financing tools to improve affordability, attract mixed-income residents, rehabilitate existing properties, or encourage private development

- Non-housing components that have an impact on neighborhood quality of life, such as schools, resident associations, and social services

- Marketing tools tailored to strong and weak housing markets

South Bend Heritage Foundation
Success Factors

- Comprehensive neighborhood redevelopment plans
- Long-term incremental approach
- Reclamation of existing properties or construction of new buildings for community and commercial uses
- Professionally managed community development organization established with institutional, city, and resident representation

These tools can form the beginning of a “blueprint” for how to translate the research information into strategies for revitalizing neighborhoods.

Significant employers and universities can serve to anchor a project and make sure there is ongoing demand for housing in close proximity.

Matt Perrenod, The Housing Partnership Network, Interview, November 2004
Columbus, Ohio, with a 2000 population of 711,470, is the largest city in Ohio and the 15th largest in the nation. Unlike most metropolitan areas in the midwest, where the major city is “landlocked” by suburban jurisdictions, the boundaries of Columbus have expanded through annexation to include regional development areas. This has enabled the Columbus population to grow by 32 percent since 1970. It has also created two “cities” within Columbus: one with the classic characteristics of an urban central city, and another with significant population and economic growth. Planners in Columbus define these areas as follows:

- Older Columbus, within the city’s 1950 boundaries
- Newer Columbus, made up of areas of Columbus annexed since 1950

Older Columbus is a diverse area, with a variety of housing styles and prices, household types, racial and ethnic groups, and income levels. However, except for those areas which have gentrified, many older neighborhoods exhibit little reinvestment, low homeownership rates, slow appreciation in real estate values, and a gradual decline in the housing stock. Many census tracts show a significant loss of population to newer Columbus and the suburbs in the last 40 years and an increase in vacant and abandoned homes. The average value of a house in several areas ranges from about $30,000 to $60,000, well below the cost of building new homes or acquiring and thoroughly rehabilitating older ones.

Both the City of Columbus and Columbus Housing Partnership (CHP) understand that there will never be enough public or private subsidy to offer sufficient incentives for developers to rebuild central city neighborhoods given these economic facts. But is it possible to focus limited resources in targeted locations to help create a “tipping point” in the real estate market for homebuyers that will welcome back private capital? The city and CHP asked Community Research Partners (CRP) to undertake research with the goal of learning more about the role that central city housing development can play in stimulating neighborhood revitalization.

Through literature review, interviews with national housing experts, and case studies, the research seeks to answer key questions about successful housing and neighborhood revitalization projects and lessons about what was not as successful, including:

- Appropriate housing type, scale, and income mix
- The development context (community and neighborhood characteristics)
- Involvement of the private sector, major institutions, government, nonprofit and for-profit developers, and community-based organizations
- Non-housing project components, such as commercial development, social services, and community building
- Funding/financing models
“Tipping point” for success
Lessons learned

CRP collected data from three sources:

1. A literature review, including Internet research
2. Interviews with six national housing experts to distill theory, research findings, and innovative practices in central city housing development and neighborhood revitalization
3. Five case studies, selected for their relevance to Columbus and diversity of models and partners, with data collected through telephone interviews and document review

The report is divided into the following sections:

**Section 2, Perspectives**: Describes perspectives on housing and neighborhood revitalization, drawn from the literature review, interviews and case studies. These perspectives include the project purpose or goal (Focus), the project size and pace (Scale), and the project consumers and investors (Market).

**Section 3, Case Studies**: Presents the case study research conducted in five cities: Dayton, Ohio; Indianapolis, Indiana; Rochester, Minnesota; St. Louis, Missouri; and South Bend, Indiana. These communities were selected because they have conditions similar to Columbus and represent an interesting range of development models. The first four case studies provide details about the neighborhood conditions, partners, project components, housing scale and type, timeframe, financing, tipping point, and lessons learned in each project. The South Bend case includes two projects that illustrate key points about the role of community-based organizations and partnerships.

**Section 4, Tools for Central City Revitalization**: Describes the tools or strategies that can be used to analyze specific neighborhood conditions and match the appropriate strategies to those conditions. Also included are innovative implementation strategies that emerged from the research.

**Section 5, Appendix**: Includes the research resources and names of persons interviewed.
The City of Columbus is working to improve the overall environment in older neighborhoods to encourage both new development and property improvement by existing residents and owners. Through the Neighborhood Pride program, city departments work together to provide focused services and identify and address health, safety and code violations in Columbus neighborhoods. In addition, a number of new programs have been initiated since 2000 to spur housing development in older Columbus. These include the Columbus/Franklin County Affordable Housing Trust Corporation, Mayor Michael B. Coleman’s Partnership for America’s 21st Century City, Neighborhood Improvement Districts, and the Columbus Downtown Housing Investment Fund.

Columbus Housing Partnership is a private, nonprofit organization founded in the belief that a decent and affordable home is the cornerstone of family life and a healthy community. CHP provides high-quality, affordable housing and related services to low- to moderate-income households in Columbus and the surrounding area. Since 1987, CHP has added more than 3,200 affordable homes to the central Ohio market by partnering with lenders and businesses, governmental entities, community and faith-based organizations, developers, and community development corporations.

Community Research Partners is a nonprofit partnership of the City of Columbus, United Way of Central Ohio and The John Glenn Institute for Public Service and Public Policy at The Ohio State University. CRP provides leadership and expertise in measurement, evaluation, and research that advance human services and community development policy and practice, as a means to create positive community change. For this project, CRP worked with Keith McCormish of Public Service Consulting to conduct interviews with national experts and representatives of best practices organizations.
There are a variety of issues to be considered when undertaking central city development. Information from the literature review, interviews with national experts, and project case studies suggest that these issues can be viewed from three perspectives:

- **Focus**: the project purpose or goal
- **Scale**: the project size and pace
- **Market**: the project consumers and investors

This section explores each of these perspectives, including the pros and cons of various approaches and what each suggests for the relationship of affordable housing development to broader neighborhood revitalization.

“**Focus**” describes a project’s purpose or desired outcome. Although frequently interrelated, the goals of affordable housing production and neighborhood revitalization differ. Table 1 illustrates the different perspectives that can result when viewing a project through the narrower affordable housing or broader neighborhood revitalization “filter.”

### TABLE 1
**DIMENSIONS OF AFFORDABLE HOUSING AND NEIGHBORHOOD REVITALIZATION**

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Affordable Housing</th>
<th>Neighborhood Revitalization</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Increase the supply of affordable housing or provide assistance to eligible households</td>
<td>Improve or change elements that lead to neighborhood stability, such as a positive image, a viable real estate market, good physical conditions, and strong social connections</td>
</tr>
<tr>
<td>Customer</td>
<td>Income groups with the greatest need (usually &lt; 80 percent median)</td>
<td>Mixed-income groups, with attention to needs of low-income groups</td>
</tr>
<tr>
<td>Programs</td>
<td>Limited number of standardized products to develop or improve low-cost housing</td>
<td>Multiple offerings tailored to the neighborhood with flexible incentives to influence investment</td>
</tr>
<tr>
<td>Marketing</td>
<td>Focus on eligibility requirements</td>
<td>Focus on customer demand</td>
</tr>
<tr>
<td>Standards</td>
<td>Decent, safe, and sanitary</td>
<td>High-quality improvements that inspire investor confidence</td>
</tr>
<tr>
<td>Decisions</td>
<td>Influenced by maximizing affordability to target income group</td>
<td>Influenced by potential impact on the market, including a broad spectrum of customers</td>
</tr>
<tr>
<td>Support</td>
<td>Assistance for borrowers with affordability; education on home buying and maintenance</td>
<td>All needed consumer support services</td>
</tr>
<tr>
<td>Success Measures</td>
<td>Outputs: number of people served, units produced, etc.</td>
<td>Outcomes: resident satisfaction, property values, crime rates, neighborhood conditions</td>
</tr>
</tbody>
</table>

Sources: Boehlke, 2004; Nedland and Schubert, 2002; Turnham and Bonjorni, 2004
**Affordable Housing Focus**

Central city housing development projects often have an affordability focus, targeting households with housing needs. Generally, these are households with incomes below 80 percent of the area median income, living in substandard or overcrowded housing, or with special needs or disabilities. These projects may include the construction or rehabilitation of rental housing or owner housing or may combine rental and homeownership strategies to maximize affordability for the target income group (Nedland and Schubert, 2002).

Affordable rental housing projects preserve and expand the supply of good-quality rental units for low- and moderate-income households. “Examples include the public housing program, the Low Income Housing Tax Credit program, and local grants or low-interest loans for building or rehabilitating affordable rental housing” (Katz et al., 2003, p. 6).

Affordable owner projects seek to expand homeownership in central city neighborhoods through the production, rehabilitation, or improvement of below-market-rate housing units, homeownership counseling, and low-interest loans and downpayment assistance. These strategies help to make homeownership more affordable and accessible (Katz et al., 2003, p. 6).

Subsidies that bring down the rent or purchase price of a unit are key to central city affordable housing development. William Apgar, Senior Scholar at the Harvard University's Joint Center for Housing Studies, notes:

> Developers need to consider the price of housing and not push the price above what people in the neighborhood can afford. Lower income residents shouldn't have to pay for the entire cost of housing revitalization, and subsidy can help low-income families afford housing that has been improved. (William Apgar, Interview, November 2004)

In addition to affordability, central city housing projects may have other goals. These include improving the physical appearance of a neighborhood and encouraging middle-income households to move back into, and invest in housing in, low-income central city neighborhoods.

**Neighborhood Revitalization Focus**

A neighborhood revitalization focus is typically comprehensive, recognizing that in addition to affordable housing needs, there are other quality of life issues that must be addressed, such as crime or lack of jobs. The scope may include the enhancement of (Kennedy and Leonard, 2001):

- Physical components such as housing stock and streetscapes
- Economic components such as the creation of viable businesses and services in the community
- Social components such as increasing employment and developing neighborhood organizations

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1The generally accepted definition of affordability is for a household to pay no more than 30 percent of its income on housing.
Key elements of neighborhood revitalization are a strategically coordinated approach tailored to the type of neighborhood, activities that encompass more than housing development, and a structure that allows resident involvement in neighborhood-level planning and prioritizing. The Minneapolis Neighborhood Revitalization Program (Table 2) is an example of this approach (Minneapolis Neighborhood Revitalization Program, n.d.; Turnham and Bonjorni, 2004).

The comprehensive community initiative (CCI), or comprehensive community development, is an holistic approach to neighborhood revitalization that recognizes that social, economic, and physical conditions are interconnected (Chaskin, Joseph, and Chipenda-Dansokho, 1997). Acknowledging that housing is just one of a number of factors that make neighborhoods healthy and livable, CCIs have the following principles in common (Digh, 2002; Pitcoff, 1997; Turnham and Bonjorni, 2004):

- A comprehensive vision that addresses all of a neighborhood's systems and infrastructures, including housing, economic development, workforce development, the environment, and social, cultural, and civic institutions
- Involvement of community-based organizations
- Collaborations and partnerships among residents, neighborhood-based organizations, and the public and private sectors
- Community capacity building

Neighborhood revitalization efforts often attempt to measure success not only in terms of outputs (houses built, rehabilitated, etc.), but also in terms of less tangible outcomes such as image of the neighborhood and viability of the market. An example of these measurements is the Healthy Neighborhoods Initiative (Boehlke, 2004; Turnham and Bonjorni, 2004), which outlines outcomes and strategies to achieve them in four areas: Market, Image, Physical Conditions, and Self-Management. These outcome measures are being used in Grand Rapids, Michigan (Lighthouse Communities, Inc., 2002) and Tempe, Arizona (Apache Boulevard Residential Neighborhood, n.d.).

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**Lessons about Focus**

**Lesson:** Greater impact can be achieved through linking housing development to neighborhood revitalization and community-building strategies.

There is evidence that housing developed as part of a neighborhood revitalization strategy has greater impact on the surrounding neighborhood than a housing project alone. An evaluation of the Nehemiah Grant programs in Philadelphia and New York found that differences in project focus can result in different outcomes for neighborhoods.

In the housing-focused Philadelphia Nehemiah program, low- and moderate-income first-time homeowners moved into newly constructed affordable housing units in two distressed neighborhoods. The 135-unit and 75-unit developments were expected to increase economic activity near the sites, but evaluators found no evidence that the housing production had spillover effects in the neighborhood, such as stimulating private investment or increasing property values. The new housing development was an “oasis”...
## TABLE 2
**MODEL: MINNEAPOLIS NEIGHBORHOOD REVITALIZATION PROGRAM**

<table>
<thead>
<tr>
<th>About MNRP</th>
<th>Established in 1990 with $20 million in annual tax increment funding from the Minneapolis Community Development Agency’s Common Project, the NRP uses a decentralized participatory planning process that maximizes community input and directs efforts to collaboratively identified neighborhood priorities. The city set aside $9.8 million to coordinate the development of individual neighborhood plans. It took neighborhoods an average of 3.2 years to complete the planning process and have plans adopted by the city council. Implementation times averaged 2.8 years per neighborhood.</th>
</tr>
</thead>
</table>
| Goals | - Build neighborhood capacity  
- Redesign public services  
- Increase collaboration  
- Create a sense of community |
2. Diverse citizen participation is sought and information gathered.  
3. A draft plan is prepared.  
4. Residents and other stakeholders review and approve the plan.  
5. Plan is reviewed by the government jurisdictions for approval and funding, including how to leverage other resources.  
6. Neighborhood volunteers implement, monitor, and revise plan. |
- 46% of funds were allocated to housing, most of which—approximately 80 percent—was directed to homeowner-related activities.  
- 65% of housing allocations reserved for rehabilitation, renovation, and preservation of existing properties; 10% for the removal of blighted or vacant properties; and 6% each for homeownership and rental assistance, and housing advocacy.  
- 54 Minneapolis neighborhoods allocated $28.6 million for economic development initiatives.  
- Approximately $2.6 million allocated per neighborhood; $428 allocated per capita. |
| Lessons Learned | An evaluation found that—  
- The NRP made a significant difference in increasing the number of repairs and improvements in the housing stock and in increasing homeownership rates in Minneapolis neighborhoods.  
- Resident participation in planning is both a strength and an obstacle. There is a constant tension between what neighbors want for themselves and broader city policies or goals.  
- The plans reflected homeowner and business owner concerns most strongly. Greater emphasis should be placed on inclusion of all stakeholder viewpoints.  
- Because of the imbalance in the planning process, Phase I overemphasized renovation of existing homeowner units rather than construction of new affordable housing. In Phase II, an allocation is set aside specifically for affordable housing. |

Sources: Martin and Pentel, 2002; Minneapolis Neighborhood Revitalization Program, n.d.; TEAMWORKS, 2000
in the neighborhood, and the new homeowners had few interactions with other neighborhood residents. Homeowners reported a marked decline in community quality, in terms of schools, social interactions, and retail development, compared to their previous renter neighborhood (Cummings et al., 2001b).

In New York, the Nehemiah program was part of the city’s Ten-Year Capital Plan for Housing, which focused explicitly on neighborhood revitalization and emphasized a mix of housing types and incomes. “From the beginning … the Ten Year Plan sought to use the housing that would be produced to catalyze other forms of economic and community development. This was evident in its choice of sites and its partnerships with community-based organizations and neighborhood entrepreneurs” (Salama, Schill, and Roberts, 2003, p. 8). Housing production there generated significant benefits to the neighborhoods beyond the benefits to the housing consumers themselves (Ellen et al., 2003).

The Urban Institute’s National Neighborhood Indicator’s Partnership Project describes the importance of taking a broader approach to revitalization of central city neighborhoods:

Even if we had a fully effective set of people-based policies in America—e.g., an income maintenance system with the proper mix of assistance and incentives applied equitably across the nation—they would not be enough. There are certain types of “infrastructure” needed to equip people to take advantage of the opportunities our society has to offer … At present, such infrastructure is not at all equitably distributed. It is particularly lacking in poor neighborhoods. (Kingsley et al., 1997, p. 25)

**Lesson:** Develop a locally defined vision for success that engages key stakeholders and the whole neighborhood.

In South Bend, Indiana, the Northeast Neighborhood Revitalization Organization (see Case Studies) was created by a university and three healthcare facilities that had no history of working with government or community residents. These institutions, government representatives, and residents overcame initial mistrust in collaborating on a Northeast Neighborhood Redevelopment Plan (Phil Byrd, Northeast Neighborhood Revitalization Organization, Interview, March 16, 2005; Smith, 2003-2004).

The Kutzky Park Neighborhood Association in Rochester, Minnesota, was concerned about crime and commercial development driving out housing. First Homes assisted the association in a community-based planning process called “Imagine Kutzky,” from which emerged a vision plan that includes a special zoning overlay district\(^3\) and land-use plan amendment, design guide-

\(^2\)In Nehemiah programs, nonprofit organizations receive HUD grants to provide loans to low-income families for the purchase of new or rehabilitated housing (Cummings et al., 2001a).

\(^3\)Urban overlays, or overlay zoning districts, are superimposed over land that is currently subject to specific zoning regulations, for example, for industrial or commercial use, permitting other uses such as housing, commercial, or mixed use. A wide range of controls and conditions must be met in order to obtain site plan approval (Carman, Bluestone, and White, 2003).
lines, and market research to guide residential and commercial development (Sean Allen, First Homes, Interview, February 25, 2005; Stephanie Kilen, Imagine Kutzky Project, Interview, March 24, 2005).

Creating a shared vision for the neighborhood was identified as a key to the success of the Genesis Project in Dayton, Ohio (see Case Studies):

[A successful element was] the sense of shared citizenship, even more than the actual housing in the neighborhood. This shared vision will guide the development of a business district, upgrading of a brownfield in the area, etc. … Over the long-term, the citizen model can take over and guide future development. (Dick Ferguson, University of Dayton, Interview, March 18, 2005)

### TABLE 3: FOCUS PROS AND CONS

#### AFFORDABLE HOUSING FOCUS

**PROS**
- Stable, decent-quality housing is a starting point for other opportunities.
- Affordable housing can be a stabilizing force for families, neighborhoods, and schools.
- Output is easy to measure.
- Homeownership can help households build wealth.

**CONS**
- Communities need more than housing; jobs, services, and amenities are required for long-term viability.
- Assistance with housing affordability alone is of limited use unless investments in infrastructure and services result in a neighborhood that is a desirable place to live.
- For some low-income households, the potential benefits of homeownership may be outweighed by transaction and maintenance costs and overinvestment of income in a single asset.

Sources: Cisneros, 2003; Community Research Partners, 2003; Digh, 2002; Kingsley et al., 1997; Nedland and Schubert, 2003; Pitcoff, 2003; Rohe, McCarthy, and Van-Zandt, 2000

#### NEIGHBORHOOD REVITALIZATION FOCUS

**PROS**
- Effective revitalization strategies have a positive impact on four elements that affect neighborhood stability:
  - The image that defines the neighborhood
  - The viability and particular characteristics of the neighborhood’s real estate market
  - The quantity and quality of the physical conditions of individual houses and public spaces
  - The strength of the social connections among neighbors and with local institutions

**CONS**
- New or rehabilitated housing may attract higher-income newcomers who displace the original residents.
- The goals of affordability and neighborhood redevelopment or preservation may conflict.

Sources: Arefi, 2004b; Boehlke, 2004; Digh, 2002; Larsen, 1998
The scale of a project—in terms of land area, housing units, non-housing components, and pace and density of development—is another perspective from which to consider the impact of a housing project on neighborhood revitalization. There is, however, no single answer or formula to determine the scale that is needed in a particular neighborhood. Selecting the appropriate scale involves matching the approach to a market area so that the intervention can have the intended effect (Brophy and Burnett, 2003). Both small- and large-scale projects have been shown to have an impact on neighborhood change. However, each approach has strengths and limitations that must be balanced in making program decisions.

**Small Scale/Incremental**

Small-scale projects typically include infill development, or take an incremental “block-by-block” approach, that attempts to preserve the character of a neighborhood. Many small-scale projects begin by making modest but highly visible physical improvements that give a sense that changes are occurring. “One improvement leads to others and the chance for success multiplies as systems and solutions align to create an environment ripe for change” (Enterprise Foundation, 2003, p. 12).

In central Harlem, the Harlem Congregations for Community Improvement, a community development organization, began in 1986 with a focus on rebuilding the Bradhurst neighborhood. A study of one block’s development (Fullilove et al., 1999) found that each restored home built credibility and enabled residents to move from the physical and emotional strain of living in unsafe housing to an expanding comfort zone that increased their participation in the community.

Developers of Dayton’s Genesis Project (see Case Studies) speak of a similar “domino effect”: attention was focused on a four-block area, gradually replacing rooming houses with homeowners. This led to the creation of a neighborhood organization and interested other developers in retail projects not directly connected with Genesis (Buddy LaChance, CityWide Development Corporation, Interview, February 25, 2005; Dick Ferguson, University of Dayton, Interview, March 11, 2005).

The work of the South Bend Heritage Foundation in the formerly crime-ridden and declining Near West Side neighborhood of South Bend, Indiana, is another example of a successful incremental approach to neighborhood revitalization (see Case Studies). Over a period of 31 years, the organization has worked block by block to renovate and construct owner and renter housing, develop commercial and community facilities and undertake community organizing.

Grogan and Proscio (2000) point to a growing number of incremental, grassroots development projects that they believe have a cumulative effect: “What changed the attitudes, and therefore the odds, was neighbors’ first-hand experience of rebuilding... a string of house-by-house, block-by-block victories: renovating homes and commercial strips, rousting drug dealers,
and haranguing city officials into restoring some level of public services” (pp. 55-56). The Syracuse Neighborhood Initiative is an example of an incremental approach focused on assets-based and asset-building strategies (Table 4).

### TABLE 4

**MODEL: SYRACUSE NEIGHBORHOOD INITIATIVE**

<table>
<thead>
<tr>
<th>About SNI</th>
<th>Syracuse Neighborhood Initiative (SNI) is a nonprofit organization that seeks to create new homeownership opportunities, encourage new investment, increase property values, build community involvement, and improve the overall quality of life in neighborhoods. The SNI was developed in response to population loss, a weak housing market, and ineffective efforts to develop affordable housing. Problems with these efforts included the following: they were scattered, little neighborhood revitalization planning was being done, the focus was more on increasing the affordable housing supply than on increasing and improving demand, and housing was being developed without thorough neighborhood assessment and sound neighborhood marketing strategies.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approach</td>
<td>The SNI approach, financed with $40 million in HUD funds and $35 million from private sector sources, includes:</td>
</tr>
<tr>
<td></td>
<td>▪ Targeted, sustained, block-by-block investments</td>
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<td>▪ Collaborative planning by neighborhood residents and community development professionals</td>
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<td></td>
<td>▪ Asset-based strategies—identifying and marketing neighborhood strengths, establishing neighborhood priorities for investment, leading and leveraging the market with selective demolition and rehabilitation activities, and facilitating the investment decisions of homebuyers</td>
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<tr>
<td></td>
<td>▪ Asset-building strategies for stimulating homeownership through affordable housing construction, homebuyer counseling, affordable financing through the Syracuse Neighborhood Trust Fund, and asset protection through the Home Value Protection Program</td>
</tr>
<tr>
<td>Initiative Phases</td>
<td><strong>Phase I (2000):</strong> Development of neighborhood priority projects (administered by nonprofits), the demolition of high-priority vacant structures near these priority projects, and the selective demolition of blighted houses in stable areas.</td>
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<td><strong>Phase II (2001):</strong> Inclusion of Syracuse’s ‘Tomorrow’s Neighborhoods Today’ planning councils to determine high-priority projects for their neighborhoods. Fourteen of 22 proposed projects were funded.</td>
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<td><strong>Phase III (2002):</strong> Focus on four neighborhoods with tailored programs that consist of an assortment of home improvement loans, down payment and closing cost assistance, purchase grants, and distressed property purchase assistance programs.</td>
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<td></td>
<td><strong>Phase IV (2003):</strong> Funded the Home Value Protection (HVP) program administered by Home HeadQuarters (see description, Table 12).</td>
</tr>
</tbody>
</table>

However, small-scale projects do not always have desired effects on broader neighborhood revitalization:

“If the money spent on housing rehabilitation and construction, streets, sidewalks, curbs, landscaping, streetscaping, workforce development, and education does not rise above the turning point threshold, the conditions of life in that neighborhood will not be changed significantly….small, incremental improvements in neighborhood condition will not fundamentally change the community unless those little investments are sufficient to push the neighborhood beyond the turning point.” (Taylor and Cole, 2001, pp. 12-13).

Large Scale/Comprehensive
The aim of large-scale development is often the creation of a new neighborhood or community. However, a comprehensive project may also have a goal of revitalizing and preserving an existing neighborhood. Candidates for large-scale development include severely blighted neighborhoods with the highest levels of abandonment and deterioration or weak markets where a more dramatic and comprehensive approach is required in order to achieve the desired market effects (Brophy and Burnett, 2003; Neighborhood Reinvestment Corporation, 2002). “Getting to scale to meet serious needs demands sustained, focused and targeted investments involving strategic alliances and multiple approaches” (Enterprise Foundation, 2003, p. 12).

The comprehensive community initiative described earlier is an example of a large-scale concept. “Scale” here describes not only the physical or geographic size of the project, but the magnitude of community change that is envisioned in the lives of neighborhood residents. Examples include the Comprehensive Community Revitalization Program in the South Bronx and the Community Building in Partnership in the Sandtown-Winchester area of Baltimore. Sandtown-Winchester is a 72-block, comprehensive initiative that included community building, physical and economic development (including housing), health and human services, and education (Middaugh and Bowshere, 1998). These large-scale projects involve (Kleiner, et al., 2004):

- Planned action on the part of a representative cross-section of the community
- The mobilization and participation of a broad, diverse coalition of citizens within a community
- The generation of awareness of community issues and problems, as well as a sense of commitment, common purpose, and empowerment on the part of community members
- The strengthening of human capital by equipping people with the skills, know-how, and creativity necessary to carry out common goals
- The establishment of collaborative networks across agencies, organizations, and individuals
Fall Creek Place in Indianapolis involved the successful redevelopment of a 26-block, 160-acre neighborhood, and is an example of a large-scale project driven by significant new housing development (see Case Studies). Like many large projects, this effort required the assembly of large parcels of land and the aggregate capacity of partners to finance, plan, and execute projects on a grand scale (Chris Palladino, Mansur Real Estate Services, Interview, February 11, 2005).

San Diego’s City Heights Urban Village (Table 5) is an example of public-private collaboration in a large-scale, holistic project. This project stimulated neighborhood improvement through the development of new institutional and commercial uses, while providing incentives to increase homeownership and improve the existing housing stock (City of San Diego Redevelopment Agency, n.d.).

A large-scale, comprehensive approach is not a guarantee of success and in some cases may be too big. Stakeholders in Sandtown-Winchester acknowledge missteps, such as not increasing the homeownership rate enough. In addition, some of the problems the initiative wanted to solve were not limited to the community’s boundaries and local solutions were therefore inadequate (Olsen, 2003). A lesson learned is that, like small-scale programs, large-scale projects may need to connect to city, regional, and federal initiatives in order to make progress in all of their wide-ranging goals (Smock, 1997).

**Lessons about Scale**

**Lesson:** If the goal is to fundamentally change a central city neighborhood, it is more likely to be achieved with visible, larger-scale housing development linked with other elements of a comprehensive neighborhood revitalization plan.

The scale of development that is sufficient to create a “turning point” or “tipping point” varies with the circumstances of the neighborhood and community. In the case studies included in this report, the scale of housing development ranged from the Genesis Project in Dayton, (70 unit goal) to the Westminster Place project in St. Louis (over 500 units) and Fall Creek Place in Indianapolis (over 410 units).

There is no formula for the optimal threshold of development that instigates neighborhood change. Interpretations of scale or market are best viewed from a neighborhood or community perspective, and broader outcomes in such areas as economic development, safety, health, and education must be factored into the equation. Peter Werwath, of the Enterprise Foundation, provided the following perspective on the issue of scale:

*There is no really well-defined rule when it comes to scale or the number of housing units needed to create revitalization in a neighborhood. It depends upon the size and characteristics of the neighborhood. Back when we did a comprehensive community initiative, we studied the Sandtown-Winchester neighborhood, for example, and decided we probably needed to have 1,000 units out of a total of 7,000 to 8,000 homes in the area to make a real difference.*
### TABLE 5
**MODEL: SAN DIEGO CITY HEIGHTS URBAN VILLAGE**

<table>
<thead>
<tr>
<th>About the Project</th>
<th>Project Elements</th>
<th>Affordable Housing Components</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>■ Adoption of City Heights Redevelopment Project Area (1992)</td>
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<td></td>
<td></td>
<td>■ Comprehensive, community-driven long-term master plan (1996)</td>
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<td></td>
<td></td>
<td>■ Established CityLink Investment Corporation, a private for-profit developer (1996)</td>
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<td>■ Acquisition by the city of the Vons Retail Site (1996)</td>
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<td></td>
<td></td>
<td>■ Demolition of 300+ units</td>
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<td></td>
<td>■ $137 million infrastructure improvements</td>
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<td></td>
<td></td>
<td>■ Control of the scale and quality of subsidized rental housing</td>
</tr>
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<td></td>
<td></td>
<td>■ New construction</td>
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<td></td>
<td></td>
<td>1996—new police substation and community gymnasium ($12.7 million)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1998—library, day care, theatre ($14.8 million); elementary school ($24.4 million); community service center ($2.9 million)</td>
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<td></td>
<td></td>
<td>2000—continuing education facility ($8.6 million)</td>
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<td></td>
<td></td>
<td>2001—retail center ($20 million)</td>
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<td></td>
<td></td>
<td>2002—116 townhouses and 136,000 sq. ft. office/retail building ($45.5 million)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>■ 34 of the 116 townhouses are restricted to families earning less than 50 percent of the median income for San Diego County ($30,050 for a family of four), with low downpayment, low-interest loans, and a community land trust.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>■ Home in the Heights First-Time Homebuyer Program: A partnership was created among Price Charities, The San Diego Foundation, commercial banks, and Community HousingWorks to provide first-time homebuyers with low-interest loan packages for financing homes with specified boundaries of City Heights. (See description, Table 12)</td>
</tr>
</tbody>
</table>

Sources: City of San Diego Redevelopment Agency, n.d.; Clark, 2002; Galuppo, 2004; Simril, 2002

In many of our projects, there are only certain parts of the neighborhood where we hit critical mass. I think in planning and defining neighborhoods you can probably only make a big difference in part of the neighborhood—maybe pick a three or four square-block area and focus on that to begin with. You can begin with the strongest part, which helps people see the potential of the neighborhood. Unless you have urban renewal powers for clearance of land and unwanted properties, this is a good way to start. (Peter Werwath, Interview, April 2005)
Richard Baron, developer of Westminster Place in St. Louis, had this to say about scale: “In order to reclaim the Westminster neighborhood, we needed to create a totally new market by developing a permanent new community. And we needed to do this by building enough residential units with supporting retail development.” The threshold number for critical mass is about 200 units, according to Baron (Urban Land Institute [ULI], 1997).

For projects that involve smaller-scale housing development, it is important to consider how the housing project plays a strategic role within the context of broader revitalization strategies. Although the Fairgrounds Neighborhood was the focus of redevelopment through the Genesis Project, it is within the area covered by the Rubicon Park Master Plan, which defines improvement strategies for the entire Rubicon Park District that forms the south gateway to downtown Dayton (Dick Ferguson, University of Dayton, Interview, March 18, 2005).

Lesson: Large-scale, comprehensive projects require time, collaboration, and development capacity.

Both resources and strong development capacity are key to a successful large-scale project. The Fall Creek Place project in Indianapolis faced challenges initially as they attempted to manage the work of eight separate builders (Chris Palladino, Mansur Real Estate Services, Interview, February 2005). In Rochester, Minnesota, the nonprofit organization First Homes was created by the Rochester Area Foundation to manage their employer-assisted housing development program after the initial developer was unable to cope with the task (see Case Studies) (Sean Allen, First Homes, Interview, February 25, 2005).

Peter Werwath notes:

Development organizations and key partners need to have the capability and competence to engage in larger-scale projects. Smaller CDCs and housing development agencies generally don’t have the ability to engage larger projects and initiatives. Nonprofits and government agencies might want to ask the housing code enforcement and building permit folks which housing builders or renovators are doing good work. (Peter Werwath, Interview, November 2004)

Lesson: A large-scale project requires strategically targeted advance funding commitments from local government, private funders, and other appropriate sources.

Local government and other major funders play an important role in jump-starting a large-scale project. The City of Indianapolis used a HUD Homeownership Zone grant to assemble land for Fall Creek Place (see Case Studies). The city also committed $13 million in TIF funding to finance infrastructure improvements, which included new streets, curbs, sidewalks, alleys, streetlighting, landscaping, and water and sewer connections for each lot; and underwrote the costs of removing subsurface debris from the lots of demolished units (Chris Palladino, Mansur Real Estate Services, Interview, February 11, 2005; ULI, 2004).
In South Bend, Indiana, each of the Northeast Neighborhood Revitalization Organization’s private partners committed $70,000 per year for 5 years and recently renewed the commitment for another 5 years (see Case Studies). The money is being used for operations, planning, and development costs (Phil Byrd, Northeast Neighborhood Revitalization Organization, Interview, March 16, 2005).

Mark Weinheimer, Director of Cities Program, Living Cities, described the important role of local government in large-scale projects:

> Large-scale projects need to have active support from local government to help smooth the path to success. City and county officials can help get people interested in the project and reassure neighbors, developers, and investors about the long-term success of the project. Are city officials prepared to try new programs and incentives for development? (Mark Weinheimer, Interview, November 2004)

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**TABLE 6: SCALE PROS AND CONS**

<table>
<thead>
<tr>
<th>SMALL-SCALE/INCREMENTAL</th>
<th>LARGE-SCALE/COMPREHENSIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROS</strong></td>
<td></td>
</tr>
<tr>
<td>Retains the fabric of the neighborhood by effecting change incrementally</td>
<td>Produces more dramatic change quickly</td>
</tr>
<tr>
<td>May avoid bureaucratic entanglements and overblown expectations</td>
<td>Strengthens neighborhood capacity to effect change</td>
</tr>
<tr>
<td>Can be effective when connected to an overall vision for neighborhood change</td>
<td>Leverages multiple financial sources and cross-sector support</td>
</tr>
<tr>
<td><strong>CONS</strong></td>
<td></td>
</tr>
<tr>
<td>Takes more time</td>
<td>May displace low-income residents</td>
</tr>
<tr>
<td>May be less likely to attract new market-rate investors</td>
<td>Can threaten neighborhood character and heritage</td>
</tr>
<tr>
<td>Attracts fewer resources and has a narrower base of support</td>
<td>Demands resources and time for planning, consensus building, decision making, and problem solving</td>
</tr>
</tbody>
</table>

Sources: Arefi, 2000a; Ellen et al., 2003; Grogan and Proscio, 2000

Sources: Brown, Butler, and Hamilton, 2001; Chaskin, Joseph, and Chipenda-Dansokho, 1997; McNeely, 2002
The market describes a project’s intended “consumers” (people who live, work, shop, and otherwise patronize neighborhood facilities), as well as “investors” (funders and others who invest resources in the project and neighborhood). In some cases a person or organization may be both a consumer and investor. In order for a central city housing development and neighborhood revitalization project to be successful, it is necessary to analyze and understand the current and potential markets of the geographic area and determine how the project can maximize its market potential.

There are a variety of approaches to market analysis. It can be approached from the perspective of neighborhood needs, identifying negative social, economic, and physical conditions that will be addressed and improved by the project. Another perspective is an assets-based analysis, uncovering and identifying neighborhood strengths that provide the potential for revitalization (Connerly, 2004).

Market analysis can also combine these perspectives, analyzing both the specific needs and assets of a neighborhood and tailoring the market approach accordingly. This can include goals of attracting new middle-income households to a neighborhood, while maintaining affordability and increasing assets for low-income residents.

**Needs-based Approach**

Traditionally, central city neighborhoods have been analyzed from a needs-based perspective. This approach typically focuses on identifying specific needs of a population or neighborhood, such as poverty, crime, unemployment and deteriorated housing, and implementing appropriate programs and projects to address these needs. Needs-based housing projects may address overcrowding, substandard condition of the housing stock, or housing cost burden (more than 30 percent of gross household income spent on housing) or target households that qualify for subsidies (Connerly, 2004).

Addressing these central city neighborhood needs can be an important first step to neighborhood revitalization. The Genesis Project in Dayton, Westminster Place in St. Louis, and Fall Creek Place in Indianapolis were undertaken in part to address issues such as drugs, crime, and vacant, deteriorated, and abandoned buildings (see Case Studies).

A needs-based approach is often dictated by the requirements of funding sources. Housing and community development projects often rely heavily on funding from public and philanthropic sources. These funders typically require applicants to use demographic and social indicator data, data from administrative records, and citizen input to describe the needs and gaps in neighborhoods or project target areas, and funding may be restricted to populations or locations most in need. This funding is often provided for individual projects and is not aimed at investment in a neighborhood as a potential market.
The Consolidated Plan required of communities receiving U.S. Department of Housing and Urban Development housing and community development funding is an example of a primarily needs-based approach. Although the plans require that some attention be paid to a community's institutional capacity and resources, more emphasis is placed on identifying and quantifying housing and community development needs. These needs are analyzed from a number of perspectives, including those of renters, homeowners, and homebuyers, and subpopulations such as homeless persons, the elderly and frail elderly, and persons with severe mental illness, disabilities, addictions, or HIV/AIDS (Community Research Partners, 2005).

**Assets-based Approach**

Assets-based approaches identify and mobilize a community's assets and untapped resources, which include both tangible assets such as property and financial resources and intangibles vested in the skills, knowledge, and expertise of community residents and institutions (Kretzmann and McKnight, 1993). They attempt to focus on what a community has rather than what it lacks in terms of physical, human, and social capital (Arefi, 2004b; Kretzmann and McKnight, 1993).

An assets-based approach uses strategies to attract private investment in communities by promoting what may be unrecognized neighborhood assets. This shifts the language from deficiencies to opportunities and from subsidies to investment (Weissbourd and Berry, 1999), recognizing that even neighborhoods with significant needs also have assets.

Strengths may include location, an attractive geographic feature, architectural or historic importance, an employment center (hospital, university, or an active commercial area), and active residents. In Lowell, Massachusetts, developers stopped tearing down the community's historic abandoned mills and rehabilitated them for housing, eldercare facilities, and high-tech business. Some old mills and other historic assets, such as the canals, were adapted for art and recreational uses (Toups and Carr, 2000).

The assets of a central city neighborhood are often not obvious. “When critical information is not available, not accurate, or not used by market actors, an ‘information gap’ exists” (Sabety and Carlson, 2004, p. 1). An assets-based approach has been found to be more successful if investors are provided with reliable information about the assets and redevelopment potential of distressed neighborhoods (Carr, 1999; Weissbourd and Berry, 1999) and if the return on investment is measured by more than economic indicators (Carr, 1999; Digh, 2002).

An assets-based approach to market analysis can address the information gap in the following ways (Weissbourd and Berry, 1999):

- Leading inner-city investors can share their own success stories and findings about inner-city opportunities.
- Leaders can also identify market data needs and help guide the data collection and analysis efforts.
- Public and private sector sources can identify useful inner-city market data sets and organize their collection and dissemination.
Neighborhood organizations and residents can contribute their specialized knowledge of neighborhood assets and market opportunities, resident spending power, consumer preferences and behavior, satisfaction and dissatisfaction with existing businesses, unmet consumer needs and demand, and potential market barriers.

The long-term return on investment in central city neighborhoods can be established by using measures of a variety of capital: economic, physical, human, social, and cultural (Arefi, 2004b; Digh, 2002; O’Hara, 2001). This involves monitoring neighborhood “vital signs” such as housing and community development, child and family health, safety and well-being, workforce and economic development, city services, urban environment and transit, and education. Examples include indicators such as those developed by the National Neighborhood Indicators Partnership (Kingsley, 1998) and the Baltimore Neighborhood Indicators Alliance’s Vital Signs, 40 outcome indicators that “take the pulse” of Baltimore neighborhoods (Brophy and Burnett, 2003).

Lessons about Market

**Lesson**: The central city is made up of many submarkets that require different approaches to market analysis and development based upon their specific needs and assets.

Recognizing that most central cities in large urban areas have to some extent experienced population losses and related physical, social, and economic decline, the Community Development Partnership Network (CDPN), a national membership organization, undertook research to define these “weak markets” and document how they are different from “strong markets.” Based on this, CDPN developed an approach to development that is appropriate to these different markets, with the goal of creating stronger central city neighborhoods (Brophy and Burnett, 2003).

Paul Brophy, one of the authors of the approach to community development in weak markets, notes that development needs to be compatible with market conditions and should consider whether neighborhood market values are rising or declining:

*In neighborhoods where market values are rising…strategies should include preserving housing stock for low-income residents (inclusionary zoning, “land trusts,” subsidizing purchase or closing costs for homeowners, city-financed second mortgages, etc.). In neighborhoods where market values are stagnant or declining, strategies should include creating opportunities for mixed income housing (stimulating demand through marketing, creating housing for middle income residents, homeowner rehab programs, home equity insurance, historic building tax credits, large-scale purchase and demolition, rehab abandoned properties quickly, etc.).* (Paul C. Brophy, Brophy & Reilly, LLC, Interview, November 2004)
Fostering a more diverse economic mix can trigger an economic chain reaction that, if properly managed, with attention given to the housing needs of the city’s lower-income residents, can benefit everyone.

Mallach, 2005

Lesson: Targeting a mixed-income market can support the dual goals of neighborhood revitalization and creation of affordable housing opportunities.

Frequently, a goal of central city housing development is to create mixed-income neighborhoods. By reducing subsidies and overcoming political barriers, mixed-income housing can help ensure that more units of affordable housing are built (Smith, 2002). “In the financing of mixed-income housing, the implicit subsidization may work to make units affordable or to make a mixed income project feasible from a market perspective, depending on market circumstances” (Brophy and Smith, 1997, p. 28). This process works differently in different markets:

- In weak housing markets in Emery Bay II [Oakland, California], Ninth Square [New Haven, Connecticut], and Quality Hill [Kansas City, Missouri], the subsidy from the below-market-rate units allowed the market-rate units to proceed.

- In a strong market in Timberlawn Crescent [Montgomery County, Maryland], a low acquisition price combined with market-rate rents in a competitive market produced an internal project subsidy that supported affordable rents for low- and moderate-income families.

- In Harbor Point and Tent City [Boston], federal subsidies enabled the developments to set aside units for low-income households while also providing a housing bargain that would attract market-rate tenants.

There is evidence to combat skepticism that such developments could work: healthy neighborhoods have long included a blend of incomes, mixed-income housing has been found to make no difference in the values of adjacent properties, both private and public sector developers have created mixed-income communities, and there are many sources of financing to support the development of mixed-income housing (Neighborhood Reinvestment Corporation, 2002; Urban Land Institute, 2003).

Establishing design standards that do not differentiate between market-rate and subsidized units is important to the success of mixed-income development. For the Fall Creek Place project in Indianapolis, overall design criteria were established to make the homes for low- and moderate-income households indistinguishable from the market-rate units and to construct a well-designed neighborhood that is affordable to homebuyers in a wide range of incomes (Urban Land Institute, 2004). At Westminster Place in St.
Louis, the subsidized units are integrated among and indistinguishable from the market-rate units in amenities and design quality. The developer Richard Baron feels that this approach attracts market-rate residents and creates an enduring community (Urban Land Institute, 1997).

Table 7 outlines additional considerations in developing mixed-income housing in central city neighborhoods.

**TABLE 7**

**CONSIDERATIONS FOR MIXED-INCOME HOUSING DEVELOPMENT**

Mixed-income housing works best when it both fits the neighborhood and emphasizes the basics of real estate development and management. Considerations include the following:

<table>
<thead>
<tr>
<th>Location</th>
<th>Either the project is situated in a strong market area that holds the potential of attracting renters and buyers or the developer creates a market for the project based on neighborhood assets.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design Quality</td>
<td>Successful projects include features that contribute to their appeal to both market-rate and subsidized residents. The income mix is not emphasized in marketing and there are no apparent differences in the nature and quality of subsidized and market-rate units. Lower-income units must be built to a very high standard and fit into the neighborhood.</td>
</tr>
<tr>
<td>Financial Viability</td>
<td>Prior to development, financing from a range of sources is secured to ensure the project’s long-term viability.</td>
</tr>
<tr>
<td>Income Mix</td>
<td>A sufficient number of units are aimed at the higher income population to create a critical mass. The most successful mix includes moderate-income residents who can bridge the gap between low-income, subsidized occupants and market-rate residents.</td>
</tr>
<tr>
<td>Tenure Mix</td>
<td>A project with a mixture of tenure type (rental, homeownership, or cooperative) has greater potential to maintain enough affordable housing for the lowest income groups even when property values rise. A key strategy is to reserve some units for extremely low-income families.</td>
</tr>
<tr>
<td>Excellent Management and Maintenance</td>
<td>Successful projects are professionally managed.</td>
</tr>
</tbody>
</table>

Sources: Brophy and Smith, 1997; Neighborhood Reinvestment Corporation, 2002; Smith, 2002; Urban Land Institute, 2003
Lesson: Include strategies for equitable development that minimize displacement and provide opportunities for asset development by low-income households and community organizations.

In some cities, there is a higher demand for urban living in central city neighborhoods, causing the price of housing in these neighborhoods to rise according to demand… Developers need to consider the demand for central city housing now and in the future, and whether demand will drive markets above affordability for lower income families. (Patrick Simmons, Fannie Mae Foundation, Interview, November 2004)

Revitalization of central city neighborhoods has the potential impact of gentrification—the displacement of existing low-income residents as a result of new development and increasing property values (Kennedy and Leonard, 2001). In addition to mixed income strategies that ensure a supply of high-quality affordable housing, equitable development is an approach to development that ensures that some of the financial benefits of a project remain in the community and create assets for community organizations and low-income residents. Strategies for equitable development include the following:

- Maximizing public assets for public good, for example, by turning over public land to nonprofit and for-profit entities for the development of affordable housing or community services (Kennedy and Leonard, 2001)

- Promoting double-bottom line investments that produce financial returns for investors and community benefits for residents (e.g., jobs, homes, ownership, and community capacity) (Community Development Partnership Network, 2003)

- Ensuring that some units remain affordable over the long term through cooperative ownership, limited equity ownership, federal Section 8 subsidies, community land trusts, and other long-term affordability strategies (Sean Allen, First Homes, Interview, February 25, 2005; Kennedy and Leonard, 2001)

Value recapture promotes the establishment of internal wealth-generating mechanisms within communities that are undergoing revitalization to ensure that lower-income residents benefit from redevelopment efforts in their communities (Carr, 1999). Value recapture mechanisms are specific tools and strategies that channel market-generated funds into activities that benefit residents. Models include (McCulloch and Robinson, 2001):

- Community Building Trusts, in which community residents are shareholders and primary beneficiaries. The trust receives a portion of the profits from a development project and residents have decision-making control over how the funds are allocated. An example is Market Creek Plaza, a 20-acre, mixed-use development in a San Diego central city neighborhood. A limited liability corporation has been set up to sell shares (units) directly to residents. Neighborhood investors will be included as a special class of stockholders. Training in the economics of investment is being provided to residents.
Real Estate Investment Trusts, which own a portfolio of properties. Community Development Trust in New York purchases fixed rate mortgages on multifamily rental projects for lower-income people and then packages the loans into securities to be resold to investors at a profit. CDT also acquires multifamily properties where Section 8 contracts are expiring, thus maintaining them as affordable.

Lesson: Private sector and institutional partners can play key roles as initiators and investors in stimulating neighborhood markets.

A theme throughout the literature review and case studies is the prominent role that private sector organizations—particularly institutions such as hospitals and universities—have played in a number of communities in spurring and supporting neighborhood revitalization efforts.

In San Diego, Sol and Robert Price of Price Charities, a private foundation, envisioned a wholesome, viable urban neighborhood in City Heights. With a former city councilman, they created CityLink Investment Corporation to develop and implement the master plan for the Urban Village, invested $50 million in the project, and created a partnership with local banks and a housing agency to offer a first-time buyer loan program (Galuppo, 2004).

Concerned about conditions in the neighborhoods in which they are located and the effects of scarce affordable housing on employee recruitment and retention, the Mayo Clinic in Rochester, Minnesota; Memorial Hospital, St. Joseph Hospital, University of Notre Dame, and Madison Center Psychiatric Hospital in South Bend, Indiana; and Miami Valley Hospital and the University of Dayton in Dayton, Ohio championed neighborhood revitalization projects through leadership and investment. (See Case Studies.)

McCormick, Baron, Salazar, Inc. is a private development firm that purposefully seeks areas that have been severely disinvested and redevelops them into large-scale mixed-income communities (Matthews, 2004). McCormick Baron is the developer of the successful Westminster Place project in St. Louis and the Crawford Square project in Pittsburgh.
In most of the examples found in the literature and the case studies, a diverse group of stakeholders were involved to achieve the broad goals of neighborhood revitalization. In particular, private sector and institutional partners play an important role. The following table outlines the roles of these partners in the case study projects.

<table>
<thead>
<tr>
<th>Project</th>
<th>Private/Institutional Partners</th>
<th>Role</th>
</tr>
</thead>
</table>
| Genesis Project, Dayton, Ohio | Miami Valley Hospital University of Dayton | - Initiation and early planning  
- $3 million funding from each  
- Employer-assisted housing program (Miami Valley) |
| Fall Creek Place, Indianapolis, Indiana | Mansur Real Estate Services | - Developed the master implementation plan in conjunction with key stakeholders, including the finance plan and marketing plan  
- Coordinated project implementation  
- Provides property management |
| | Urban Design Associates | - Conducted strategy and vision work with neighborhood residents  
- Prepared the urban design overlay for the project |
| First Homes, Rochester, Minnesota | Mayo Clinic | - Concerned about the lack of housing for new employees, was instrumental in funding the First Homes project and helping guide the implementation through representation on the Board of Directors  
- Opened the program not only to Mayo employees, but to all low-income working families living in Rochester |
| | Rochester Area Foundation | - Developed the concept and the target number of homes to be developed  
- Issued a Request for Proposals to develop affordable housing for working families |
| Northeast Neighborhood Revitalization Organization, South Bend, Indiana | Greater Minnesota Housing Fund (Joint effort of the McKnight Foundation and Blandin Foundation) | - Provided technical assistance to First Homes  
- Helped prepare proposals for housing developers  
- Provided assistance with housing and development guidelines |
| | Memorial Hospital St. Joseph Hospital University of Notre Dame Madison Center Psychiatric Hospital | - Invested in the NNRO in order to improve the quality of their neighborhood environment ($70,000 per year for two 5-year funding cycles)  
- Participate in NNRO governance and development of a neighborhood revitalization plan |
| Westminster Place, St. Louis, Missouri | McCormack, Baron, Salazar, Inc. | - Implemented the project, including planning, acquisition, design, development, property management, and community relations |
| | Home Builders Association | - Developed for-sale housing in the neighborhood, resulting in a greater income mix |
TABLE 9: MARKET APPROACH PROS AND CONS

NEEDS-BASED APPROACH

**PROS**
- More consistent with the criteria of affordable housing and community development funding sources
- Emphasizes affordable or mixed-income housing and commercial projects that meet the needs of current low/moderate income residents
- Addresses barriers to successful revitalization such as crime, physical deterioration and vacant structure

**CONS**
- May restrict low-income housing to certain areas
- Less emphasis on local capacity building
- Limited impact on neighborhood revitalization

Sources: Arefi, 2004b; Community Development Partnership Network, 2003; Kleiner et al., 2004

ASSETS-BASED APPROACH

**PROS**
- More likely to attract a broader range of incomes
- More positive emphasis on community assets
- More likely to appeal to private sector partners

**CONS**
- Lack of information about neighborhood assets or investor avoidance of “weak” markets
- More difficult to measure return on investment
- Potential displacement of current residents by market forces

Sources: Brophy and Burnett, 2003; Carr, 1999; Digh, 2002; Kennedy and Leonard, 2001; Kleiner et al., 2004; Weissbourd and Berry, 1999
Case Studies

Based on the literature review, interviews with national housing experts, and discussions with staff of Columbus Housing Partnership and the City of Columbus, Community Research Partners identified projects in five communities for more extensive research. These communities were selected because of geographic and demographic similarities to Columbus and because the projects offer diverse models for neighborhood development. The case study projects are:

- Dayton, Ohio: Genesis Project
- Indianapolis, Indiana: Fall Creek Place
- Rochester, Minnesota: First Homes
- St. Louis, Missouri: Westminster Place
- South Bend, Indiana: South Bend Heritage Foundation

The case study research collected data from the following sources: (1) review of literature, reports, and documents about the community and the project; and (2) telephone interviews with key individuals who could provide information and perspectives about the project. The sources for the case study information are listed in the Appendix.
**Overview**

A public-private partnership including two private anchor institutions (Miami Valley Hospital and the University of Dayton), the city of Dayton, Ohio, and a nonprofit community development corporation, the Genesis Project emerged from the area’s Rubicon Park Master Plan with the goal of transforming the Fairgrounds neighborhood into a safe, attractive, affordable place to live and work. The project improved the physical environment by upgrading infrastructure and increasing homeownership from 17 percent to 35 percent, built or renovated 44 homes, stimulated reinvestment in the Brown-Warren Business District, and stabilized social forces by increasing the numbers of permanent residents and strengthening participation in a neighborhood association.

**The Neighborhood**

The neighborhood of the Genesis project was small, only about 130-150 houses nestled between the Miami Valley Hospital and the University of Dayton. The neighborhood had a very low homeownership rate of 17 percent. There were 23 rooming houses with many unrelated people living together. Some were students at the University of Dayton, but most were low-income persons who had short-term weekly or monthly leases. There were drug and crime issues, and it had become one of the poorest neighborhoods in Dayton. Private landlords owned most of the rooming houses. Zoning allowed rooming houses when the project started, but the University did not want congregate living in the neighborhood because they could not control it. The small number of actual homeowners was mostly older people who had lived there a long time. The physical condition of homes ranged from extremely deteriorated to acceptable.

**Project Components**

1. Financial commitments from the two anchor institutions
2. Infrastructure improvements by the city
3. Purchase, demolition, and rehabilitation of properties by CityWide Development Corporation, project manager
4. Zoning changes to reduce the number of rooming houses in the area
5. Formation of the Neighborhood Life Team with funding from project partners, which assisted rooming house residents with relocation, reduced crime, and revitalized the existing Fairgrounds neighborhood association
6. Homeownership assistance in the form of deferred and forgivable loans and incentives for institution employees

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**Type of Lead Organization**

Nonprofit intermediary and developer (CityWide Development Corporation)

**Community**

Dayton is a city of 166,179 in southwest Ohio, with a median household income of $27,423; 18.2 percent of families and 23 percent of individuals are below the poverty level. The housing vacancy rate is 12.8 percent, and the owner occupancy rate is 52.8 percent. (Source: Census 2000)

**Catalyst**

The hospital and the university championed the project because of deteriorating conditions in the surrounding neighborhood.
Each project needs to have a few internal champions who can get other people to see the light. The hospital board chair was a former city commissioner who understood what development is all about. The former president of the University of Dayton was also passionate about development. … At that point the project was not real high on the city’s agenda. But the two partners were willing to put $6 million on the table, and that was hard for the city to walk away from. (Buddy LaChance, CityWideDevelopment Corporation, Interview, February 25, 2005)

### Site
A four-block area in the Fairgrounds neighborhood 1.5 miles south of downtown Dayton

### Target Market
Household incomes of $25,000-$40,000; 60% of buyers were low income (< 80% AMI)

### Key Strategies
Focus on affordable homeownership and social and aesthetic aspects of neighborhood revitalization

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<table>
<thead>
<tr>
<th>Partner</th>
<th>Role</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CityWide Development Corporation</td>
<td>Primary developer</td>
<td>Nonprofit housing development corporation whose mission is to provide leadership in the creation and implementation of strategies addressing the city’s need for economic growth and viable, attractive neighborhoods. CityWide develops new and rehab housing, provides mortgage credit counseling, and offers loans to homeowners and businesses.</td>
</tr>
<tr>
<td></td>
<td>Project manager</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Real estate management</td>
<td></td>
</tr>
<tr>
<td>Miami Valley Hospital</td>
<td>Initiation and early planning</td>
<td>Local hospital and healthcare provider in close proximity to the Genesis Project neighborhood</td>
</tr>
<tr>
<td></td>
<td>$3 million funding</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employer-assisted housing program</td>
<td></td>
</tr>
<tr>
<td>University of Dayton</td>
<td>Initiation and early planning</td>
<td>Private university in close proximity to the Genesis Project neighborhood</td>
</tr>
<tr>
<td></td>
<td>$3 million funding</td>
<td></td>
</tr>
<tr>
<td>City of Dayton</td>
<td>Early planning</td>
<td>Local government</td>
</tr>
<tr>
<td></td>
<td>Funding from local HOME, CDBG, and Development Fund sources</td>
<td></td>
</tr>
</tbody>
</table>
Housing Scale and Type
11 single-family houses rehabilitated
42 substandard structures demolished
23 infill houses constructed
5 owner-occupied homes renovated by CityWide
5 houses renovated/constructed by others

Non-Housing Components
Infrastructure
Genesis Neighborhood Life Team
Fairgrounds Homeowners Association

Timeframe
2000 – partnership formed
2002 – 9 homes completed, 10 under construction
2004 – 75% of the area redeveloped

Many low-income buyers qualified for all three buyer assistance programs and got up to $48,000, which brought the purchase price down.
Buddy LaChance, Interview, February 25, 2005

<table>
<thead>
<tr>
<th>Source</th>
<th>Use</th>
<th>Recipient</th>
<th>Amount*</th>
</tr>
</thead>
<tbody>
<tr>
<td>National City Bank</td>
<td>Construction</td>
<td>Developers</td>
<td>$4,267,000</td>
</tr>
<tr>
<td>Miami Valley Hospital/University of Dayton</td>
<td>Acquisition, construction, operating funding</td>
<td>Developers</td>
<td>$6,060,000</td>
</tr>
<tr>
<td>City of Dayton HOME</td>
<td>Buyer incentives (downpayment assistance program provided up to 3% or $3,000 for low-income buyers in the form of a deferred loan; forgivable loans of $25,000 also available)</td>
<td>Homebuyers</td>
<td>$622,000</td>
</tr>
<tr>
<td>City of Dayton CDBG</td>
<td>Infrastructure</td>
<td>Neighborhood</td>
<td>$350,000</td>
</tr>
<tr>
<td>City of Dayton Development Fund</td>
<td>Acquisition, construction</td>
<td>Developers</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Montgomery County</td>
<td>Acquisition, construction, buyer incentives ($20,000 deferred loan for eligible buyers that was repaid if they sold the home)</td>
<td>Developers, homebuyers</td>
<td>$980,000</td>
</tr>
<tr>
<td>CityWide Development Corporation</td>
<td>Home improvement loans</td>
<td>Existing homeowners</td>
<td>$350,000</td>
</tr>
</tbody>
</table>

TOTAL $13,629,000

*all costs rounded to nearest thousand
What Was Successful

- Homeownership increased from 17 percent to 35 percent; good-condition properties increased from 20 percent to 47 percent.

- The Genesis Neighborhood Life Team, including police officers, a social worker, a city housing inspector, and a credit counselor (through contracts with partners), helped stabilize social forces.

- 20 employees of anchor institutions have purchased houses.

- 17 rooming houses and 17 short-term rental properties were rezoned and/or converted to owner-occupied properties.

- Crime was reduced by 20 percent through elimination of problem properties, increase in homeownership, and more police protection.

- The neighborhood organization was strengthened for long-term sustainability.

- Infrastructure improvements (curbs, sidewalks, trees, gas lines, streets) were made.

- Private retail development was stimulated outside of the project when a group of developers bought property near the University of Dayton and built several restaurants and stores.

A contract was developed between Miami Valley Hospital and the City of Dayton to provide two additional police officers for the area. They worked with a Miami Valley Hospital social worker who was assigned to the neighborhood to get to know everyone and make sure everyone knew them. … The Family Service Association did community organizing and worked with residents when the project started, helping to get new people interested in the homes and new people into the neighborhood. (Buddy LaChance)

What Was Less Successful

- Remaining vacant land has yet to be developed due to concerns about maintaining the right mix of affordable and market-rate units.

- Lack of an urban overlay has led to zoning disputes related to commercial development.
Tipping Point

- The presence of the Neighborhood Life Team (police officers, social worker, etc.)
- Changing the rooming house situation in the neighborhood through rezoning
- Institutional leadership and investment that gave weight to the project and helped create a spirit of revitalization

There were 23 rooming houses in the neighborhood before…. There were drug and crime issues with a lot of these buildings. We purchased 17 of the 23 buildings and got the zoning changed so there could be no new rooming houses. We provided transitional services for existing residents, including money for security deposits and moving expenses, so people had a chance to move to a more stable situation and get off to a better start. (Buddy LaChance)

What Was Learned

- Shared vision is essential, but make sure that people understand the necessity of compromise to achieve good results.
- Develop affordable and market-rate housing at the same time and use market-rate profits to pay for subsidies.
- Make market-rate and assisted-purchase housing indistinguishable in appearance.
- Tie small-scale development to larger citywide effort (e.g., the Rubicon District Master Plan, adopted by the city of Dayton in 1999 as a systematic approach to developing inner-city neighborhoods).
- Elicit partner participation beyond the financial; help them see it as a long-term investment.
- An experienced community development corporation with capacity, track record, and ability to forge public-private relationships should lead.

We are learning that if you are within two miles of a university or a hospital, think big. It’s not just the money spent on development, either, it’s the economic impact of having decent housing available for employees of the larger institutions. (Dick Ferguson, University of Dayton, Interview, March 18, 2005)
Overview
The Fall Creek Place neighborhood of Indianapolis has been transformed from a crime-ridden, abandoned area into an attractive, mixed-income residential community through construction and rehabilitation of 480 owner-occupied and rental units. Stimulated by a HUD Homeownership Zone grant, the project reserved 51 percent of residences for households with less than 80 percent of area median income. Early development such as infrastructure improvements and model homes increased the demand for market-rate properties. The project featured large-scale strategic infill housing, infrastructure improvements, and retail development according to a phased master plan.

The Neighborhood
The neighborhood was terribly distressed and had seen the classic spiral of urban decline. From 1955 to 1995 the neighborhood lost about 75 percent of its housing stock, and there were many vacant structures and lots. There were so many drive-by shootings and gunfire that it was commonly known as “Dodge City.” Much of the housing was poorly maintained rental housing. There were 26 total blocks in the neighborhood and fewer than 90 owner-occupied homes. Most of the few actual homeowners were elderly couples who had lived in the community for a long time, 30-35 years. The rest of the neighborhood contained blighted structures and vacant land.

The project made sense to people with vision due to the large amount of vacant land involved and because it had a great location, near Fall Creek and several major arterial roads and adjacent to some revitalized historic neighborhoods. The neighborhood just south had seen revitalization in the mid-1990s, with rehabs of historic Victorian mansions along with infill housing development. We had to relocate some tenants, but very few. The goal was to make sure people who wanted to stay in the neighborhood could do so, and we would work around them. Most of the buildings were owned by slumlords who carved up old houses into apartments. We acquired those properties and relocated some people to other properties, but only about 20-30 households. The King Park CDC that services the neighborhood helped with this process. (Chris Palladino, Mansur Real Estate Services, Interview, February 11, 2005)
Project Components

1. Creation of master plan and market study
2. Community involvement in the planning process
3. Acquisition of vacant properties and relocation of renters
4. Infrastructure improvements (including water and sewer connections for each lot, which reduced house prices)
5. Financial assistance to builders (funding to construct model homes, lines of credit)
6. Homebuyer incentives: downpayment and mortgage assistance, residential tax abatements for home purchases prior to 2003
7. Design standards to maintain the area’s historic character and make houses for low/moderate income buyers indistinguishable from market-rate units
8. Marketing program financed by 1.5 percent fee on each home sale
9. Selection of diverse types of builders
10. Clearly defined partnership structure
Housing Scale and Type
360 single-family homes constructed
58 single-family homes rehabilitated
9 live/work units constructed
53 attached townhouses constructed

In a general sense, the demand was stronger for new homes. For people interested in the rehab homes, much of the interior work had to be done by the purchaser. Not every buyer is willing to do that. The rehabs did sell very well, and they probably got better return on investment at resale and/or appraisal. For example, one buyer paid $50,000 for a large old Victorian home and put another $125,000 into it. The property then appraised at $240,000 and sold 2 months ago for $330,000. (Chris Palladino, Interview, February 11, 2005)

For the 360 new homes, prices went from $94,000 to $350,000. For the 58 rehab homes, the prices were all over the board. Some of the rehab homes were 5,000 sq. ft. Victorian homes, whereas others were 1,300 sq. ft. bungalows. Some of the rehabs were actually done by the CDC and sold at a loss. Some sold at around $100,000, but it’s hard to price these out as the homes varied so much. Many were sold from $50,000 to $80,000 and the buyers then put in another $50,000 to $100,000 themselves. Some buyers were contractors who did the work themselves. It is hard to track the total amount put into the rehab work. (Chris Palladino)

Non-Housing Components
Infrastructure
Fall Creek Homeowners Association

Timeframe
1997 - HZ grant obtained
1998 - land acquisition, site preparation
2000 - master plan completed
2000 - Mansur selected as project developer
2001 - model homes built, marketed
2003 - first phase home construction complete
2004 - 300th home purchased
2005 - last phase, all available lots purchased

Site
26-block, 160-acre neighborhood with large amounts of vacant structures and land that required land assembly from numerous property owners. Land was acquired by the City of Indianapolis. Mansur Real Estate led the site preparation and improvements program that was funded through the city’s TIF. Mansur made the recommendations and acted as the city’s construction manager during the infrastructure improvement plan.

Target Market
51% low- to moderate income (< 80% AMI); 49% market-rate buyers; 70% of buyers were first-time homeowners

Key Strategies
Careful master planning, securing answers to anticipated challenges
Although at first glance the city’s overall costs seem high at about $20 million, the project leveraged $55 million of private mortgage funding for residential construction and $5 million for commercial construction (about a 3-to-1 ratio for private to public investment). The property tax alone brings in $1.2 million every year, and we have calculated that the residents bring $18 million of new household income into the city each year, which they are likely to spend locally. (Chris Palladino)

**Appraisal Gap Issues**

The project never had a home that appraised for less than the sale price. One reason was downpayment assistance from the city, often $20,000 or more. Another reason was the infrastructure program. The lots were sold at only $10,000, which did not even cover the cost of infrastructure or site prep. The city looked at their infrastructure investment as a long-term investment, which has already paid off with higher tax revenues from higher property valuation and intangibles such as a more vibrant downtown economy.
What Was Successful

■ Property values increased.
■ There were no foreclosures.
■ The combined incentives for homebuyers qualified some buyers for higher-priced homes.
■ The development had spillover effects on other neighborhood rehabilitation: existing residents made home improvements and three or four local contractors purchased homes and began working in the neighborhood.
■ A mandatory homeowners association created a sense of community; the association took ownership of parks that were part of the infrastructure package.
■ Many more units than expected were sold due to demand for the location.
■ The project was recognized with a HUD Model Homeownership Zone award and a builders’ association award.

The development has been very positive for the neighborhood. There is a real sense of community, which developed quickly as people realized they were part of something new. The development has resulted in a mixed community in many ways: mixed income, mixed race, a diverse group of people living together. (Sanford Garner, Marion County Alliance of Neighborhood Associations, Interview, February 10, 2005)

Housing market studies indicated that because of the level of risk with the project, we would be lucky to sell 40 or 50 homes per year. …What actually happened was quite different. We had over 100 contracts in the first 8 months. The market studies had no way to forecast how much pent-up demand there was for downtown housing. (Chris Palladino)

What Was Less Successful

■ The lack of rental properties in the development displaced those who want to or have to rent.
■ Commercial elements were slow to develop. (This was not part of the original plan; however, carefully designed retail development would have been an additional amenity to attract homebuyers.)
■ Too many charter builders initially (eight) created management and logistical challenges.

The main factors were the strength of the partners, the great location close to downtown, and the proximity to high value homes in nearby neighborhoods.
Sanford Garner
**Tipping Point**

- Instigating a dramatic turnaround in image by completely redoing the first few blocks to show what the whole development would look like

- Assembling as much land as possible to attain the critical mass needed to create a noticeable change

_We totally re-did the first few blocks when we started the construction—we did the sidewalks, street lights, parks, really everything up front, and did 9 model homes to show people this is what it’s going to look like. Then we built model homes on an adjacent block where people could see more of the quality and design features of the homes and the continuity that would occur in the neighborhood. As soon as people saw that—the style of homes and visual impact—the phase one sales just went strong after that._ (Chris Palladino)

_The first time I realized that we had really made it past the tipping point was when I came home from a Pacers game at about 10 p.m. and saw families out with their babies in strollers and their toddlers walking along the sidewalks, women out jogging alone, and people out on their front porches talking with neighbors. I thought, hey, this is a real neighborhood and these people feel very comfortable living here._ (Chris Palladino)

**What Was Learned**

- Develop exterior design guidelines: make below-market-rate homes indistinguishable from market-rate homes or rehabilitated houses.

- For people with limited financial resources, provide consumer education on buying newly constructed houses, working with builders, etc.

- Associated retail development may raise traffic, parking, noise, and code issues.
Overview
Spurred by area employers’ recruitment difficulties because of a lack of affordable housing, the Rochester Area Foundation, with support from the Mayo Clinic, established First Homes, a public-private collaborative that leveraged federal, state, and private resources to build single-family homes and rental townhouses and assist homebuyers with purchases. More than 600 units, primarily for low- and moderate-income households, have been constructed in 11 communities within a 30-mile radius of Rochester, Minnesota.

The Neighborhood
This is a scattered-site housing program. First Homes single-family homes and rental units have been built or are in the process of being built in Byron, Chatfield, Dover, Grand Meadow, Hayfield, Kasson, Pine Island, Plainview, Rochester, St. Charles, and Spring Valley, Minnesota, all within a 30-mile radius of Rochester.

Project Components
1. Initial funding from the Rochester Area Foundation and a Mayo Clinic leadership gift
2. Fundraising throughout the project, leveraging an additional $115 million
3. Downpayment assistance for income-qualified buyers; for Mayo Clinic employees, up to $30,000 at 2 percent deferred, repayable loan
4. Community land trust, through which First Homes retains ownership of the land under 62 houses and has first right to purchase if they are sold, reducing costs and ensuring a supply of affordable housing
5. Grants to housing developers

Housing Scale and Type
410 single-family homes constructed
229 below-market-rate rental units constructed

Non-Housing Components
Infrastructure
<table>
<thead>
<tr>
<th>Partner</th>
<th>Role</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rochester Area Foundation (RAF)</td>
<td>■ Developed the concept and the target number of homes to be developed  ■ Issued a Request for Proposals to develop affordable housing for working families</td>
<td>Grantmaker in the fields of arts and culture, community development, education, human services, and recreation in Olmstead County, Minnesota</td>
</tr>
<tr>
<td>First Homes</td>
<td>■ Manages the housing development program</td>
<td>Nonprofit organization created by the RAF in 1999. Annual budget is $1.2 million, with $861,000 for program services, and about $340,000 for administration. The agency has five staff members.</td>
</tr>
<tr>
<td>Mayo Clinic</td>
<td>■ Concerned about the lack of housing for new employees, was instrumental in funding the First Homes project and helping guide the implementation through representation on the Board of Directors  ■ Opened the program not only to Mayo Clinic employees, but to all low-income working families living in Rochester</td>
<td>Nonprofit health care organization</td>
</tr>
<tr>
<td>Greater Minnesota Housing Fund</td>
<td>■ Provided technical assistance to First Homes</td>
<td>Joint effort of the McKnight Foundation and Blandin Foundation, funds affordable housing projects and provides technical support to local communities and businesses</td>
</tr>
<tr>
<td></td>
<td>■ Helped prepare proposals for housing developers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>■ Provided assistance with housing and development guidelines</td>
<td></td>
</tr>
<tr>
<td>Minnesota Housing Finance Agency</td>
<td>■ Provided guidance for locating state and federal resources</td>
<td>State agency</td>
</tr>
<tr>
<td></td>
<td>■ Assisted with downpayments through low-interest mortgage revenue bond financing at below-market rates</td>
<td></td>
</tr>
<tr>
<td>Fannie Mae</td>
<td>■ Provided downpayment assistance for homebuyers</td>
<td>Federal agency</td>
</tr>
</tbody>
</table>

The Fannie 3/2® fixed-rate mortgage program offers terms between 15 and 30 years and requires only a 5 percent downpayment, with just 3 percent from the buyer’s own funds and 2 percent from a federal, state, or local government agency; nonprofit organization; employer; or private foundation. To qualify for this loan, buyers must earn no more than the area median income. First Homes worked with Fannie Mae to make it a “2/3” program instead of a “3/2”: buyers put down 2 percent and other sources contribute 3 percent. (Sean Allen, First Homes, Interview, February 25, 2005)
3. CASE STUDIES: ROCHESTER, MINNESOTA

**FINANCING**

<table>
<thead>
<tr>
<th>Source</th>
<th>Use</th>
<th>Recipient</th>
<th>Amount*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mayo Clinic</td>
<td>Start-up, construction, general expenses</td>
<td>First Homes/Developers</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Rochester Area Foundation</td>
<td>Start-up, construction, general expenses</td>
<td>First Homes/Developers</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Greater Minnesota Housing Fund</td>
<td>Technical assistance, acquisition, construction gap loans</td>
<td>First Homes/Developers</td>
<td>$3,900,000</td>
</tr>
<tr>
<td>Minnesota Housing Finance Agency</td>
<td>Acquisition, construction</td>
<td>Developers</td>
<td>$4,600,000</td>
</tr>
<tr>
<td>Local contributors</td>
<td>General expenses</td>
<td>First Homes/Developers</td>
<td>$800,000</td>
</tr>
<tr>
<td>Other equity (mortgages)</td>
<td>Acquisition, construction</td>
<td>Homebuyers</td>
<td>$38,225,000</td>
</tr>
</tbody>
</table>

**TOTAL** $52,525,000

*all costs rounded to nearest thousand

A lot of the housing is in Rochester, but we provided the option of developing within a 30-mile radius. This provides people with the choice of urban or rural living, and helps prevent flight from other communities to Rochester, so we do not hurt the tax dollar base from the smaller surrounding communities. (Karel Weigel, Mayo Clinic, Interview, March 1, 2005)
Appraisal Gap Issues

The target market for the single-family homes program is working families with low-income who want to buy a starter home. Potential homebuyers must qualify based upon income, and must be able to compete for a standard mortgage product. For example, a family of four can earn up to $54,000 and still qualify for the program. Most of the actual funding for the property and construction comes from conventional mortgage products. Some of the properties are held in a community land trust, in which First Homes holds the land for a 99-year lease with the first right to purchase the house. The intent is to ensure that lower income families still have access to starter homes.

What Was Successful

- More than 600 homes for working families were built, with no foreclosures.
- New construction influenced rehabilitation of other existing properties.
- Program guidelines, rules, etc. were adaptable as circumstances changed.
- Funds were raised from a cross-section of donors because the project was seen as an entire community need.

*Our project has been successful in stabilizing families by helping them move from rental to homeownership. I think the First Homes housing is also important in terms of the signals it sends to neighbors. You have to look at how the development fits in with the whole neighborhood.* (Karel Weigel)

*Adapting to the environment as things change. That is the key. Our program guidelines and rules have changed, and we feel everything is negotiable all the time. If we hear from builders or lenders that things aren’t working, we take them seriously…. We make it easy for the buyers, because they are our clients.* (Sean Allen)
What Was Less Successful

- Lack of diversity in design

_The one piece we’d change is to perhaps have a bit more forethought with regard to the housing design criteria. We needed the partnerships with developers up front to get the project off the ground, and that resulted in building some “cookie cutter” houses. We’d like to have more specific design criteria and have more amenities on the outside, and more diversity in the finished products._ (Karel Weigel)

What Was Learned

- It is better to choose developers based on integrity and quality rather than size or influence.
- A focus on economic development using the language of business worked better than a social justice approach.
- More specific design criteria would result in more external amenities (such as landscaping) and diversity of home styles.
- Centralized control of the process is important when working with many partners.
- Good communication/public relations helps build credibility in the community and trust among partners.
- Collaborations should bring out the best qualities of all the partners, for example, perhaps the nonprofit works well with creating social justice for low-income people, the local foundation provides investment in long-term change, and the property developers work on creating a successful market.
- One way to mitigate the effects of gentrification and maintain income diversity is to retain ownership of some properties in a central authority such as a community land trust.

_We looked at the long-term view. We wanted to do the housing development not only because it was the “right” thing to do, but also because of the huge economic impact for Rochester._

Karel Weigel
Overview
Westminster Place is a 12-block mixed-income community. The initial strategy of the city and McCormack, Baron, Salazar, a private developer, was to make significant public improvements and create a totally new neighborhood by building a critical mass of residential units. In the early phases, as many market-rate units as possible were built (with 20 percent reserved for low income). Developed in four phases, the project includes 365 apartments and townhouses, 96 assisted living units, 52 single-family homes, and retail development.

The Neighborhood
Westminster Place is in an area of St. Louis known as Midtown, which had one of the highest crime rates, including drug trafficking, prostitution, and violent crimes. There were many abandoned properties and lack of interest in investing in the neighborhood. People were leaving the neighborhood throughout the 1970s and 1980s. St. Louis University was considering pulling out of the Midtown area because of the crime and urban decay.

PARTNERS

<table>
<thead>
<tr>
<th>Partner</th>
<th>Role</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of St. Louis</td>
<td>City and former Mayor Vince Schoemehl initiated the concept</td>
<td>Local government</td>
</tr>
<tr>
<td></td>
<td>Funded the project with CDBG money</td>
<td></td>
</tr>
<tr>
<td>McCormick, Baron, Salazar, Inc.</td>
<td>Implemented the project, including planning, acquisition, design, property management</td>
<td>For-profit development firm</td>
</tr>
<tr>
<td>Home Builders Association</td>
<td>Developed for-sale housing in the neighborhood, resulting in a greater income mix</td>
<td>Socially conscious group of private builders</td>
</tr>
</tbody>
</table>
**Case Study: St. Louis, Missouri**

**Project Components**

1. Phased development to allow for financing, construction, and infrastructure work
2. Initial emphasis on market-rate units to reduce government subsidies and attract a broader income mix
3. Design that is compatible with the existing urban neighborhood fabric but includes suburban-style amenities (e.g., low-profile buildings, open space, attached garages, front lawns)
4. New units spread over a large area to get the most impact in terms of neighborhood change
5. Major support from Low-Income Housing Tax Credit
6. Property management by the developer

**Housing Scale and Type**

- 365 new apartments, including 28 market-rate townhouses, plus some home conversions into apartments
- 96 new assisted-living units for seniors
- 27 new affordable single-family homes (25 more in development)

The new development involved construction of rental units, which may be the result of a “top-down” approach to neighborhood planning. The project developer worked primarily with an architecture group to come up with the master plan for the neighborhood. The apartments are mostly Tax Credit arrangements with a mixture of affordable and market rate housing. The overall rate is 65 percent affordable to 35 percent market rate. The project did rehabilitate some of the few large single-family homes remaining in the neighborhood by dividing them into apartments. They also arranged special financing for several homeowners who wanted to stay, so they could renovate the facades of their older homes.

**Non-Housing Components**

- 145,000-square foot shopping center financed partially with an Urban Development Action Grant
- Magnet high school with preferential admission for residents
- Health care association offices
- Lodging for families of hospital patients

**Catalyst**

City concerns about high-crime neighborhood and abandoned properties, and the potential departure from the area of St. Louis University, an anchor institution

**Site**

Midtown area of St. Louis, 12-block, 90-acre area of residential and commercial redevelopment. By the 1980s the district was mostly large empty lots. Some demolition was done.

**Target Market**

Mixed income levels

**Key Strategies**

Creation of a market by developing a new community through infrastructure improvements, beginning with 80 percent market rate, 20 percent below market and phasing in a more balanced percentage over time; private developer with an understanding of market forces as the driver.
CREATING A TIPPING POINT

This project has evolved over more than 20 years. Our development and planning was divided into phases, with a few years in between the phases to let the financing, development, and infrastructure work move forward.

Richard Baron, McCormick, Baron, Salazar, Inc., Interview, March 7, 2005

**Timeframe**

1985 – master plan

1986-1987 – Phase I: 163 new apartments built (80% market rate, 20% below), renovation of existing buildings into apartments, rehabilitation funds offered to existing homeowners, shopping center built

1989-1990 – Phase II: 28 new market-rate townhouses and 84 LIHTC-financed apartments built

1991-1993 – Phase III: 90 LIHTC-financed apartments built

Mid-1990s – 27 single-family homes built

1996-1998 – 96 assisted living units built

Present – 25 single-family homes in development

**FINANCING**

<table>
<thead>
<tr>
<th>Source</th>
<th>Use</th>
<th>Recipient</th>
<th>Amount*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local banks/equity partners</td>
<td>Acquisition, construction</td>
<td>Developers</td>
<td>$12,664,000</td>
</tr>
<tr>
<td>HUD Urban Development Action Grants soft mortgage</td>
<td>Acquisition, construction of both commercial and residential properties</td>
<td>Developers</td>
<td>$4,750,000</td>
</tr>
<tr>
<td>City of St. Louis CDBG</td>
<td>Infrastructure</td>
<td>Developers/ Neighborhood</td>
<td>$3,062,000</td>
</tr>
<tr>
<td>Missouri Affordable Housing Assistance Program</td>
<td>Acquisition, construction</td>
<td>Developers</td>
<td>$2,650,000</td>
</tr>
<tr>
<td></td>
<td>State-sponsored tax credits for donating cash, equity, professional services, and real or personal property to a nonprofit community-based organization (credit equal to 55% of the value of the contribution)</td>
<td>Developers</td>
<td>$800,000</td>
</tr>
<tr>
<td>Low Income Housing Tax Credit</td>
<td>Acquisition, construction</td>
<td>Developers</td>
<td>$8,971,000</td>
</tr>
<tr>
<td>Other equity</td>
<td>Acquisition, construction</td>
<td>Developers</td>
<td></td>
</tr>
</tbody>
</table>

TOTAL $37,697,000

*all costs rounded to nearest thousand
Appraisal Gap Issues
There were no appraisal gap issues with the Westminster Place project, as the overwhelming majority of units developed were apartments. The 28 townhouses that were developed were market rate.

What Was Successful
- A new magnet high school with preferential slots for Westminster residents was built.
- Other nonprofit and institutional building projects were attracted to the area.
- The neighborhood attracted mixed-income, racially diverse residents.
- Retail space that was developed at the same time as housing provided an economic stimulus as well as an incentive for homebuyers.
- Incorporating safety features into building design helped overcome the high-crime reputation of the area.

We were interested in developing a new community, not just more affordable housing in an already distressed area... Once we got the center of the development built and the first phase of the rental housing done, people liked the design and the whole concept. Then we were able to do some additional blocks and the townhouses that were market rate. ... People felt like the neighborhood was turning around, and it did. (Richard Baron)

What Was Less Successful
- The development schedule was tied to the city’s ability to pay for infrastructure improvements. Limitations on funds, shifting administrative priorities, and compliance with the funding cycle for low-income tax credits delayed construction and dictated the decision to build in 18-month increments.

It was tough to be patient and let the different phases roll out. But we had to do that so the city could keep up with the infrastructure, and to meet the timing of Tax Credit applications. (Richard Baron)

Tipping Point
- Achieving the threshold of 200 units
- Reclaiming as much land as quickly as possible to give the appearance of large-scale change and inspire confidence
What Was Learned

- Subsidized units that are indistinguishable from market-rate units in amenities and design quality reduce the stigma of low-income development.

- Suburban-style amenities attract people who want these conveniences as well as short commutes to work.

- Working closely with public schools is a key strategy for attracting families and developing the market.

- Spending considerable time and effort on design in the beginning minimizes the need for later changes.

- The development schedule may hinge upon the availability and restrictions of public funding for infrastructure improvements.

In order to reclaim the Westminster neighborhood, we [McCormick, Baron, Salazar, Inc.] needed to create a totally new market by developing a permanent new community. And we needed to do this by building enough residential units with supporting retail development. “The threshold number for critical mass is about 200 units,” according to Richard Baron. “The key…was to reclaim as much land as quickly as possible so that the development appeared larger in scale.” This strategy reinforced the perception that the area was indeed changing and helped inspire confidence that it was becoming a neighborhood. (Urban Land Institute, 1997)
The South Bend Heritage Foundation is a 30-year-old community development corporation that has worked incrementally to preserve and redevelop the Near Westside neighborhood. Since 2000, they have collaborated with major institutions and neighborhood residents to develop a revitalization plan for the Near Northeast neighborhood.

1. Near Westside Neighborhood

Overview
South Bend Heritage Foundation, Inc. (SBHF) was incorporated in 1974 to work throughout South Bend and the surrounding county; however, its primary focus has been on the Near Westside neighborhood of South Bend. Since its incorporation, South Bend Heritage Foundation has directly invested approximately $45 million in residential and commercial development. It owns and manages 280 rental units in 4 sites and 180,000 square feet of commercial, cultural, and educational space in seven buildings. South Bend Heritage Foundation also builds and rehabilitates single-family homes. A carefully planned, incremental redevelopment process is slowly changing the quality and image of the formerly crime-ridden and declining neighborhood.

Project Components
1. Creation of a neighborhood organization
2. Completion of a comprehensive redevelopment plan
3. Purchase and selective demolition of properties
4. Construction and rehabilitation of rental and owner-occupied units
5. Reclamation of existing properties or construction of new buildings for community and commercial uses
6. Lending Enterprise for Neighborhood Development, Inc. (LEND), a start-up housing loan fund formed by SBHF to provide housing loans to low-income individuals

Community
South Bend is a city of 108,000 located about 90 miles east of Chicago in northern Indiana; 13.6 percent of families and 16.7 percent of individuals are below the poverty level. The housing vacancy rate is 7.4 percent, and the owner occupancy rate is 63.1 percent.

Catalyst
In its 31-year history, SBHF has been involved in multiple phases of community development. The organization began as an investor and developer by renovating and relocating single-family homes, working block by block. SBHF soon became involved in community organizing and advocacy and construction of new housing as well as non-housing community facilities.

A particular area of focus is the West Washington neighborhood. West Washington residents organized a public march to demand change after a string of murders and escalating crime. The South Bend Heritage Foundation organized the West Washington-Chapin Revitalization Committee to involve community members in creating a comprehensive redevelopment plan.
<table>
<thead>
<tr>
<th>Partner</th>
<th>Role</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Bend Heritage Foundation, Inc.</td>
<td>Provides housing renovation, demolition, new home construction, property management, and assistance with commercial and community-based nonprofit development</td>
<td>Community development corporation affiliated with Neighborhood Reinvestment Corporation/NeighborWorks® that began doing housing renovation in the historic West Washington Street district in the 1970s.</td>
</tr>
<tr>
<td>West Washington-Chapin Revitalization Committee</td>
<td>Leads community participation in redevelopment planning</td>
<td>Group of resident advocates organized to save the neighborhood from ongoing decline, including homeowners, older African American and Jewish residents, and young urban pioneers, such as SBHF’s Executive Director, who bought the first home in the neighborhood to be renovated.</td>
</tr>
<tr>
<td>City of South Bend</td>
<td>Invested substantial CDBG funding</td>
<td>Local government</td>
</tr>
<tr>
<td>Historic Landmarks Association of Indiana</td>
<td>Provided technical assistance and access to loans and grants for some of the historic housing renovation in the West Washington Street district.</td>
<td>Private nonprofit group working to protect and save Indiana’s historic places and educate the public about the importance of historic preservation</td>
</tr>
</tbody>
</table>

There were several factors that started the neighborhood revitalization. First, the people in the neighborhood just got tired of being the scapegoat for the entire community. … Then there were five murders in a very short period of time… That’s when a lot of meetings between the neighbors and the city and the police started. (Charlotte Sobel, South Bend Heritage Foundation, Interview, March 11, 2005)
Housing Projects
15-unit Dunbar Corner (rehabilitation for low-income tenants)
54-unit Heritage Homes Southeast (rentals)
92-unit Robertson’s Apartments (converted department store)
Northside Terrace (low-income rentals)
West Washington Street neighborhood: construction of 25 single-family homes and rehabilitation of 40 existing homes, 65-unit West Washington Place apartments

Non-Housing Projects
Chapin Market, 3-acre, $1.8 million development including a supermarket, health clinic, and laundromat
Colfax Campus, former elementary school converted to a cultural center
Charles Martin Youth Center ($1 million renovation)
Heritage Community Development Center ($1.2 million renovation)
Studebaker Museum and Archive Library
Fire station
Studio 815, a former muffler and brake repair shop being redeveloped as an art studio and classroom

Funding Sources
City of South Bend
HOME Investment Partnership Program
Indiana Housing Finance Authority’s Low Income Housing Trust Fund
NeighborWorks® America
Foundations
Commercial banks
Community Development Financial Institutions Fund
What Was Learned

South Bend Heritage Foundation staff summarize their lessons learned as follows:

- **DO** reach out to grassroots groups and support them financially.
- **DO** invite all people affected to take part in neighborhood planning.
- **DO** use the redevelopment process to acquire and re-zone land.
- **DO** create special-purpose funds for targeted reduction of physical blight.
- **DO** focus on key intersections, blocks, and other notorious “hot spots.”
- **DO** the hardest work first, to leverage follow-on private development.
- **DO** celebrate and promote individual successes and projects as they occur.
- **DON'T** lose focus, but be responsive to changes and new opportunities.
- **DON'T** expect change overnight decades of neglect take time to overcome.
- **DON'T** try to do it all from the office: get out and work with those affected.
- **DON'T** GIVE UP.

Source: City of South Bend, Indiana and South Bend Heritage Foundation, 2002
2. Near Northeast Neighborhood

Overview
On the near northeast side of South Bend, this project is a work in progress that emphasizes long-term planning and a unique partnership. A nonprofit community development corporation was created by a university and three healthcare facilities that had no history of working with government or community residents. Now all are partners in a neighborhood revitalization effort that has begun purchasing, rehabilitating, and building houses, an effort managed by the South Bend Heritage Foundation. Employees of one partner are offered employer-assisted mortgages. The neighborhood is stabilizing and the community and the institutions are participating in long-term planning.

<table>
<thead>
<tr>
<th>Type of Lead Organization</th>
<th>Community-based nonprofit organization (Northeast Neighborhood Revitalization Organization)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catalyst</td>
<td>Four large institutions created and funded the Northeast Neighborhood Revitalization Organization (NNRO) to develop affordable housing and improve the area.</td>
</tr>
</tbody>
</table>

### PARTNERS

<table>
<thead>
<tr>
<th>Partner</th>
<th>Role</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Partners:</td>
<td>Invested in the NNRO in order to improve the quality of their neighborhood environment</td>
<td>Large institutions located in the northeast neighborhood</td>
</tr>
<tr>
<td>Memorial Hospital, St. Joseph Hospital, University of Notre Dame, Madison Center Psychiatric Hospital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Bend Heritage Foundation, Inc.</td>
<td>Selected to staff and manage the NNRO</td>
<td>Community development corporation that began doing historical housing renovation 30 years ago; provides housing rehabilitation, demolition, and new home construction</td>
</tr>
<tr>
<td>Northeast Neighborhood Revitalization Organization</td>
<td>Works with the institutional partners, the neighborhood, and housing developers to rehabilitate existing homes and create new housing</td>
<td>Nonprofit group of community representatives formed specifically to work on the Northeast Neighborhood project; The board includes seven neighborhood residents, one representative each from the hospitals, and two from Notre Dame and the city of South Bend.</td>
</tr>
<tr>
<td>City of South Bend</td>
<td>Provided CDBG and HOME funding</td>
<td>Local government</td>
</tr>
</tbody>
</table>

3. CASE STUDIES: SOUTH BEND INDIANA
**Site**

13 acres with 90-100 lots and only 40-50 existing structures; 63% of homes were rental properties

**Target Market**

Mixed-income community: affordable housing for lower income households, housing for employees of institutional partners

---

**Project Components**

1. Community development organization established with institutional, city, and resident representation
2. Professional management provided by the South Bend Heritage Foundation
3. Creation of a Northeast Neighborhood Redevelopment Plan including design guidelines for signage, pedestrian flows, setbacks, garages, building materials
4. Phased development to allow for financing, construction, and infrastructure work
5. Initial emphasis on market-rate units to reduce government subsidies and attract a broader income mix
6. Major support from Low-Income Housing Tax Credit
7. Strategies include purchase and rehabilitate or purchase, demolish, and build
8. Property management by the developer

**Housing Scale and Type**

Market-rate and low- to moderate-income single-family houses

33 vacant lots or homes purchased for new construction, rehabilitation, or demolition

Madison Center Psychiatric Hospital program to purchase, rehabilitate, and build homes that employees may purchase with employer-assisted mortgages

**Timeframe**

2000 – NNRO established with 5-year funding
2002 - South Bend Heritage Foundation hired to manage NNRO
2004 – neighborhood redevelopment plan and design guidelines approved
2005 – NNRO funding renewed for 5 years
As more affluent homes are built, and we do the development on the 100 lots, with a “spot infill” approach, our hope is that commercial developers and homeowners will want to build stores and homes without our involvement. We don’t have enough money to revitalize the whole neighborhood, unless its over a long period of time. Our hope is that we don’t gentrify to an upper income neighborhood, but rather keep much of the housing in the affordable, low to moderate income category. (Phil Byrd, Northeast Neighborhood Revitalization Organization, Interview, March 16, 2005)

<table>
<thead>
<tr>
<th>Source</th>
<th>Use</th>
<th>Amount*</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of South Bend</td>
<td>Acquisition, demolition</td>
<td>$500,000</td>
</tr>
<tr>
<td>City of South Bend CDBG</td>
<td>Acquisition, demolition</td>
<td>$250,000</td>
</tr>
<tr>
<td>City of South Bend HOME</td>
<td>Acquisition, demolition, rehabilitation, buyer incentives</td>
<td>$250,000</td>
</tr>
<tr>
<td>Federal grant</td>
<td>Acquisition, demolition</td>
<td>$250,000</td>
</tr>
<tr>
<td>City of South Bend</td>
<td>NNRO administration, general development costs</td>
<td>$70,000/year</td>
</tr>
<tr>
<td>University of Notre Dame</td>
<td>NNRO administration, general development costs</td>
<td>$70,000/year</td>
</tr>
<tr>
<td>St. Joseph Medical Center</td>
<td>NNRO administration, general development costs</td>
<td>$70,000/year</td>
</tr>
<tr>
<td>Memorial Hospital</td>
<td>NNRO administration, general development costs</td>
<td>$70,000/year</td>
</tr>
<tr>
<td>Madison Center</td>
<td>NNRO administration, general development costs</td>
<td>$70,000/year</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>$1,600,000/year</td>
</tr>
</tbody>
</table>

*all costs rounded to nearest thousand
Tools for Central City Revitalization

No single strategy fits all neighborhoods. Approaches to central city housing development and neighborhood revitalization must be tailored to specific local conditions. This section summarizes a variety of tools for both analyzing neighborhood conditions and implementing housing and neighborhood revitalization strategies. They are not intended to be all-encompassing, but representative of the strategies that were identified within the scope of this research. These can form the beginning of a “blueprint” for how to translate the research findings into strategies for revitalizing Columbus neighborhoods. This section includes two types of tools:

Tools for Neighborhood Analysis

- Data collection tools
- Neighborhood classification tools

Tools for Strategy Implementation

- Homeownership
- Financing
- Non-housing activities
- Marketing

Tools for Neighborhood Analysis

Data Collection Tools

The first step in neighborhood analysis is to gather data about—

- The population and the economy in the neighborhood and citywide as it affects the neighborhood
- Housing type, tenure, and condition
- Type and condition of public and private services, facilities, and infrastructure
- Neighborhood perceptions—resident satisfaction with the quality of life and attitudes about the state of the neighborhood
- The housing market

Table 10 includes examples of the types of information needed for neighborhood analysis and potential sources of the data.
### Table 10: Types and Sources of Information for Neighborhood Analysis

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Indicators</th>
<th>Sources</th>
</tr>
</thead>
</table>
| Physical and Environmental Conditions | - Housing and building conditions (market values, code violations)  
- Traffic and street conditions  
- Other neighborhood conditions (yard and vacant lot upkeep, abandoned houses, environmental issues, drainage) | Field surveys, appraisal data, building department data, traffic and noise surveys, accident reports, environmental agency data, fire department data, public health department data, flood plain maps, direct observation, resident opinion |
| Accessibility to Public and Private Services and Facilities | - Percentage of population located near shopping, schools, parks, libraries, public transit | Census data, maps, geographic information systems |
| Quality of Local Public Services and Facilities | - Recreation  
- Schools  
- Police and fire  
- Solid waste disposal  
- Neighborhood libraries  
- Public transit service | Resident opinion, usage rates, student performance, resident opinion, crimes/arrests |
| Social Environment | - Population structure and change  
- Physical and property crime  
- Behavioral crime  
- Juvenile crime  
- Child abuse/neglect  
- Homelessness  
- Neighborhood social relations  
- Number, type, and capacity of community organizations | Census data, crimes/arrests, social services data, homeless surveys and counts, resident opinion, key informants |
| Economic Conditions | - Household income  
- Homeownership rate  
- Market values  
- Building permits  
- Housing cost/income ratios  
- Overcrowding  
- Property tax delinquencies  
- Number of residents on public assistance  
- Number of assisted housing units | Census data, property tax data, appraisal data, building department data, public assistance agencies, public housing authorities, other housing agencies |

Sources: Connerly, 2004; Kansas City Department of Housing and Community Development, n.d.; Neighborhood Design Center, 2001
Neighborhood Classification Tools

There are various ways to assess the information about neighborhoods. The Reinvestment Fund in Philadelphia uses market analysis techniques that combine real estate, economic, public safety and social indicator data with geographic information systems mapping to identify market types in local neighborhoods (The Reinvestment Fund, 2003). This method classifies neighborhoods using cluster analysis of indicators that represent the most salient characteristics of the market, such as the following:

- Housing tenure (owner or renter occupied)
- Age of housing
- Percent of units demolished
- Percent of properties vacant
- Percent of properties deemed dangerous and imminently dangerous
- Percent of properties categorized as commercial
- Year, value, type, and sale price of the most recent sale
- Percent of households surveyed with high and very high risk credit scores

Community residents’ input is also critical. For its FOCUS Kansas City Neighborhood Assessment Process, the city of Kansas City conducts Neighborhood Self-Assessments, a strategic evaluation that enables residents to assess their own neighborhood’s strengths and needs and identify the neighborhood’s “area type” based on census and housing data (Kansas City Department of Housing and Community Development, n.d.). The Reinvestment Fund involves Philadelphia neighborhood residents in the process of interpreting market analysis data based on actual neighborhood conditions (The Reinvestment Fund, 2003).

Three methods for using data indicators to develop neighborhood classifications, including those used by The Reinvestment Fund and Kansas City, are included in Table 11.
### TABLE 11: NEIGHBORHOOD CLASSIFICATION TOOLS

<table>
<thead>
<tr>
<th>KANSAS CITY NEIGHBORHOOD ASSESSMENT AREA TYPES</th>
</tr>
</thead>
<tbody>
<tr>
<td>The FOCUS Kansas City Neighborhood Assessment process assists neighborhoods in determining which of four neighborhood types (see below) they are in comparison with other neighborhoods and in determining priorities for things they can do themselves, things the private sector can do, or things that the City should do to address their specific needs.</td>
</tr>
</tbody>
</table>

#### DEVELOPING AREAS

Areas with major expanses of land that have never been developed, where development is imminent, and where some new development has occurred in recent years. Of the four area types, they are the highest in housing and population growth, high-value homes, relatively new homes, occupied housing units, family and married couple households, and labor force participation.

*Strategies:* Planning, infrastructure development, facilities and processes to transform from rural/suburban to suburban/urban settings without harming existing assets, and programs to help homeowners renovate their homes themselves.

#### CONSERVATION AREAS

Areas of any age and type of development that are in good condition and of good quality, with a strong market. They are second highest in the areas where Developing Areas are the highest (see above), and, of the four area types, have the highest owner occupancy rates, percent of elderly persons, small households, and levels of educational attainment.

*Strategies:* Enhance the existing quality of life and nip problems in the bud, including owner and renter housing maintenance, rehabilitation and improvement, code enforcement, housing for the elderly, design standards for infill development, infrastructure improvement, neighborhood beautification, and activities to create a competitive local business environment.

#### STABILIZATION AREAS

Areas of any age and type that are having relatively minor-to-severe problems with building renovation, stagnant property values, increasing vacancies, and/or a weakening market. They are second highest in the areas where Re-developing Areas are the highest (see below). Of the four area types, Stabilization Areas have the highest percentages of multi-family housing and non-family households.

*Strategies:* Preserve what is valuable and prevent decline by addressing problems and their root causes. Undertake many “standard actions” simultaneously to address housing maintenance/rehabilitation, code enforcement, absentee landlords, vacant land, crime, and traffic. Develop partnerships among residents, businesses, schools, and churches to create community anchors and a competitive local economy.

#### REDEVELOPING AREAS

Areas in which severe problems exist and the existing fabric of the area is generally gone. They are highest of the four area types in population and housing decline, older homes, vacant housing, renter occupancy, low value homes, single-parent households, elderly householders, average persons per household, school-aged children, low-income households, low educational attainment, and unemployment.

*Strategies:* Significant public and private investment to address blight and dysfunction. Human investment strategies, including community building, recreation, education, and services for youth, families, and the elderly. Multiple housing strategies that address new housing development, affordable housing, housing maintenance/rehabilitation, absentee landlords, housing for employees of nearby businesses, and financial incentives. Environmental improvement strategies that address code enforcement, weeds and trash, vacant land/buildings, infrastructure, crime, and traffic. Strategies to improve the local economy, create jobs, provide needed businesses and services, and address nuisance businesses.

Sources: Kansas City Department of City Planning and Development, 2004; Kansas City Department of Housing and Community Development, n.d.
THE REINVESTMENT FUND (PHILADELPHIA): TAXONOMY OF MARKET TYPES

HIGH VALUE/APPRECIATING NEIGHBORHOOD

Indicators:
High average housing values, population stability, housing stock generally older and in good condition, good resident credit scores

Strategies:
Supporting private market forces by removing barriers to new investment, active code enforcement, enhancing streetscape appeal and marketing neighborhood identity

STEADY NEIGHBORHOOD

Indicators:
Housing prices in these neighborhoods stable but appreciation not as strong as in other markets, high owner occupancy rates, substantial portion of the homes built post-1950, resident credit scores generally high but showing signs of erosion

Strategies:
Rapid-response to market changes that would foster neighborhood decline, including code enforcement and rapid response to vacant units or public nuisances

TRANSITIONAL NEIGHBORHOOD

Indicators:
Volatility in population; higher than average housing values; housing stock is relatively younger but in some instances, shows signs of elevated levels of vacancies, dangerous properties, demolitions and other indicators of physical deterioration; resident credit scores reflect greater risk than in other markets. Transitional Up – areas with steady and nontrivial price appreciation over the last few years; Transitional Down – areas with steady and non-trivial price depreciation, greater evidence of deteriorated housing stock and vacant housing and lots; Transitional – areas with no clear direction of sale prices.

Strategies:
Rapid response to stem neighborhood deterioration or facilitate appreciation, more aggressive programs to preserve existing neighborhood amenities

DISTRESSED NEIGHBORHOOD

Indicators:
Substantial population losses; lower than average housing values; older and more deteriorated housing stock; demolitions, vacancies, and dangerous property counts elevated; high levels of housing vacancy; low average resident credit scores

Strategies:
Building from areas of market strength through strategic site acquisition and assembly, pursuing investment partnerships with neighborhood anchors, vigorous block organizing and preservation investments

RECLAMATION NEIGHBORHOOD

Indicators:
Lowest housing values, oldest housing stock, high levels of vacancy, significant physical deterioration, substantial population loss, resident credit scores at the highest average risk levels

Strategies:
Aggressively create conditions for market investment through large-scale site acquisition and parcel marketing, land banking, and large-scale development projects

Source: The Reinvestment Fund, 2003
STABLE NEIGHBORHOODS

Indicators:
Upper middle-class and wealthy households, healthy housing markets, newly gentrified areas

Strategies:
Maintain adequate levels of municipal services; avoid regulatory practices that inhibit redevelopment; address nearby blighted neighborhoods to avoid spillover problems that threaten viability

TRANSITIONAL NEIGHBORHOODS

Indicators:
Modest level of abandonment and deterioration, high rates of homeownership, adult employment, and civic participation

Strategies:
Limited spot demolition; incentives (loans, grants, and technical assistance) for rehabilitation or purchase; code enforcement efforts to maintain and enhance the quality of the existing rental and homeowner units; improvement of public and private open spaces

BLIGHTED NEIGHBORHOODS

Indicators:
Significant levels of abandonment and deterioration, high levels of social capacity evidenced by active civic participation by a substantial percentage of neighborhood residents and the existence of effective community-based organizations

Strategies:
Selective demolition, substantial rehabilitation, some subsidized and market-rate new housing construction, identification of unrecognized assets, redesign of public and private open space to enhance livability and security

SEVERELY BLIGHTED NEIGHBORHOODS

Indicators:
Highest levels of abandonment and deterioration; housing rehabilitation not economically feasible; residents who have no other options

Strategies:
Extensive demolition and household relocation; assembly of large parcels of land for redevelopment; large-scale new construction of subsidized and market-rate housing; neighborhood revitalization: related amenities, commercial and recreational development to enhance attractiveness relative to the suburbs

Source: Johns Hopkins Institute for Policy Studies, 2004
Tools for Strategy Implementation

Tables 12-15 outline a number of innovative tools and strategies for central city housing development and neighborhood revitalization that emerged from the research. These provide strategies for stimulating homeownership, financing, non-housing components, weak and strong markets, and partnerships.

TABLE 12: TOOLS TO STIMULATE HOMEOWNERSHIP

In blighted neighborhoods, increasing the rate of homeownership is typically an important strategy for neighborhood revitalization.

EQUITY PROTECTION

Home Value Protection (HVP), a program of the Syracuse Neighborhood Initiative, provides financial protection to homeowners in the event that home prices decline in their zipcode between the time they purchase the protection and the time they sell the house, in exchange for a one-time fee. The house’s worth at the time HVP is purchased becomes its Protected Value. When the house is sold, HVP pays the mortgage (or pays the homeowner directly) if home prices have dropped in that zipcode. (Syracuse Neighborhood Initiative, n.d.)

INCREASING PURCHASING POWER (See also Table 13, Financing Tools)

The Cleveland Housing Network’s Homeward Program was created with support from the City of Cleveland, the Cleveland Foundation, local banks, Local Initiatives Support Corporation, and the State of Ohio. Designed to increase homeownership for low- to moderate-income households in central city neighborhoods, the program features:

- Discounted first mortgage financing from local lenders at interest rates that are significantly below market
- Reduced closing costs
- Deferred second mortgages financed by the City of Cleveland
- Capital write-down grants and downpayment assistance
- Comprehensive, individual homebuyer counseling

To date, the Homeward Program has generated more than $60 million in direct capital investment in Cleveland’s neighborhoods, resulting in the complete rehabilitation and sale of more than 1,000 houses. (Cleveland Housing Network, n.d.)

Fall Creek Place in Indianapolis offered several types of financial assistance for low- and moderate-income buyers. With the combined incentives of lower-interest-rate mortgages, up to $24,000 in downpayment assistance, and a 5-year property tax abatement for early buyers, a household that would ordinarily qualify for a $100,000 home could afford a $140,000 home. To stimulate interest, market-rate buyers were also offered matching downpayment assistance of up to $10,000 during the first 6 months of the project. (Chris Palladino, Interview, February 11, 2005)
COMMUNITY LAND TRUST

In the Homeownership Trust (HoT), a program of First Homes (Rochester, Minnesota), buyers purchase and receive a deed to the home and receive a 99-year, renewable lease to the lot on which their home is built. By not paying for the land, the homebuyer receives a benefit of at least $30,000, making the homes very affordable. When the homeowner chooses to sell, First Homes Homeownership Trust has the first option to purchase it. Homeowners will receive all the equity they have earned and half the appreciation in value of the home. The remainder of the appreciation is used by First Homes HoT to help ensure a permanent supply of starter homes in the Rochester area. (First Homes, n.d.)

EMPLOYER-ASSISTED HOUSING

Miami Valley Hospital, a partner in the Dayton Genesis Project, offers any employee interested in purchasing a house in the neighborhood up to $7,500 in closing costs, downpayment assistance, and/or interest rate reduction. (“Genesis Project gaining momentum,” 2002)

Concerned about the lack of affordable housing for new employees, the Mayo Clinic was instrumental in establishing First Homes in Rochester, Minnesota. The program, which provides downpayment assistance and low-interest loans to income-eligible Mayo Clinic employees, is also open to all low-income working families in Rochester. As other employer contributors joined the program, they similarly chose not to restrict eligibility to their employees. (Lipman, 2002)

The Home Ownership Center of Greater Cincinnati partners with several employers in the area. Examples include (1) The University of Cincinnati Walk to Work Program, which offers up to $2,500 in downpayment assistance to full-time employees purchasing homes in neighborhoods surrounding the university; and (2) Cincinnati Public Schools Employer-Assisted Housing Program, which offers below-market rate loans, reduced closing costs, and assistance with rehab for full-time employees purchasing or rehabilitating houses within the city school district. (Home Ownership Center of Greater Cincinnati, n.d.)
TABLE 13: FINANCING TOOLS

Innovative financing tools may be needed to implement strategies aimed at a variety of conditions, such as improving affordability, stimulating homeownership (see also Table 12), attracting mixed-income residents, rehabilitating existing properties, or encouraging private development.

LOW-INTEREST LOAN PROGRAMS

For home purchase:

Homes in the Heights Program. In the San Diego Urban Village, individuals eligible to qualify for the loan packages are either City Heights residents making below 100 percent of area median income (less than $60,100 for a family of four), or public or nonprofit employees working in City Heights. All applicants must meet minimum qualifying ratios. The program works as follows:

- The commercial bank partner provides a low-interest first mortgage on the home; borrowers can provide either three percent down or zero percent down, with a minimum of $1,500.
- Community HousingWorks finances a second mortgage on the home, valued at $25,000. Price Charities allows this mortgage to be forgiven in full by performing qualified community service in City Heights.
- Eligible buyers also may combine this package with the San Diego Housing Commission's Shared Equity Program to receive an additional silent second loan of up to $40,000.

The program has the following restrictions: (1) a maximum purchase price of $250,000; (2) the home must be occupied by the owner; and (3) HUD-approved homebuyer education is required. (Galuppo, 2004)

For rehabilitation of existing properties:

In the City of Cleveland’s Afford-A-Home program, monthly mortgage payments are made affordable by combining a local bank’s first mortgage loan at below-market interest rates, a city-sponsored interest-free second mortgage with no repayment while the homeowner occupies the house, and a low downpayment (3% of purchase, repair, and closing costs). To qualify, the house must be vacant and require repairs of at least $25,000 for a single-family structure or $30,000 for a two-family structure. Loan limits are $10,000 for household incomes of 60% or less of AMI; $10,000 or 10% of project cost, whichever is less, for 61-80% of AMI; $5,000 for 81% or higher of AMI.

Programs used in New York City’s 10-Year Plan:

- Loans to owners with city financing at 0% plus bank financing (2.5% interest for incomes under $45,000; maximum loan $20,000)
- Rehabilitation of vacant city-owned, one- to three-family homes for resale to owner/occupiers with incomes $35,000-90,000; city subsidy for second mortgage that evaporates after 25 years
- Rehabilitation of occupied rentals with article 8-A 3% loans (up to $25,000/unit); city 1% loan combined with market-rate to create a below-market interest rate loan

(Limitied-Equity Housing Cooperatives

Limited-Equity Housing Cooperatives (LEHCs) are nonprofit business corporations in which residents share ownership of a building. LEHCs limit the return on resale because the co-op members benefit from below-market interest rate mortgage loans, grants, real estate tax abatement, or other features that make the housing more affordable to current and future residents. The limitations are imposed voluntarily, being determined through the democratic participation of owner-members in governance. (National Association of Housing Cooperatives, n.d.; PolicyLink, n.d.; Rose, 2001)
**DOWNPAYMENT AND CLOSING COST ASSISTANCE USING SECTION 8 VOUCHERS**

NeighborWorks® America affiliates using Section 8 vouchers for homeownership include:

- **Burlington Community Land Trust.** The Vermont Development Credit Union provides a mortgage that is bought by the Vermont Housing Finance Agency and underwritten with the Section 8 voucher treated as household income.
- **Home HeadQuarters** (Syracuse). Conventional lenders provide first mortgages and the voucher funds go directly to the families, who use them to pay the mortgage. (NeighborWorks® America, n.d.)

**LEASE PURCHASE**

The **Cleveland Housing Network’s Lease Purchase** program offers very low-income families an opportunity to own their home eventually, while salvaging single-family houses in need of fundamental repair. The first to link the Low Income Housing Tax Credit (LIHTC) with a lease-to-purchase option, the program is financed through the syndication of LIHTC resulting in a 72% equity contribution, leveraging 28% in private and public investment. The program is specifically designed to keep monthly payments as low as possible through reduced first mortgage rates and soft second mortgage funds contributed by the City of Cleveland, and the State of Ohio. The Lease Purchase also supports new infill construction in older neighborhoods. The program has generated more than $100 million in direct capital investment in Cleveland’s neighborhoods, supporting the rehabilitation of 1,700 existing houses and the construction of more than 150 new ones. (Cleveland Housing Network, n.d.)

**TAX INCREMENT FINANCING**

Tax increment financing is a way for governments to use increased tax revenues generated by property improvement to finance development incentives or subsidy in a designed project area.

- $13 million in tax increment financing was used by the City of Indianapolis to finance Fall Creek Place’s infrastructure improvements, including new streets, curbs, sidewalks, alleys, streetlighting, landscaping, and water and sewer connections for each lot. (Chris Palladino, Interview, February 11, 2005)
- The **Minneapolis Neighborhood Revitalization Program** was established with $20 million in annual tax increment funding from the Minneapolis Community Development Agency. (Minneapolis Neighborhood Revitalization Program, n.d.)
- In the **First Homes** program, the City of Rochester, Minnesota, provided $8.4 million in tax increment financing to assist in the development of 100 affordable townhomes for rent and 125 single-family homes for purchase. (First Homes, n.d.)

**PROGRAMS FOR DEVELOPERS**

Tools used in **New York City’s 10-Year Plan:**

- For rehabilitation of vacant rentals, clusters of buildings are transferred to private developers (with a guarantee of affordable rents) with 1% city loans (up to $37,000/unit)
- For construction of new rentals, the 421a Affordable Housing Program gives developers city certificates for property tax exemptions (Schill et al., 2002)
TABLE 14: NON-HOUSING COMPONENTS OF NEIGHBORHOOD REVITALIZATION

When neighborhood analysis reveals issues such as crime, school quality, or the need to attract a broader range of incomes, non-housing activities are important strategies for neighborhood revitalization.

HOMEOWNERS ASSOCIATION

Mansur Real Estate, the developer of Fall Creek Place in Indianapolis created a mandatory Home Owner’s Association (HOA). The HOA does some property management, holds social events, maintains parks, has a neighborhood crime watch, and publishes a newsletter and website. These activities have created a sense of community. (Chris Palladino, Interview, February 11, 2005)

SCHOOLS

Working closely with the public schools was a key strategy McCormick, Baron, Salazar used at Westminster Place in St. Louis. A good public school system is a major factor in attracting families and developing a market for single-family homes. A new magnet high school that specializes in science and technology was built for the area. Families who live in the neighborhood have preference for admission. (Richard Baron, Interview, March 7, 2005)

Miami Valley Hospital offers private school tuition assistance to employees who purchase homes in the Dayton Genesis Project neighborhood. (“Genesis Project gaining momentum,” 2002)

SOCIAL SERVICES

An overarching strategy of the Dayton Genesis Project is to enhance the social environment while improving physical conditions. The Genesis Neighborhood Life Team is composed of a neighborhood life coordinator, two community-based police officers, a social worker from Miami Valley Hospital, a city housing inspector, a credit counselor, and two Family Service caseworkers. The team has reduced crime, assisted residents with quality of life issues, and is a key factor in making Dayton’s Fairgrounds Neighborhood a unique community. (Buddy LaChance, Interview, February 25, 2005)

MARKETING SUBURBAN-STYLE AMENITIES

To attract a mixed-income population, Westminster Place in St. Louis was marketed as a suburban oasis within the city. The marketing strategy was to appeal to individuals who want to live close to work and avoid long commutes, but who also wanted suburban-style amenities and conveniences. Many of the design elements are distinctly suburban. The maximum building height is three stories. Instead of building apartments out to the curb, they were set back from the street. To overcome the area’s reputation as a high-crime location, security features in the project design (alarm systems, locked front entrances, attached garages) were highlighted. (Urban Land Institute, 1997)
TABLE 15: TOOLS FOR STRONG AND WEAK MARKETS

The condition and character of central city neighborhood can vary greatly, with some representing strong markets and others having the characteristics of weak markets (see Table 11). The following are tools to address these markets.

STRONG MARKETS

The following are key strategies for strong central city markets (Katz et al., 2003):

- Increase the stock of modestly priced rental and homeowner units in neighborhoods where demand is high
- Help low-income renters and home buyers with affordability problems (See Tables 12 and 13 for examples.)
- Create homeownership opportunities for immigrants in neighborhoods where house values are rising

WEAK MARKETS

Baltimore, Cleveland, Philadelphia, and Pittsburgh are “weak market” cities that have successfully used some of the following strategies to revitalize neighborhoods (Brophy and Burnett, 2003; Burnett, 2003):

- **Take a partnership approach.** In weak market cities such as Cleveland, Philadelphia, and Baltimore, a community development partnership exists that enables the philanthropic, banking, corporate, government and nonprofit communities to pool resources.
- **Conduct sophisticated market analysis** that might use geographic information systems tools. For example, The Reinvestment Fund created a typology that categorizes Philadelphia neighborhoods according to their strengths relative to broader regional markets and matches investment strategies to their particular market challenges. (See Table 11.)
- **Develop flexible financial tools** such as tax credits for building and rehabilitation housing. (See Table 13 for examples.)
- **Provide incentives** to encourage residents of all incomes to move in and buy homes. (See Table 12 for examples.)
- **Market neighborhoods.** For example, the Central Philadelphia Development Corporation and Live Baltimore are developing marketing campaigns based on the unique assets that distinguish older, urban neighborhoods from their suburban counterparts.
- **Make neighborhoods clean and safe.** For example, the Detroit Shoreway Community Development Organization in Cleveland has developed an extensive array of resident-led and CDC-supported crime and safety activities including block clubs, code enforcement, and CB radio patrols to crack down on drug trafficking, enforce curfews, and close nuisance businesses.

Housing strategies developed for weak market cities such as Baltimore include (Johns Hopkins Institute, 2000):

- **Substantially reduce the total number of housing units** in order to restore a healthy balance between supply and demand and to increase incentives to invest in housing in all market sectors.
- **Provide a mix of additional incentives to stabilize and upgrade the physical quality of the existing stock** including the units themselves and associated private and public open space and other amenities.
- **Expand the development of units that can attract middle-income residents** to restore the city’s income mix, with initial focus on young persons without children and older “empty nesters” and in the longer term on families with children as well.
Appendix

- References
- National Experts Interviewed
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Miller, Bob, Director, Minneapolis Neighborhood Revitalization Program (Interview, April 19, 2005).


5. APPENDIX


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Simmons, Patrick, Manager of Housing Demography, FannieMae Foundation Office of Housing Research (Interview, November 2004).


Sobel, Charlotte, Director of Real Estate Planning and Development, South Bend Heritage Foundation (Interview, March 11, 2005).


Taylor, Marguerite, Board Member, Northeast Neighborhood Revitalization Organization (Interview, March 23, 2005).


Weigel, Karel, Community Relations Administrator, Mayo Clinic (Interview, March 1, 2005).

Weinheimer, Mark, Director of Cities Program, Living Cities (Interview, November 2004).


Werwath, Peter, Vice President of Program Services, The Enterprise Foundation (Interview, November 2004).

Werwath, Peter, Vice President of Program Services, The Enterprise Foundation (Interview, April 2005).
National Housing Experts Interviewed

William Apgar, Senior Scholar
Harvard University's Joint Center for Housing Studies
Cambridge, Massachusetts

Paul C. Brophy, Principal
Brophy & Reilly, LLC
Columbia, MD
(also member of Enterprise Foundation Board of Trustees)

Kathryn Gibbons, Management Consultant
NeighborWorks® America
Cincinnati, OH

Matt Perrenod, Director of Housing Development
The Housing Partnership Network
Boston, Massachusetts

Patrick Simmons, Manager of Housing Demography
FannieMae Foundation, Office of Housing Research
Washington, DC

Mark Weinheimer, Director of Cities Program
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Washington, DC

Peter Werwath, Vice President of Program Services
The Enterprise Foundation
Columbia, MD

Case Study Interviews and Source Materials

Genesis Project, Dayton, Ohio

Interviews

Dick Ferguson, Executive Director, Fitz Center for Leadership Change, University of Dayton (March 18, 2005)

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*Source Materials*


**First Homes, Rochester, Minnesota**

*Interviews*

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*Source Materials*


**Westminster Place, St Louis, Missouri**

*Interview*

Richard Baron, President and CEO, McCormack Baron & Salazar (March 7, 2005)

*Source Materials*


South Bend Heritage Foundation, South Bend, Indiana

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Phil Byrd, Project Director, Northeast Neighborhood Revitalization Organization (March 16, 2005)

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Source Materials


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